



DELAWARE COUNTY SOLID WASTE AUTHORITY
(A Component Unit of Delaware County)
MEDIA, PENNSYLVANIA

BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2021

DELAWARE COUNTY SOLID WASTE AUTHORITY
(A Component Unit of Delaware County)
MEDIA, PENNSYLVANIA

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INDEPENDENT AUDITOR'S REPORT

May 9, 2022

To the Board of Directors
Delaware County Solid Waste Authority
Media, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary fund of the Delaware County Solid Waste Authority ("the Authority"), a component unit of Delaware County, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the business-type activities and fiduciary fund of the Authority as of December 31, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America,

To the Board of Directors
Delaware County Solid Waste Authority

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 Authority's ability to continue as a going concern for one year after the date that the financial statements are 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 opinions. 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 Authority'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 Authority'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.

To the Board of Directors
Delaware County Solid Waste Authority

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and the schedule of changes in the Authority's net pension liability, investment returns, and related ratios and schedule of Authority contributions 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenses – budget to actual and capital projects fund – budget to actual are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenses – budget to actual and capital projects fund – budget to actual have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2022 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

**DELAWARE COUNTY SOLID WASTE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
FOR THE YEAR ENDED DECEMBER 31, 2021**

This section presents management's discussion and analysis of the Delaware County Solid Waste Authority's ("the Authority") financial performance during the fiscal year ended on December 31, 2021. This information should be read in conjunction with the Authority's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS AND FUTURE ACTIVITIES / ECONOMIC EVENTS

Management of the Authority underwent substantial change during the year. The long time CEO of the Authority died in May. In December, the Authority hired an Interim CEO who has a strong record of success as the former CEO of a large Pennsylvania county waste authority. The Authority's financial condition is stable, and 2022 revenues are projected to cover both operating and capital investment necessary for the year.

Special Notes

Tipping Fees: Prior to 2009, the Authority did not charge a tipping fee for residential waste from Delaware County. Residential waste represented approximately 65 percent of all Delaware County waste received at the time. In lieu of a tipping fee, the County would grant the Authority an annual appropriation that was to approximate the revenue received from an equivalent amount of commercial waste or about \$61.00 per ton in 2008. At the conclusion of 2008, the Authority's net asset position was \$53.3 million. Beginning in 2009, the Authority established a tipping fee for residential waste as the County decided it would no longer provide an annual appropriation. The initial residential waste rate was \$15.90/ton or \$47.10/ton less than the commercial rate of \$63/ton. As a result of the large gap between disposal rates, the Authority's net position decreased from \$53,301,253 as of December 31, 2008 to \$6,832,580 as of December 31, 2021 (see page 12), which represents a decrease of \$46,468,673 in net position from 2008 to 2021. Through 2018, the residential waste fee remained a minimum of \$30/ton less than the commercial waste fee. As noted below, the Authority raised the residential rate aggressively the last three years to be within \$2 of the current commercial waste rate in 2022. In order to offer an option to some of the residential waste rate increase, the Authority initiated a \$5 per ton discount to municipalities if they delivered their residential waste directly to the Covanta facility bypassing the transfer station. While the result of this discount lowered contract hauling fees to the Authority, it resulted in increased waste hauling traffic into the City of Chester where the Covanta facility is located.

Closure/Post Closure: Note 8 describes in detail the Authority's Closure and Post Closure obligations for its Rolling Hills Landfill. In 2013, the Authority's Department of Environmental Protection ("DEP") required obligation was approximately \$17 million. At that time, the Authority had fully funded its obligation at 100 percent with \$17 million in cash. In 2014, the Authority transferred all \$17 million from the Closure/Post Closure account to its operating account. Since that time, the Authority has not funded the account, but has instead secured an annual surety bond as its guarantee to fund this obligation whenever the landfill closes. In the event the Authority would not have the funds at the time the landfill closed permanently, the surety company has the power to take ownership of Authority assets, and the Authority may be required to obtain funds through other sources, including liquidation or other sources including those of the County of Delaware.

**DELAWARE COUNTY SOLID WASTE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
FOR THE YEAR ENDED DECEMBER 31, 2021**

Municipal Waste Management Plan (“MWMP”) Update: DEP requires that every county in Pennsylvania update its MWMP every 10 years. Delaware County (“the County”) initiated this process in 2021. In the past, the Authority has always had responsibility for implementing the primary components of the MWMP. Prior to initiating the MWMP, the County expressed a clear desire to address waste reduction, sustainability, and environmental impact as concepts to be incorporated in the resulting plan. The anticipation of incorporating these concepts in the new MWMP were key to the Authority’s basis of negotiation with Covanta Delaware Valley as noted in more detail in the bullet below.

2021 highlights include:

- The Authority disposed of 591,394 tons of ash and other waste at the Rolling Hills Landfill during the period, down 9 percent from the year before.
- The Authority received 405,300 tons of municipal waste from its Delaware County customers. Approximately 390,000 tons of this waste was delivered to the Covanta plant in Chester, Pennsylvania. The remaining tons were disposed at the Fairless Landfill in Falls Township, Pennsylvania.
- In the fourth quarter of 2021, the Authority initiated negotiations with Covanta Delaware Valley to extend its disposal agreement scheduled to expire April 30, 2022. The negotiation amended contract language that now allows flexibility (without financial penalty) to address anticipated county municipal waste initiatives throughout the duration of the contract. In particular, there is no longer a “put or pay” requirement which had been a long-standing contractual provision since the facility began operation in 1992.
- After some years of stagnant tipping fee rates, the Authority began a program of progressive fee increases to begin addressing operational and capital investment needs. In 2019, the Authority increased fees for residential waste, the first increase in six years. Rates were again increased modestly in 2021. In December, and necessary to fund its Phase I Rolling Hills Landfill expansion without the incurrence of debt, the Authority raised rates to begin in 2022 approximately \$20 per ton for residential waste (to \$78/ton) and \$10 per ton for commercial waste (to \$80/ton). Future rate increases are anticipated to be measurably less.
- Total assets and deferred outflows of resources at year-end were \$41,116,915 and exceeded liabilities and deferred inflows of resources in the amount of \$6,832,580 (i.e. net position). The restricted portion of net position represents that amount required to secure a letter of credit as collateral for a surety bond that is maintained in place for requisite post closure costs and the net pension asset.
- Total net position increased from 2020 to 2021 in the amount of \$2,393,573, which includes such non-cash items such as depreciation and depletion costs of \$4,848,795, and a reduction in post closure costs of \$2,768,953. Actual operational costs, without regard to the above, resulted in an operational surplus of approximately \$4,393,128.

**DELAWARE COUNTY SOLID WASTE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2021**

- The Authority anticipates a debt issuance in 2023 in order to replace its two existing 43-year-old transfer stations with new ones. Proceeds will also be used to fund further landfill expansion phases.
- The Authority's operating revenue decreased during the period by approximately \$285,979, to \$42,035,532, primarily due to less commercial waste revenue. Municipal waste disposal revenue increased slightly to \$11,238,864. Operating expenses (not including depreciation, depletion, or post closure costs) decreased by \$494,345 (-1 percent) to \$37,642,404. Notable cost increases included Covanta at \$936,944 (+5.6 percent) as a result of more tons processed at a higher cost per ton. Contract hauling expenses from our transfer stations increased by \$644,087 (+7.2 percent) for similar reasons.
- The Authority received an expansion permit from the Pennsylvania Department of Environmental Protection (PADEP) for its Rolling Hills Landfill. This expansion allows for an additional 8.8 million cubic yards of capacity and is expected to increase the landfill life by 14 to 20 years depending upon the quantities and types of waste received. The Authority anticipates completing Phase I of the landfill expansion in September 2022.
- The Authority anticipates a debt issuance in 2023 in order to replace its two existing 43-year old transfer stations with new ones. Proceeds will also be used to fund further landfill expansion phases.
- The Authority provides a pension plan for its employees. The Plan is well funded and is in excess of its actuarial obligations shown on these statements as a "net pension asset" in the amount of \$222,219.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority is a single enterprise fund and is a 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 supplementary 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.

**DELAWARE COUNTY SOLID WASTE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2021**

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.

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 Authority, through current operating revenues, has developed a capital projects and equipment fund and periodically transfers surplus funds to the capital fund to be available for continuing capital projects and equipment purchases.

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, increased by \$2,393,573. 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 2020 to 2021.

**DELAWARE COUNTY SOLID WASTE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2021**

**TABLE 1
SUMMARY STATEMENT OF NET POSITION
DECEMBER 31,**

	<u>2021</u>	<u>2020</u>	<u>% Increase/ (Decrease)</u>
Current assets	\$15,115,738	\$17,703,284	-14.62%
Non-current assets	25,207,870	26,613,964	-5.28%
Net pension asset	222,219	720,854	-69.17%
Deferred outflows	571,088	81,374	601.81%
Total Assets and Deferred Outflows of Resources	<u>41,116,915</u>	<u>45,119,476</u>	-8.87%
Current liabilities	4,203,965	7,045,330	-40.33%
Noncurrent liabilities	29,445,182	32,879,481	-10.45%
Deferred inflows	635,188	755,658	-15.94%
Total Liabilities and Deferred Inflows of Resources	<u>34,284,335</u>	<u>40,680,469</u>	-15.72%
Net investment in capital assets	17,326,309	18,169,453	-4.64%
Restricted	1,472,219	1,970,854	-25.30%
Unrestricted	<u>(11,965,948)</u>	<u>(15,701,300)</u>	-23.79%
Total Net Position	<u>\$ 6,832,580</u>	<u>\$ 4,439,007</u>	

**TABLE 2
SUMMARY STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31,**

	<u>2021</u>	<u>2020</u>	<u>% Increase/ (Decrease)</u>
Revenue			
Commercial waste	\$ 21,577,240	\$ 22,311,212	-3.29%
Covanta ash disposal	8,535,295	8,401,188	1.60%
Delco municipal waste disposal	11,238,864	10,722,777	4.81%
Recycling and other grant revenue	99,791	103,207	-3.31%
Other revenue	584,342	783,127	-25.38%
Gain on sale of capital assets	165,016	-	100.00%
Investment income	83,792	186,085	-54.97%
Total Revenue	<u>42,284,340</u>	<u>42,507,596</u>	-0.53%

**DELAWARE COUNTY SOLID WASTE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2021**

**TABLE 2
SUMMARY STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31,**

	<u>2021</u>	<u>2020</u>	<u>% Increase/ (Decrease)</u>
Expenses			
Salaries, wages, and employee benefits	2,533,643	2,519,004	0.58%
Contractual services, maintenance, and supplies	3,078,645	3,731,663	-17.50%
Contract hauling fees	9,582,245	8,938,158	7.21%
Host fees	4,925,254	6,362,251	-22.59%
Covanta - waste processing	17,522,617	16,585,673	5.65%
Depreciation and depletion	4,848,795	4,924,720	-1.54%
Post closure costs	(2,768,958)	701,013	-494.99%
Debt service payment	168,521	190,309	-11.45%
Total Expenses	<u>39,890,767</u>	<u>43,952,791</u>	-9.24%
Excess of total revenue over (under) expenses	<u>2,393,573</u>	<u>(1,445,195)</u>	
Change in Net Position	<u>\$ 2,393,573</u>	<u>\$ (1,445,195)</u>	

**TABLE 3
CHANGES IN CAPITAL ASSETS
YEAR-TO-YEAR COMPARISON
DECEMBER 31,**

	<u>2021</u>	<u>2020</u>	<u>% Increase/ (Decrease)</u>
CAPITAL INVESTMENT			
Land	\$ 7,000,000	\$ 7,000,000	0.00%
Construction-in-progress	3,135,213	974,042	221.88%
Landfill site	51,135,989	51,135,989	0.00%
Equipment	101,471,263	102,574,279	-1.08%
Totals	<u>162,742,465</u>	<u>161,684,310</u>	
Less: accumulated depreciation and depletion	<u>(139,141,156)</u>	<u>(136,676,857)</u>	1.80%
	<u>\$ 23,601,309</u>	<u>\$ 25,007,453</u>	-5.62%

**DELAWARE COUNTY SOLID WASTE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2021**

LONG-TERM DEBT

As of December 31, 2021, the Authority had \$6,275,000 in notes outstanding – a decrease of \$563,000 from the prior year.

Additional information about the Authority's long-term debt can be found in Note 7 of this report.

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 Interim CEO, Delaware County Solid Waste Authority, Rose Tree Hunt Club, Media, Pennsylvania, 19063.

DELAWARE COUNTY SOLID WASTE AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Business-type Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 10,539,363
Accounts receivable - haulers - net of allowance	3,884,891
Accounts receivable - others	158,045
Inventory	148,408
Prepaid expense	385,031
Total Current Assets	15,115,738
Noncurrent Assets:	
Collateral deposit - surety bonds	1,250,000
Environmental restricted cash account	346,061
Investments	10,500
Net pension asset	222,219
Total Noncurrent Investments	1,828,780
Capital Assets:	
Land	7,000,000
Landfill site, net of depletion	1,420,056
Buildings, improvements, and equipment, net of depreciation	12,046,040
Construction-in-progress	3,135,213
Net Capital Assets	23,601,309
Total Noncurrent Assets	25,430,089
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows relating to pension	571,088
TOTAL DEFERRED OUTFLOWS OF RESOURCES	571,088
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 41,116,915
LIABILITIES AND NET POSITION	
Current Liabilities:	
Accounts payable	\$ 3,226,134
Accrued expenses	399,831
Revenue notes payable, current	578,000
Total Current Liabilities	4,203,965
Noncurrent Liabilities and Postclosure:	
Accrued closure and postclosure costs	16,273,182
Due to County of Delaware	7,475,000
Revenue notes payable, long-term	5,697,000
Total Noncurrent Liabilities	29,445,182
Total Liabilities	33,649,147
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows relating to pension	635,188
TOTAL DEFERRED INFLOWS OF RESOURCES	635,188
Net Position:	
Net investment in capital assets	17,326,309
Restricted	1,472,219
Unrestricted	(11,965,948)
Total Net Position	6,832,580
TOTAL LIABILITIES AND NET POSITION	\$ 41,116,915

The accompanying notes are an integral part of these financial statements.

**DELAWARE COUNTY SOLID WASTE AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Business-type Activities
OPERATING REVENUES:	
Commercial waste	\$ 21,577,240
Covanta ash disposal	8,535,295
Delco municipal waste disposal	11,238,864
Recycling and other grant revenue	99,791
Other revenues	584,342
TOTAL OPERATING REVENUES	42,035,532
OPERATING EXPENSES:	
Salaries, wages, and employee benefits	2,533,643
Contractual services, maintenance, supplies	3,078,645
Contract hauling fees	9,582,245
Host fees	4,925,254
Covanta - waste processing	17,522,617
Depreciation and depletion	4,848,795
Closure and post closure costs (see Note 8)	(2,768,953)
TOTAL OPERATING EXPENSES	39,722,246
OPERATING INCOME	2,313,286
NONOPERATING REVENUES (EXPENSES):	
Investment income	83,792
Interest payments	(168,521)
Gain on sale of capital assets	165,016
TOTAL NONOPERATING REVENUES	80,287
CHANGE IN NET POSITION	2,393,573
NET POSITION, BEGINNING OF YEAR	4,439,007
NET POSITION, END OF YEAR	\$ 6,832,580

The accompanying notes are an integral part of these financial statements.

**DELAWARE COUNTY SOLID WASTE AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Business-type Activities
CASH FLOWS FROM OPERATING ACTIVITIES:	
Received from customers	\$ 42,305,178
Other operating cash receipts	99,791
Payments to suppliers	(38,362,010)
Payments to employees for salaries and benefits	(2,642,850)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,400,109
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	83,792
NET CASH PROVIDED BY INVESTING ACTIVITIES	83,792
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchases and construction of capital assets	(3,568,636)
Proceeds from the sale of capital assets	333,001
Interest paid on revenue notes payable	(168,521)
Principal payments of notes payable	(563,000)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(3,967,156)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,483,255)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	14,618,679
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 12,135,424
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 2,313,286
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and depletion	4,848,795
Closure and post closure costs	(3,051,315)
Increase in allowance for doubtful accounts	31,019
Gain on sale of capital assets	165,016
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable - haulers	(224,164)
(Increase) decrease in accounts receivable - others	562,582
(Increase) decrease in inventory	(46,920)
(Increase) decrease in prepaid expenses	(218,276)
Increase (decrease) in accounts payable	(988,578)
Increase (decrease) in accrued wages	2,342
Increase (decrease) in Berks County escrow	(1,882,129)
Net pension changes	(111,549)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,400,109
Cash and cash equivalents	\$ 10,539,363
Environmental restricted cash account	346,061
Collateral deposit - surety bonds	1,250,000
	\$ 12,135,424

The accompanying notes are an integral part of these financial statements.

**DELAWARE COUNTY SOLID WASTE AUTHORITY
STATEMENT OF NET POSITION - FIDUCIARY FUND
DECEMBER 31, 2021**

	Employees Pension Plan
ASSETS	
Cash and cash equivalents	\$ 276,257
Investments, at fair value:	
Fixed income funds	2,760,809
Equity funds	3,168,159
International funds	1,586,539
TOTAL ASSETS	\$ 7,791,764
 LIABILITIES AND NET POSITION	
LIABILITIES	\$ -
 FIDUCIARY NET POSITION	
Assets held in trust for employee pension benefits	7,791,764
TOTAL LIABILITIES AND NET POSITION	\$ 7,791,764

The accompanying notes are an integral part of these financial statements.

**DELAWARE COUNTY SOLID WASTE AUTHORITY
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND
FOR THE YEAR END DECEMBER 31, 2021**

	Employees Pension Plan
ADDITIONS	
Contributions:	
Participant	\$ 100,660
Employer	115,500
Total Contributions	216,160
Investment income:	
Interest earnings	75,641
Dividend income	89,733
Net appreciation in fair value of investments	645,150
Investment expense	(36,932)
Net Investment Income	773,592
TOTAL ADDITIONS	989,752
DEDUCTIONS	
Benefits paid and withdrawals	286,666
TOTAL DEDUCTIONS	286,666
CHANGE IN FIDUCIARY NET POSITON	703,086
FIDUCIARY NET POSITON, BEGINNING OF YEAR	7,088,678
FIDUCIARY NET POSITON, END OF YEAR	\$ 7,791,764

The accompanying notes are an integral part of these financial statements.

DELAWARE COUNTY SOLID WASTE AUTHORITY
(A Component Unit of Delaware County)

NOTES TO FINANCIAL STATEMENTS

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 on 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 is a component unit of the County because of the significance of its operational and financial relationship with the County.

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.

The Delaware County Solid Waste Authority Employees Pension Plan is a separate legal entity; however, it is reported as if it were part of the Authority as it is governed by the Authority, which may amend plan provisions and which is responsible for the management of plan assets. The Delaware County Solid Waste Authority Employees Pension Plan is reported as a fiduciary fund and issues separate financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

DELAWARE COUNTY SOLID WASTE AUTHORITY
(A Component Unit of Delaware County)

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Measurement Focus and Basis of Accounting and Financial Statement Presentation

The term "measurement focus" is used to denote what is being measured and reported in the Authority's operating statement. The Authority is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the Authority is better or worse off economically as a result of events and transactions of the period.

The term "basis of accounting" is used to determine when a transaction or event is recognized on the Authority's operating statement. The Authority uses the accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

The Authority adheres to the provisions of the *GASB Codification of Governmental Accounting and Financial Reporting Standards* ("the Codification"). The Codification established standards for external financial reporting for all state and local governmental entities.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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 those estimates.

Cash and Cash Equivalents

Cash deposits consist of demand and time deposits and money market funds with financial institutions and are carried at cost. For purposes of the statement of cash flows, all cash deposits and highly liquid investments with an original maturity of three months or less when acquired are considered to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount the Authority expects to collect (net realizable value) and reported net of an allowance for doubtful accounts.

Investments

Delaware County Solid Waste Authority Employees Pension plan investments are reported at fair value. The Authority's certificate of deposit is reported at cost.

DELAWARE COUNTY SOLID WASTE AUTHORITY
(A Component Unit of Delaware County)

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

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/depletion 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 representative of the collateral related to the letter of credit obtained for the surety bond and net pension assets. When an expense 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
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NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenues and Expenses

Revenues and expenses are distinguished between operating and nonoperating items. Operating revenues generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are defined as all revenue received and related to charges for solid waste disposal.

Operating expenses include the costs associated with expenses paid and related to Authority solid waste disposal functions.

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 a minimum of ten years.

Capital Assets

The Authority defines capital assets as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year.

Capital assets of the Authority are recorded at either their actual cost or estimated historical cost. Donated assets are valued at their estimated fair value on the date donated. Depreciation of all exhaustible capital assets is charged as an expense against their operations. Depreciation is computed using the straight-line method over estimated asset lives, which range from two to thirty-seven years.

Deferred Inflows and Deferred Outflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense) until that time. The Authority currently has one item that qualifies for reporting in this category. Certain changes to the net pension asset are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred outflows and inflows of resources on the statement of net position.

DELAWARE COUNTY SOLID WASTE AUTHORITY
(A Component Unit of Delaware County)

NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. At December 31, 2021, the carrying amount of the Authority's deposits was \$12,135,424, and the bank balance was \$12,980,561. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$12,480,561 was collateralized by pooled securities in accordance with the Commonwealth of Pennsylvania Act 72 of 1971 ("Act 72"). The deposits collateralized in accordance with Act 72 were exposed to custodial credit risk because they were uninsured, and the collateral held by the depository's agent was not in the Authority's name.

Investments

At December 31, 2021, the Authority's investments consisted solely of nonnegotiable certificates of deposits totaling \$10,500.

See Note 12 for pension deposit and investment disclosures.

Custodial Credit Risk

For an investment, custodial credit 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 its investments or collateral security that are in the possession of an outside party. As of December 31, 2021 none of the Authority's investments were subject to custodial credit risk.

NOTE 4 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 and municipal government haulers would remain with the Authority and represent income. Fees that were due relative to the receipt of solid waste at December 31, 2021 are represented by receivables in the amount of \$2,723,378 (net of an allowance for doubtful accounts of \$153,833).

Commercial and government haulers that deposit waste at the Landfill are charged disposal fees that are reflected in the Authority's income. Receivables representing disposal fees at December 31, 2021 totaled \$1,161,513 (net of an allowance for doubtful accounts of \$109,525).

DELAWARE COUNTY SOLID WASTE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

NOTE 5 RESTRICTED CASH

The Authority holds a surety bond, as described in Note 8. The bond requires a letter of credit of \$2,500,000 as of December 31, 2021. The terms of the letter of credit agreement require the Authority to maintain \$1,250,000 in collateral cash. Total restricted cash related to the letter of credit at December 31, 2021 was \$1,250,000.

Additionally, the Authority has environmental restricted cash account totaling \$346,061 at December 31, 2021 related to a settlement with the Department of Environmental Protection ("DEP") as described in Note 9.

NOTE 6 CAPITAL ASSETS

Landfill – Depletion

During 2021, the Department of Environmental Protection ("DEP"), approved an increase in capacity of the landfill from 22,289,000 cubic yards to 31,180,696 cubic yards. As of December 31, 2021, the Authority has estimated that 20,181,122 cubic yards of capacity has been utilized. Approximately 63 percent of the existing landfill capacity has been utilized to date.

	As of December 31, 2021		
	Cost	Accumulated Depletion	Net Basis
Landfill	\$ 51,135,989	\$ 49,715,933	\$ 1,420,056

For the year ended December 31, 2021, depletion expense amounted to \$69,804. Depletion expense is estimated based on the net basis of the landfill as of the beginning of the year as a percentage of remaining capacity times capacity used in 2021.

A summary of changes in the Authority's capital assets is as follows:

	Balance 01/01/21	Additions	Deletions	Reclass- ification	Balance 12/31/21
Land	\$ 7,000,000	\$ -	\$ -	\$ -	\$ 7,000,000
Construction-in-progress	974,042	2,161,171	-	-	3,135,213
Plant and equipment	102,574,279	1,407,465	(2,510,481)	-	101,471,263
	110,548,321	3,568,636	(2,510,481)	-	111,606,476
Accumulated depreciation	(87,030,729)	(4,778,991)	2,384,497	-	(89,425,223)
NET CAPITAL ASSETS	\$ 23,517,592	\$(1,210,355)	\$ (125,984)	\$ -	\$ 22,181,253

DELAWARE COUNTY SOLID WASTE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

NOTE 6 CAPITAL ASSETS (cont'd)

For the year ended December 31, 2021, construction-in-progress represents costs incurred for the southern area expansion and transfer stations.

NOTE 7 LONG-TERM DEBT

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, A through C, were issued over a two-year period.

On March 25, 2009, the Delaware Valley Regional Finance Authority issued on behalf of the Authority, Guaranteed Revenues Notes, 2009 A Series ("the 2009 A Notes") in the amount of \$2,400,000, interest and principal payable annually from December 2010 through December 2029, 2009 B Series ("the 2009 B Notes") in the amount of \$2,400,000, interest and principal payable annually from December 2011 through December 2030, and the 2009 C Series ("the 2009 C Notes") in the amount of \$2,400,000, interest and principal payable annually from December 2012 through December 2031. Principal is payable on March 25, and interest is payable monthly at a rate of 3.38 percent for Series A, 1.28 percent for Series B, and 3.39 percent for Series C as per the Notice of Fixed Rate Conversion. The Notes are collateralized by the security interest in the revenue of the Authority.

On March 26, 2012, the Delaware Valley Regional Finance Authority issued on behalf of the Authority, Guaranteed Revenue Notes, 2012 Series ("the 2012 Notes") totaling \$4,000,000, interest and principal payable annually from June 2013 through June 2032. 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 Notes. Principal is payable annually on June 25 beginning on June 25, 2013. Interest is payable monthly at a rate of 2.485 percent as per the Notice of Fixed Rate Conversion. The Notes are collateralized by the security interest in the revenue of the Authority.

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 principal amount to become immediately due if the lender determines that a material adverse change occurs. As of the date of these financial statements, there were no adverse changes which caused the acceleration of principal due by the Authority for outstanding notes.

DELAWARE COUNTY SOLID WASTE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

NOTE 7 LONG-TERM DEBT (cont'd)

A schedule of changes in the long-term liabilities is as follows:

	<u>Outstanding 01/01/21</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding 12/31/21</u>	<u>Amounts Due in One Year</u>
Revenue Notes	\$ 6,838,000	\$ -	\$ 563,000	\$ 6,275,000	\$ 578,000
Due to Delaware County	7,475,000	-	-	7,475,000	-
TOTAL	<u>\$14,313,000</u>	<u>\$ -</u>	<u>\$ 563,000</u>	<u>\$13,750,000</u>	<u>\$ 578,000</u>

The notes mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 578,000	\$ 153,677
2023	593,000	138,400
2024	608,000	122,705
2025	625,000	103,908
2026	641,000	86,791
2027 - 2031	2,981,000	191,135
2032	249,000	3,094
Totals	<u>\$ 6,275,000</u>	<u>\$ 799,710</u>

NOTE 8 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 5.4

DELAWARE COUNTY SOLID WASTE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

NOTE 8 CLOSURE AND POST CLOSURE COSTS (cont'd)

percent, plus administrative fees of 10 percent and \$956,623 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, 198, 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 authority.

On October 5, 2020, the Authority obtained a surety bond amounting to \$22,360,208 to cover post closure costs. On July 26, 2021, the Authority obtained additional surety bond in the amount of \$3,511,397, to address the increased closure costs resulting from the expansion of the landfill. The surety bond requires that the Authority maintain \$2,500,000 in cash collateral. To satisfy the cash collateral requirements, the Authority has obtained a letter of credit in the amount of \$2,500,000. As part of the letter of credit agreement, the Authority is required to maintain \$1,250,000 as cash collateral which is reflected as restricted cash on the statement net position as of December 31, 2021. In 2021, the premium paid for the surety bond was \$292,101.

Accrued closure and post closure costs, as reflected on the statement of net position, totaled \$16,273,182 as of December 31, 2021. Accrued closure and post-closure costs are estimated using the DEP's cost requirement to close the landfill as a percentage of landfill capacity used to date. Due to the expansion of the landfill capacity which was approved by the DEP in 2021, the estimated percentage of total capacity of the landfill used as of December 31, 2021 decreased, and a credit of \$2,768,953 was charged against operating expenses recognizing the reduction in the estimated accrued closure and post closure costs as of December 31, 2021. The estimated closure and post closure costs total \$25,871,605, comprised of \$6,739,146 of closure costs and \$19,132,459 of post closure costs. At December 31, 2021, there remains \$9,598,423 in closure and post closure costs to be recognized in excess of the Act 101 requirements previously mentioned.

NOTE 9 ENVIRONMENTAL LIABILITY – DEPARTMENT OF ENVIRONMENTAL PROTECTION

In 2013, the Authority entered into a consent agreement with the 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 the DEP regarding the treatment of leachate, the Authority established a reserve totaling \$500,000 as ordered by the DEP to be used to pay for future environmental projects in the neighborhood. Interest earned on the account has been included in the total reserve balance. In 2021, the Authority did not pay any costs for local

DELAWARE COUNTY SOLID WASTE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

NOTE 9 ENVIRONMENTAL LIABILITY – DEPARTMENT OF ENVIRONMENTAL PROTECTION (cont'd)

environmental projects. The total liability at December 31, 2021 was \$346,061, which was included in accrued expenses on the statement of net position.

NOTE 10 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, 2021 and is not expected to be repaid in 2022.

NOTE 11 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 disposal fees for process ash residue. 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. Covanta has no obligation to accept any excess waste of the maximums noted. If Covanta 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 2021, the Authority paid to Covanta \$17,522,617 for its County waste processing expenses. Covanta paid to the Authority \$8,535,295 in ash disposal charges.

NOTE 12 PENSION PLAN

Plan Description and Provisions

The Delaware County Solid Waste Authority Employees Pension Plan ("the Plan") is a single employer defined benefit pension plan controlled by the provisions of the plan document. The Plan is governed by the Authority, which may amend plan provisions and which is responsible for the management of Plan assets. The Authority has delegated the authority to manage certain plan assets to CBIZ InR.

The Authority filed Actual Valuation Report Form 203C with the Municipal Pension Reporting Program. The report dated January 1, 2021, was most recently certified by the Authority. This report indicated that the Authority maintains a pension plan to provide pension or retirement benefits for employees. A review of the plan documents as of December 31, 2021 disclosed that plan membership consisted of the following:

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NOTES TO FINANCIAL STATEMENTS

NOTE 12 PENSION PLAN (cont'd)

Active employees	19
Retirees and beneficiaries currently receiving benefits receiving benefits	16
Vested terminated members	<u>-</u>
Total	<u>35</u>

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 percent of the average of the three highest consecutive years of the 10 calendar year period immediately preceding annual retirement. 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 percent 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.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Plan's deposits may not be returned. At December 31, 2021, the carrying amount of the plan's deposits was \$276,257. None of the Plan's deposits were subject to custodial credit risk.

Investments

As of December 31, 2021, the Plan had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>
Fixed income mutual funds	\$ 2,760,809	\$ 2,760,809
Equity mutual funds	3,168,159	3,168,159
International equity mutual funds	<u>1,586,539</u>	<u>1,586,539</u>
TOTAL	<u>\$ 7,515,507</u>	<u>\$ 7,515,507</u>

DELAWARE COUNTY SOLID WASTE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

NOTE 12 PENSION PLAN (cont'd)

Investments in external investment pools, such as those in mutual funds, are disclosed but not subject to interest rate, custodial, credit, or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

Investment Policy

The 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 amount various investments in domestic equity securities, internal 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 Allocation</u>
Domestic Equity:	
Large Cap	31%
Mid Cap	5%
Small Cap	5%
International Equity	20%
Interim IG Corp	35%
Cash	4%

Rate of Return

For the year ended December 31, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.97 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deferred Retirement Option Program (DROP)

The Plan does not provide a Deferred Retirement Option Program.

Net Pension Asset

The components of the net pension asset of the Authority as of December 31, 2021 were as follows:

DELAWARE COUNTY SOLID WASTE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

NOTE 12 PENSION PLAN (cont'd)

Total Pension Liability (TPL)	\$ 7,569,545
Plan Fiduciary Net Position	7,791,764
Net Pension Asset	(222,219)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	102.9%

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, 2021. Update procedures were used to roll forward to the Plan's fiscal year ending December 31, 2021. 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 of 2.24 percent) 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, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity:	
Large Cap	6.19%
Mid Cap	7.37%
Small Cap	7.37%
International Equity	8.04%
Interim IG Corp	2.77%
Cash	0.11%

Discount Rate

The discount rate used to measure the total pension liability was 7 percent. 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 contribution rates and the member

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NOTES TO FINANCIAL STATEMENTS

NOTE 12 PENSION PLAN (cont'd)

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.

Change in Net Pension Asset

The following table shows the changes in net pension asset recognized over the measurement period.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a)-(b)
Balances at December 31, 2020	\$ 6,367,839	\$ 7,088,678	\$ (720,839)
Service cost	174,463	-	174,463
Interest cost	504,581	-	504,581
Differences between expected and actual experience	179,554	-	179,554
Changes in assumptions	629,774	-	629,774
Contributions – employer	-	115,500	(115,500)
Contributions – member	-	100,660	(100,660)
Net investment income	-	773,592	(773,592)
Benefit payments	(286,666)	(286,666)	-
Net changes	1,201,706	703,086	498,620
Balances at December 31, 2021	\$ 7,569,545	\$ 7,791,764	\$ (222,219)

Net Pension Asset Sensitivity

The following is a sensitivity analysis of the net pension asset to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 7 percent 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 percent) or 1 percentage point higher (8 percent) than the current rate:

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
Plan net pension liability (asset)	\$ 594,633	\$ (222,219)	\$ (914,504)

DELAWARE COUNTY SOLID WASTE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

NOTE 12 PENSION PLAN (cont'd)

Deferred Outflows and Deferred Inflows of Resources

For the year ended December 31, 2021, the Authority recognized a pension expense of \$3,936. At December 31, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	\$ -	\$ 60,604
Changes in assumptions	571,088	-
Net difference between projected and actual investment earnings	-	574,584
	\$ 571,088	\$ 635,188

These amounts will be reported as deferred outflows and inflows of resources related to the pension and will be recognized in pension expense as follows:

Year Ending December 31,

2022	\$ (17,589)
2023	(167,454)
2024	(48,654)
2025	56,764
2026	112,833
	\$ (64,100)

NOTE 13 CONCENTRATIONS

The Authority received 20 percent of its total operating revenue from Covanta Delaware Valley, LP during the year ended December 31, 2021.

NOTE 14 SUBSEQUENT EVENTS

The Authority has evaluated all subsequent events through May 9, 2022, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**DELAWARE COUNTY SOLID WASTE AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN AUTHORITY'S NET PENSION LIABILITY AND RELATED RATIOS**

<u>TOTAL PENSION LIABILITY</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Service cost	\$ 174,463	\$ 161,428	\$ 153,741	\$ 185,275	\$ 176,452	\$ 151,239	\$ 144,037	\$ 128,743
Interest cost	504,581	469,396	443,352	437,526	404,976	383,615	355,173	327,941
Changes of benefit terms	-	-	-	-	-	-	-	23,975
Difference between expected and actual experience	179,554	-	(306,458)	-	(122,856)	-	(81,860)	-
Changes in assumptions	629,774	-	-	-	143,965	-	87,241	-
Benefit payments	<u>(286,666)</u>	<u>(316,566)</u>	<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	1,201,706	314,258	69,740	424,435	460,408	375,233	362,462	348,848
TOTAL PENSION LIABILITY, BEGINNING OF YEAR	<u>6,367,839</u>	<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>	<u>4,012,455</u>
TOTAL PENSION LIABILITY, END OF YEAR	<u>\$ 7,569,545</u>	<u>\$ 6,367,839</u>	<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	\$ 115,500	\$ 115,500	\$ 105,000	\$ 95,000	\$ 90,000	\$ 90,000
Member	100,660	95,381	96,285	90,502	95,108	100,035	95,787	89,455
Net investment income (loss)	773,592	907,706	1,013,027	(316,071)	704,734	333,462	(45,264)	293,218
Benefit payments	<u>(286,666)</u>	<u>(316,566)</u>	<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	703,086	802,021	1,003,917	(308,435)	687,140	368,876	(1,606)	340,862
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	<u>7,088,678</u>	<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>	<u>4,195,903</u>
PLAN FIDUCIARY NET POSITION, END OF YEAR	<u>\$ 7,791,764</u>	<u>\$ 7,088,678</u>	<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>
AUTHORITY'S NET PENSION LIABILITY (ASSET)	<u>\$ (222,219)</u>	<u>\$ (720,839)</u>	<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 total pension liability	102.94%	111.32%	103.85%	88.28%	100.57%	96.18%	96.01%	104.02%
Covered employee payroll	\$ 1,372,683	\$ 1,304,450	\$ 1,291,424	\$ 1,292,216	\$ 1,378,635	\$ 1,449,664	\$ 1,278,718	\$ 1,073,521
Authority's net pension liability as a percentage of covered payroll	-16.19%	-55.26%	-18.05%	54.26%	-2.30%	13.45%	14.75%	-16.34%
Annual money-weighted rate of return, net of investment expense	10.97%	14.56%	19.19%	-5.65%	14.40%	7.34%	-0.99%	7.47%

Notes to Schedule

Cumulative Information: The requirement is to show information for 10 years; however, until a full 10-year trend is compiled, the Plan shall present information for the years for which information is available.

Assumption Changes: In 2015, the mortality assumption was changed from the Blue Collar RP-2000 Table to the Blue Collar RP-2000 Table projected to 2015 using Scale AA. In 2017, the mortality assumption was changed from the Blue Collar RP-2000 Table projected to 2015 to the Blue Collar RP-2000 Table projected to 2017 using Scale AA, and the interest rate was lowered from 8.0% to 7.75% per annum. In 2021, the interest rate assumption was lowered from 7.75% to 7.00% per annum, the salary scale was lowered from 5.00% to 4.00%, and the mortality assumption was changed from the RP-2000 Table projected to 2017 using Scale AA to the PubG-2010 projected 5 years past the 2021 valuation date using MP-2020.

**DELAWARE COUNTY SOLID WASTE AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY CONTRIBUTIONS**

Year	Actuarial Determined Contribution	Contributions from Employer	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Payroll
2012	\$ 44,877	\$ 90,000	\$ (45,123)	\$ 1,307,643	6.88%
2013	43,609	90,000	(46,391)	1,167,677	7.71%
2014	86,241	90,000	(3,759)	1,073,521	8.38%
2015	55,970	90,000	(34,030)	1,278,718	7.04%
2016	74,957	90,000	(15,043)	1,449,664	6.21%
2017	71,030	105,000	(33,970)	1,378,635	7.62%
2018	88,171	115,500	(27,329)	1,292,216	8.94%
2019	88,118	115,500	(27,382)	1,291,424	8.94%
2020	70,848	115,500	(44,652)	1,304,450	8.85%
2021	75,099	115,500	(40,401)	1,372,683	8.41%

Notes to Schedule of Employer Contributions

Valuation Date:

Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	11 years
Asset valuation method	Smoothing per Section 201 (a) of Act 44
Inflation	2.24%
Salary increases	4.00%
Investment rate of return	7.00%
Retirement age	55
Mortality	RP-2000 table - This table is projected to 2017 using Scale AA.

SUPPLEMENTARY INFORMATION

**DELAWARE COUNTY SOLID WASTE AUTHORITY
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENSES - BUDGET TO ACTUAL - UNAUDITED
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Landfill Operating Fund		Rose Tree Fund		Total Funds	
	Budget	Actual	Budget	Actual	Budget	Actual
Operating Expenses:						
Payroll	\$ 1,592,000	\$ 1,650,452	\$ 285,000	\$ 179,508	\$ 1,877,000	\$ 1,829,960
Payroll - fringe benefits, taxes, and pension	840,000	703,683	-	-	840,000	703,683
Administrative and office expense	70,000	81,791	55,000	35,303	125,000	117,094
Utilities	80,000	77,409	44,000	38,376	124,000	115,785
Fuels and oil	230,000	227,778	5,000	3,886	235,000	231,664
Recycling	-	-	75,000	138,995	75,000	138,995
Equipment, maintenance, and repairs	215,000	337,492	35,000	22,478	250,000	359,970
Rental equipment	5,000	10,000	-	-	5,000	10,000
Stone supplies	235,000	276,468	-	-	235,000	276,468
Leachate treatment and cleanout	582,000	601,971	-	-	582,000	601,971
Lab testing	92,500	106,274	-	-	92,500	106,274
Hydroseeding	40,000	31,419	-	-	40,000	31,419
Site supplies	90,000	88,728	97,000	81,652	187,000	170,380
Engineering	210,000	84,028	20,000	-	230,000	84,028
Host fees, inspection fees, closure	4,602,000	4,182,422	2,000,000	742,832	6,602,000	4,925,254
Insurance	410,000	286,918	-	-	410,000	286,918
Professional services	370,000	304,266	175,000	75,140	545,000	379,406
Public relations	24,000	14,000	-	-	24,000	14,000
Covanta - waste processing	-	-	17,200,000	17,522,617	17,200,000	17,522,617
Facility maintenance	40,000	51,870	-	-	40,000	51,870
Contract hauling fees	1,500,000	1,857,987	6,500,000	7,724,258	8,000,000	9,582,245
Post closure expense	-	(2,768,953)	-	-	-	(2,768,953)
Total Operating Expenses	<u>11,227,500</u>	<u>8,206,003</u>	<u>26,491,000</u>	<u>26,565,045</u>	<u>37,718,500</u>	<u>34,771,048</u>
Non-Operating Expenses:						
Debt service	-	-	747,632	168,521	747,632	168,521
Total Non-Operating Expenses	<u>11,227,500</u>	<u>8,206,003</u>	<u>27,238,632</u>	<u>26,733,566</u>	<u>38,466,132</u>	<u>34,939,569</u>
Total Expenses	<u>\$ 11,227,500</u>	<u>\$ 8,206,003</u>	<u>\$ 27,238,632</u>	<u>\$ 26,733,566</u>	<u>\$ 38,466,132</u>	<u>\$ 34,939,569</u>

**DELAWARE COUNTY SOLID WASTE AUTHORITY
SUPPLEMENTARY INFORMATION
CAPITAL PROJECTS FUND - BUDGET TO ACTUAL - UNAUDITED
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Budget	Actual
Construction equipment	\$ 845,000	\$ 878,731
Equipment - capital repairs	218,000	147,663
Transfer station upgrades	275,000	321,735
Landfill gas upgrade	300,000	19,143
Southern area expansion	2,000,000	2,303,767
Subtotal	3,638,000	3,671,039
Depreciation expense	-	4,778,990
Depletion expense	-	69,805
	\$ 3,638,000	\$ 8,519,834
Total Capital Projects Fund Expenses		



INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

May 9, 2022

To the Board of Directors
Delaware County Solid Waste Authority
Media, Pennsylvania

We have audited the financial statements of the business-type activities and fiduciary fund of the Delaware County Solid Waste Authority ("the Authority"), a component unit of Delaware County, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Board of Directors
Delaware County Solid Waste Authority

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP