

**Financial Statements**

**Delaware County Regional Water  
Quality Control Authority**

**December 31, 2015 and 2014**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Delaware County Regional Water  
Quality Control Authority  
Chester, Pennsylvania

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Delaware County Regional Water Quality Control Authority ("DELCORA"), as of and for the years ended December 31, 2015 and 2014, and the related notes to the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Delaware County Regional Water Quality Control Authority as of December 31, 2015 and 2014, and the changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter***Change in Accounting Principle*

As described in Note 11 to the financial statements, during the year ended December 31, 2015, Delaware County Regional Water Control Authority adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12 and the net pension liability historical information on page 36 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.

*Other Information*

Our audits were conducted for the purpose of forming an opinion on the Delaware County Regional Water Quality Control Authority's basic financial statements. The schedules of operating expenses, selected operating revenues - budget comparison, debt service and cash receipts and disbursements - trust funds established under an indenture dated July 15, 2001 and total investments are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of operating expenses, selected operating revenues - budget comparison, debt service and cash receipts and disbursements - trust funds established under an indenture dated July 15, 2001 and total investments are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures, except for that portion marked "unaudited" on which we do not express an opinion or provide any assurance, applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2016, on our consideration of the Delaware County Regional Water Quality Control Authority's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Delaware County Regional Water Quality Control Authority's internal control over financial reporting and compliance.

  
Christopher Reynolds, Inc.

April 19, 2016

**CHRISTOPHER REYNOLDS, INC.**  
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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

Board of Directors  
Delaware County Regional Water  
Quality Control Authority  
Chester, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Delaware County Regional Water Quality Control Authority, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Delaware County Regional Water Quality Control Authority's basic financial statements, and have issued our report thereon dated April 19, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Delaware County Regional Water Quality Control 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 Delaware County Regional Water Quality Control Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Delaware County Regional Water Quality Control 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 entity'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.

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 Delaware County Regional Water Quality Control 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Christopher Reynolds, Inc.

April 19, 2016

**DELAWARE COUNTY REGIONAL WATER**  
**QUALITY CONTROL AUTHORITY**  
Management's Discussion and Analysis (Unaudited)  
December 31, 2015

**DELCORA Mission Statement**

**“Provide Environmentally Responsible and Cost Effective Waste Water Management Services to the Citizens, Businesses and Industries of Southeastern Pennsylvania”**

**Executive Summary**

*DELCORA's performance for the year ended December 31, 2015 includes the following key highlights:*

- DELCORA sent an average of 23.15 million gallons per day (MGD) in 2015 to the Philadelphia Water Department's (PWD) Treatment Plant. Flow at Delcora's Western Regional Treatment Plant was 33.54 MGD.
- In 2015, revenue from the trucked waste receiving business reached \$4,377,766, an increase of \$977,766 (22.3%) over the 2015 budget and an increase of \$669,789 (18.1%) over the prior year. Revenue has consistently increased annually from a level of approximately \$300,000 in 2004 to the present level.
- DELCORA finalized an agreement with Edgmont Township to design, construct, own and operate a collection system in the eastern portion of the municipality in 2013. Design was completed in early 2014. Construction of the two Pump Stations and the collection system for approximately 1,000 EDUs was substantially complete at the end of 2015, and flow from several portions of the collection system began in February of 2016. The initial customer bills went out at the end of February, 2016. Budgeted revenue for 2016 is \$1,105,000.
- In 2015, DELCORA finalized an agreement with Pocopson Township to purchase a waste water treatment plant, the Preserve at Chadds Ford housing development. This plant processes approximately 12,000 gallons of waste water per day, serving 64 EDU's. The plant has an estimated value of \$2,411,500.
- DELCORA entered into a consent decree with the United States Environmental Protection Agency (USEPA) and the Pennsylvania Department of Environmental Protection (PADEP) that requires updating the Long Term Control Plan (LTCP) to control storm water discharges from its combined sewer overflows (CSOs). The new LTCP will involve increased capital projects, the extent of which are not known at this time. DELCORA paid a civil penalty of \$1.375MM as part of the decree.
- DELCORA's Board made a decision to make a one-time contribution of \$3,000,000 to the DELCORA Pension Plan in 2015. Due to a change in the actuary's assumptions to account for lump sum payments, DELCORA's funded percentage of its pension liability was reduced significantly as of December 31, 2014. With the \$3,000,000 contribution, along with its regular annual contribution, the funded percentage of the pension liability was increased to 70.58% as of December 31, 2015.
- In 2015, DELCORA successfully priced its Series of 2015 Bonds in the principal amount of \$36,205,000. The Bonds were sold with approximately \$2,684,215 of net original issue premium, which when combined with other available sources resulted in total available proceeds of approximately \$39,370,118. The proceeds of the Bonds will be used towards various capital projects of the Authority, including improvements to the WRTP, conveyance system, Eastern Service Area, Rose Valley Pump Station, and Force Main. Moody's affirmed the Authority's very strong "Aa3" credit rating and assigned a "Stable Outlook". The Bonds were structured with a 30 year final maturity of May 1, 2045 and had an overall arbitrage yield of 3.7%

**DELAWARE COUNTY REGIONAL WATER**  
**QUALITY CONTROL AUTHORITY**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2015**

**Executive Summary (Continued)**

Major Capital projects started and/or completed in 2015 included:

• Incinerator Secondary Combustion Chamber	\$ 9,859,000
• Edgmont Collection System	\$ 8,215,912
• Sludge Thickening System	\$ 3,312,335
• Baldwin Run Decommissioning\Demolition	\$ 2,310,000
• Building B-3 Motor Control Center Replacement	\$ 910,000
• Belt Filter Press Reconditioning	\$ 493,660
• Gravity Belt Thickeners	\$ 461,742
• Sludge Conveyor System	\$ 444,897

**Summary of Organization and Business**

The Delaware County Regional Water Quality Control Authority (DELCORA) is a body, politic and corporate, created October 20, 1971, by a resolution of the Council of the County of Delaware, Pennsylvania, the County, under an Act of General Assembly of the State, approved May 2, 1945, P.L. 382, as amended and supplemented, known as the Municipality Authorities Act of 1945, as amended (the "Act").

The governing body of DELCORA is a Board of Directors consisting of nine members appointed by the Delaware County Council. The Board is authorized to exercise any and all powers conferred by the aforementioned Act necessary for the acquisition, construction, improvement, extension, maintenance and operation of the system facilities. A Board Member's term is for 5 years. The terms of the Board members are staggered.

DELCORA does not have taxing power. Ongoing operations are funded from customer revenues. The acquisition and construction of capital assets are funded by capital borrowing, contributions from developers, Federal and State grants and loans, and customer revenues.

The system is divided into two regions: the Eastern Service Area and the Western Service Area. Each is served by a regional wastewater treatment plant. DELCORA is responsible for building and operating interceptors, force mains and pump stations in both regions, building the regional treatment plant in the Western Service Area and acquiring capacity at the Philadelphia Water Department's Southwest Water Pollution Control Plant (SW WPCP) for wastewater treatment for the Eastern Service Area. DELCORA currently owns and operates sewer collection systems serving seven municipalities: the City of Chester, parts of the Township of Chester, and the Boroughs of Parkside, Upland, Trainer, Marcus Hook, and Rose Valley.

**DELCORA History & Background**

- Late 1960's—Delaware County recognized the need for a regional wastewater management plan
  
- All 49 Municipalities designated the Delaware County Planning Commission to develop the plan
  - First phase (1971)—Identified problems, future needs, alternate solutions
  - Second Phase (1972)—Regional plan divided the county into Eastern and Western services areas
  - Eastern Flows (about 50MGD) conveyed to PWD's Southwest Water Pollution Control Plant.
  - Western Flows consisting of mixed Municipal/Industrial Waste (Sun Oil, Scott Paper, FMC) conveyed to a new 44MGD, \$50MM plant in Chester
  - Federal construction grants (~\$100MM) utilized in Delaware County and the City of Philadelphia
  
- DELCORA was created by the County to implement the plan.



**DELAWARE COUNTY REGIONAL WATER**  
**QUALITY CONTROL AUTHORITY**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2015**

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's analysis of DELCORA's financial condition and performance. Summary financial statement data, key financial and operational indicators from DELCORA's strategic plan, the current year budget, bond resolutions, and other management tools were used for this analysis.

The financial statements report information about DELCORA using full accrual accounting methods as utilized by similar business activities in the private sector.

The financial statements include a statement of net assets; a statement of revenues, expenses, and changes in net assets; a statement of cash flows; and notes to the financial statements. The statement of net assets presents the financial position of DELCORA on a full accrual historical cost basis. While the statement of net assets provides information about the nature and amount of resources and obligations at year-end, the statement of revenues, expenses, and changes in net assets presents the results of the business activities over the course of the fiscal year and the amounts by which the net assets changed during the year. All changes in net assets are reported concurrently with the occurrence of the underlying event giving rise to the change, regardless of the timing of the related cash flows. This statement also provides certain information about DELCORA's recovery of its costs.

The statement of cash flows reports changes in cash and cash equivalents resulting from operations, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, the timing of any arising obligations, or depreciation of capital assets.

The notes to the financial statements provide required disclosures and other information that is essential to a full understanding of the financial data provided in the statements. The notes also present information about DELCORA's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. Supplementary information comparing the budget to actual expenses, as well as statements of operating expenses, is also provided.

The financial statements were prepared by DELCORA's staff from the detailed books and records of DELCORA. The financial statements were audited and adjusted, if the adjustments were material, during the independent external audit process.

In 2015, DELCORA used the rate model developed by Municipal & Financial Services Group. Rate setting policies employ different methods of cost recovery not fully provided for by generally accepted accounting principles. The primary objective of a rate model is to improve upon the equitable allocation of costs among customer classes and to ensure that capital costs are allocated on the basis of long-term capacity needs, following the axiom that growth pays for growth.

**DELAWARE COUNTY REGIONAL WATER**  
**QUALITY CONTROL AUTHORITY**  
Management's Discussion and Analysis (Unaudited)  
December 31, 2015

**Financial Analysis**

The following comparative general information and condensed financial statements serve as the key financial data and indicators for management, monitoring and planning. Comments regarding budget-to-actual variances and actual year-to-year variances are included in each section by the name of the statement or account.

	2014	2015	Difference	%
<b><i>Revenues per thousand gallons billed:</i></b>				
Residential	\$2.24	\$2.55	.31	13.8
Commercial	\$2.63	\$2.88	.25	9.5
<b><i>Ratio of Operating Revenue to:</i></b>				
-Operating Expenses	1.18	1.21	(.03)	(2.5)
-Operating Expenses, net of depreciation	1.35	1.37	.02	1.5
-Total assets (asset turnover)	0.19	.18	(.01)	(5.3)
<b><i>Ratio of Operating Income to:</i></b>				
-Operating Revenue	0.15	.17	.02	13.3
<b><i>Debt-related ratios:</i></b>				
Total debt to total assets	0.33	.39	.06	18.2

**Financial Results of System-wide Operations**

- Total Liabilities	\$ 140,473,486
Long Term	\$ 128,545,460
Other	\$ 11,928,026
- Total Net Assets	\$ 160,562,396
Invested in capital assets (net of related debt)	\$ 101,699,396
Restricted for Debt Service	\$ 6,677,573
Unrestricted	\$ 52,185,427
- Revenues (By source)	
Commercial Industries	\$ 12,566,683
Residential	\$ 40,739,103
Total Operating Revenue	\$ 53,305,786

**DELAWARE COUNTY REGIONAL WATER**  
**QUALITY CONTROL AUTHORITY**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2015**

**2015 Actual Compared to 2015 Budget Results:**

	<i>Actual</i>	<i>Budget</i>	<i>Difference</i>	
Total Revenues	\$ 54,319,689	\$ 55,216,402	\$ 896,713	Unfavorable
Total Operating Expense	\$ 44,211,986	\$ 42,836,361	\$ 1,375,625	Unfavorable

Operating revenue from service charges is \$54,319,689, approximately 1.6% less than the budget of \$55,216,402 due primarily to actual flows/loadings from the Eastern Service Area being less than budget by 21%. This was partially offset by sludge disposal revenue being favorable to budget by \$978,000.

Significant variances to budget in operating expenses are as follows:

PWD Treatment Costs – actual treatment costs were less than budget by \$2,371,000 due to actual treated flow being less than budget flow by 6.20 MGD, or 21.6%.

Salaries and Wages and Overtime – Actual of \$10,356,000 was over budget of \$10,023,317 due to an unfavorable variance on overtime. This was caused by two incinerator operation, extensive maintenance work and bad weather responses.

Utilities – Over budget by \$53,000, due primarily to higher than planned usage and price for natural gas used for the incinerator.

Employee Benefits – Under budget by \$308,000 due primarily to a favorable variance in employee health insurance benefits.

Pension – Pension expense was \$1,399,862 vs. the budget of \$850,000. Total cash contributions to the plan in 2015 totaled \$4,450,000 to increase the funded % to 70.58% as of December 31, 2015. The expense was lower than the contributions, as new accounting guidelines allocate a portion of the payments to the future liability.

Repairs and Maintenance – Over budget by \$1,746,000. This was due to extensive repairs needed at the plant and the collection system. This included repairs and replacements to Settling Tanks, Holding Tanks, Aeration Systems, Electrical Systems, SCADA and Building Maintenance.

Solids Disposal – Over budget by \$929,000 due to higher than planned hauling of cake during the ash handling and incinerator upgrade projects. In addition, the increased trucked waste business produced more cake than anticipated.

**DELAWARE COUNTY REGIONAL WATER**  
**QUALITY CONTROL AUTHORITY**  
Management's Discussion and Analysis (Unaudited)  
December 31, 2015

**2015 Actual Compared to 2014 Actual Results:**

Operating Revenues and Expenses: DELCORA has various classes of wastewater customers depending on assets used in conveying flow to both the Philadelphia and Chester plants. Retail residential sewer rates increased from \$3.99 to \$4.16 per 1,000 gallons (a 4.3% increase) from calendar year 2014 to 2015. Retail Residential customers are Chester City, Chester Township, and the Boroughs of Parkside, Upland, Marcus Hook, Trainer, and Rose Valley. Total operating revenues increased \$5,845,462 from 2014. This primarily resulted from the Southwest Delaware County Authority and the Middletown Sewer Authority sending their flow to DELCORA for the first time. This added approximately \$4,050,000 of revenue to DELCORA in 2015. In addition, sludge hauling revenue in 2015 exceeded 2014 by approximately \$670,000.

The following table shows the composition of wastewater operating expenses by major classification of expense for the last two fiscal years.

	2014	% of Total	2015	% of Total	Variance	% Change
PWD Plant Treatment	\$ 9,889,192	24.6%	\$10,112,057	22.8%	\$ 222,865	2.3%
Salary and Wages	\$ 9,540,339	23.7%	\$10,356,021	23.4%	\$ 815,682	8.5%
Depreciation/Amortization	\$ 5,088,028	12.6%	\$ 5,422,490	12.3%	\$ 334,462	6.6%
Utilities	\$ 2,643,834	6.6%	\$ 2,757,167	6.2%	\$ 113,333	4.3%
Pension	\$ 929,260	2.3%	\$ 1,399,862	3.2%	\$ 470,602	50.6%
Employee Benefits	\$ 3,746,564	9.3%	\$ 3,825,635	8.6%	\$ 79,071	2.1%
Solids Disposal	\$ 503,196	1.2%	\$ 2,158,926	4.8%	\$1,655,730	329.0%
Repairs and Maintenance	\$ 3,476,320	8.6%	\$ 4,374,365	9.9%	\$ 898,405	25.8%
Engineering	\$ 387,767	1.0%	\$ 326,862	0.7%	\$ (60,905)	-15.7%
Legal Fees	\$ 788,427	1.9%	\$ 719,453	1.6%	\$ (68,974)	-8.7%
Other Operating Expenses	\$ 3,232,201	8.1%	\$2,759,148	6.2%	\$ (473,053)	-14.6%
<b>Total Operating Expenses</b>	<b>\$40,225,128</b>	<b>100.0%</b>	<b>\$44,211,986</b>	<b>100.0%</b>	<b>\$3,986,858</b>	<b>9.9%</b>

PWD Treatment Costs – 2015 actual treatment costs were higher than 2014 despite a 9.2% decrease in flow sent to PWD due to higher rates charged by PWD. In addition \$2,500,000 of PWD expense was accrued to offset future PWD rate increases. This was \$500,000 more than the \$2,000,000 accrued in 2014.

Depreciation – 2015 actual was more than 2014 actual by \$334,462 due to increased capital investments in 2015 particularly the addition of the Chester Ridley Creek force main and pumps station.

Solids Disposal – 2015 actual was more than 2014 by \$1,655,730 as solids were hauled from the treatment plant due to the incinerator and ash handling projects that were ongoing in 2015. In addition, the increased trucked waste business produced more solids than in 2014.

**DELAWARE COUNTY REGIONAL WATER**  
**QUALITY CONTROL AUTHORITY**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2015**

**2015 Actual Compared to 2014 Actual Results:** (Continued)

Repairs and Maintenance – For 2015, repairs and maintenance was higher than 2014 by \$898,405. This was due to significant repairs and upgrades to settling tanks, holding tanks, aeration systems, electrical systems, SCADA and building maintenance.

Pension – DELCORA made cash contributions totaling \$4,450,000 vs. \$1,100,000 in 2014. However, due to changes in accounting guidelines, the expense is less than the actual cash payments, as a portion of the payments are allocated to the future liability.

**Cash Flow Activity**

The following table shows DELCORA's ability to generate net operating cash. Net cash provided by operating activities is shown both in total dollars and as a percentage of operating revenues.

Net cash flow from operations increased by \$1,193,078 to \$14,650,900 in 2015 from 2014.

	<u>2014</u>	<u>2015</u>	<u>Difference</u>	<u>% Change</u>
Total operating revenues	\$47,460,324	\$53,305,786	\$5,845,462	12.3%
Net cash provided by operations	\$13,457,822	\$16,027,538	\$2,569,716	19.1%
Net operating cash as a % of operating revenue	28.4%	30.1%		

**Rate Covenant**

In the Bond Resolution, DELCORA covenants and agrees that it will, at all times, prescribe and maintain, and thereafter collect rates and charges for the services and facilities furnished by DELCORA, together with other income, that will yield annual income from operations before depreciation in the calendar year equal to at least one hundred ten percent (110%) of the sum of the annual debt service payments. The rate covenant in the Bond Resolution obligates DELCORA to review rates not less than once a year and to revise such rates and charges as necessary to meet the coverage test.

**2015 Operations**

WRTP—Water Quality Performance

- Average Suspended Solids - 13 mg/L for the year
- Average cBOD5 - 8 mg/L for the year
- Average cBOD20 % Removal – 94.3% for the year

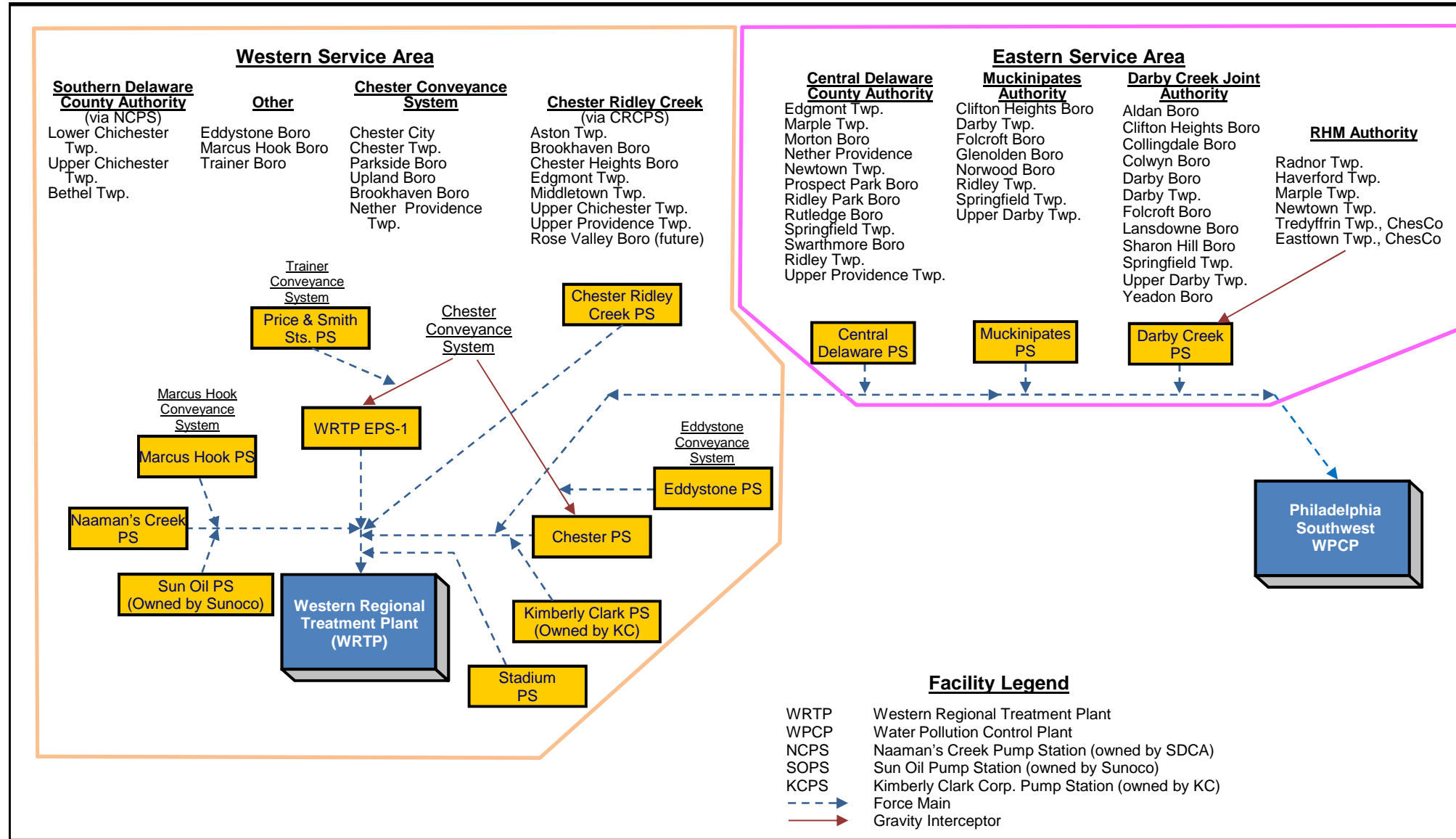
WRTP—Solids Handling Performance

- Average Dry Tons/Day - 56.6 tons for the year
- Average Cake Solids - 26.2 % for the year
- Average Fuel Oil Usage – 9.4 MCF/Dry Ton for the year

Waste Water Conveyed and Treated

- Western Delaware County To WRTP, including 10.01 MGD from CDCA — ~ 33.54 MGD
- Eastern Delaware County To Philadelphia Southwest Treatment Plant— ~23.15 MGD

**DELAWARE COUNTY REGIONAL WATER  
QUALITY CONTROL AUTHORITY**  
Management's Discussion and Analysis (Unaudited)  
December 31, 2015



**DELAWARE COUNTY REGIONAL WATER  
QUALITY CONTROL AUTHORITY**  
Statements of Net Position  
December 31, 2015 and 2014

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>	<u>LIABILITIES</u>	<u>2015</u>	<u>2014</u>
Current:			Current:		
Cash and Cash Equivalents	\$ 3,923,402	\$ 8,240,136	Accounts Payable and Accrued Expenses	\$ 4,314,291	\$ 4,749,366
Certificates of Deposit with Original Maturities Beyond Three Months	2,076,997	2,062,305	Payable to the City of Philadelphia	1,313,145	703,371
Investments	95,382,285	65,950,422	Current Portion of Long-Term Debt	3,569,381	5,073,632
Receivables:			Accrued Bond Interest Payable	823,158	577,547
Western Region:			Advances on Services:		
Residential, Net of Allowance for Doubtful Accounts			Central Delaware County Authority	9,098	130,165
of \$247,401 and \$150,819 in 2015 and 2014, Respectively	822,244	753,235	Muckinipates Authority	0	56,880
Municipal	1,325,712	1,581,531	Darby Creek Joint Authority	1,056,007	941,793
Major Industries	591,702	787,705	Municipal	379,282	77,073
Permit Industries	457,168	284,589	Major Industries	344,854	346,977
Eastern Region:			Permit Industries	91,428	98,152
Muckinipates Authority	89,169	0	Residential	27,382	20,002
Note Receivable, Current Portion	28,124	26,689	<b>TOTAL CURRENT LIABILITIES</b>	<b>11,928,026</b>	<b>12,774,958</b>
Other Receivables	1,231,298	1,034,229			
Prepaid Expenses	475,700	634,717	Noncurrent:		
<b>TOTAL CURRENT ASSETS</b>	<b>106,403,801</b>	<b>81,355,558</b>	Long-Term Debt	113,036,859	77,755,316
			Payable to the City of Philadelphia (2015 additions of \$2,556,436)	8,556,436	6,000,000
Noncurrent:			Net Pension Liability	5,530,165	3,912,118
Capital Assets, Net of Accumulated Depreciation	182,422,188	163,200,336	Deferred Revenue - Long-Term Control Plan	1,422,000	0
Note Receivable, Net of Current Portion	47,655	75,779	<b>TOTAL NONCURRENT LIABILITIES</b>	<b>128,545,460</b>	<b>87,667,434</b>
Restricted Investments	7,494,053	7,948,623	<b>TOTAL LIABILITIES</b>	<b>140,473,486</b>	<b>100,442,392</b>
<b>TOTAL NONCURRENT ASSETS</b>	<b>189,963,896</b>	<b>171,224,738</b>			
			<u>NET POSITION</u>		
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			Net Investment in Capital Assets	101,699,396	93,177,543
Deferred Outflows of Resources - Pension Plan	4,668,185	0	Restricted for Debt Service	6,677,573	7,383,735
			Unrestricted	52,185,427	51,576,626
			<b>TOTAL NET POSITION</b>	<b>160,562,396</b>	<b>152,137,904</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 301,035,882</b>	<b>\$ 252,580,296</b>	<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 301,035,882</b>	<b>\$ 252,580,296</b>

The accompanying notes are an integral part of these statements.

**DELAWARE COUNTY REGIONAL WATER**  
**QUALITY CONTROL AUTHORITY**  
Statements of Revenues, Expenses and Changes in Net Position  
For the Years Ended December 31, 2015 and 2014

	2015	2014
Operating Revenues:		
Western Region:		
Major Industries	\$ 6,609,628	\$ 6,751,251
Residential	5,622,353	5,569,475
Municipal	7,759,954	4,043,630
Permit Industries	1,579,289	1,474,611
TOTAL WESTERN REGION	21,571,224	17,838,967
Eastern Region:		
Darby Creek Joint Authority	15,555,731	14,907,180
Central Delaware County Authority	8,096,008	7,603,060
Muckinipates Authority	3,705,057	3,403,140
TOTAL EASTERN REGION	27,356,796	25,913,380
Sludge Disposal and Processing	4,377,766	3,707,977
TOTAL OPERATING REVENUES	53,305,786	47,460,324
Operating Expenses, Including Depreciation of \$5,422,490 in 2015 and \$5,088,028 in 2014	44,211,986	40,225,128
OPERATING INCOME	9,093,800	7,235,196
Nonoperating Revenues (Expenses):		
Interest Income	362,188	288,783
Interest Expense	(2,329,531)	(1,986,942)
EPA - DEP Civil Penalty	(1,376,638)	0
Debt Issue Costs	(369,233)	0
Other Income	651,715	872,215
TOTAL NONOPERATING EXPENSE	(3,061,499)	(825,944)
INCOME BEFORE CAPITAL CONTRIBUTIONS	6,032,301	6,409,252
Capital Contributions	2,392,191	0
CHANGE IN NET POSITION	8,424,492	6,409,252
Net Position - Beginning	152,137,904	145,728,652
NET POSITION - ENDING	\$ 160,562,396	\$ 152,137,904

The accompanying notes are an integral part of these statements.



**DELAWARE COUNTY REGIONAL WATER**  
**QUALITY CONTROL AUTHORITY**

Statements of Cash Flows

For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities:		
Receipts from Customers	\$ 54,817,562	\$ 46,681,957
Payments to Suppliers	(20,220,307)	(18,728,719)
Payments to Employees	(18,569,717)	(14,495,416)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>16,027,538</u>	<u>13,457,822</u>
Cash Flows From Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(19,465,746)	(17,798,317)
Payment of Accounts Payable Incurred for the Purchase of Capital Assets	(1,523,747)	(1,146,687)
Notes Payable Proceeds	39,052,601	0
Other Income	651,715	872,215
Interest Paid	(3,877,473)	(3,677,063)
Repayment of Long-Term Debt	(4,794,563)	(7,589,781)
EPA Compliance Penalty	(1,376,638)	0
Debt Issue Costs	(369,233)	0
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>8,296,916</u>	<u>(29,339,633)</u>
Cash Flows From Investing Activities:		
Collection of Notes Receivable	26,689	25,327
Decrease (Increase) in Investments	(28,977,294)	16,334,427
Purchase of Certificates of Deposit	(14,692)	(9,400)
Interest Received	324,109	241,971
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(28,641,188)</u>	<u>16,592,325</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>(4,316,734)</u>	<u>710,514</u>
Cash and Cash Equivalents - Beginning	<u>8,240,136</u>	<u>7,529,622</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 3,923,402</u>	<u>\$ 8,240,136</u>
Non-Cash Capital Financing Activities:		
Accounts Payable Incurred for the Purchase of Capital Assets	<u>\$ 1,473,594</u>	<u>\$ 1,523,747</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 9,093,800	\$ 7,235,196
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	5,422,490	5,088,028
Provision for Doubtful Accounts	109,307	361,436
Decrease (Increase) in:		
Receivables:		
Residential	(178,314)	(251,502)
Municipal	255,819	(264,963)
Major Industries	196,003	(508,640)
Permit Industries	(172,579)	91,286
Authorities	(89,169)	0
Other Receivables	(158,993)	39,993
Prepaid Expenses	159,019	(265,392)
Deferred Outflows of Resources - Pension Plan	(4,668,185)	0
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(384,926)	590,309
Net Pension Liability	1,618,047	(220,743)
Payable to the City of Philadelphia	3,166,210	1,447,340
Deferred Revenue - Long-Term Control Plan	1,422,000	0
Advances on Services	237,009	115,474
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 16,027,538</u>	<u>\$ 13,457,822</u>

The accompanying notes are an integral part of these statements.

**DELAWARE COUNTY REGIONAL WATER**  
**QUALITY CONTROL AUTHORITY**  
Notes to Financial Statements  
December 31, 2015 and 2014

NOTE 1 - Summary of Significant Accounting Policies

Nature of Operations - Delaware County Regional Water Quality Control Authority ("DELCORA") was created by the County Council of Delaware County, Pennsylvania, on October 20, 1971, pursuant to the Municipality Authorities Act of 1945. DELCORA has the power to construct, finance, operate and maintain sewer systems throughout Delaware County and adjacent areas included in its drainage basin.

Reporting Entity - The reporting entity has been defined in accordance with the criteria established in Statement 14 issued by the Governmental Accounting Standards Board (GASB). The specific criteria used in determining whether DELCORA should be included in another organization's financial reporting entity are financial accountability, fiscal dependency and legal separation.

As defined above, DELCORA should not be included in another organization's financial statements.

Basis of Presentation - DELCORA's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

DELCORA adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-For State and Local Governments* and related standards, as of January 1, 2003. The standard provides for significant changes in terminology and inclusion of a Management Discussion and Analysis (MD&A) section providing an analysis of DELCORA's overall financial position and results of its operations.

DELCORA's accounts are organized as a governmental enterprise fund, and are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Operating revenues are charges to customers for services provided. Operating expenses include the cost of services, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Basis of Accounting - The financial statements are prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Use of Estimates - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reporting 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.

**DELAWARE COUNTY REGIONAL WATER**  
**QUALITY CONTROL AUTHORITY**  
Notes to Financial Statements  
December 31, 2015 and 2014

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents - DELCORA considers all highly liquid investments purchased with original maturities of less than three months to be cash equivalents.

Capital Assets - Capital assets have been financed primarily through proceeds from various bond issues, grants from the Environmental Protection Agency and funds generated from ongoing operations. Capital assets are recorded at cost. If actual cost could not be determined from available records, estimated historical cost was used. Interest on sewer revenue bonds is capitalized during the construction period, net of interest earned on the investment of unexpended bond proceeds. Expenditures for maintenance and repairs are charged to operating expenses.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Western Region Treatment Plant	5 - 40 Years
Service Lines and Force Mains	10 - 60 Years
Pumping Stations	10 - 40 Years
Machinery and Equipment	5 - 10 Years
Buildings and Improvements	40 Years

Investments - Investments represent funds established under various trust indentures and secured sewer revenue bonds outstanding. Restricted investments are reserved for liquidation of specific obligations. Investments are stated at fair value.

Advances on Services - Advances on services represents user charges collected in excess of the user's respective share of operating expenses.

Vacation, Sick Leave and Other Compensated Absences - DELCORA employees are entitled to certain compensated absences based on their length of employment. Compensated absences are accrued when earned.

Allowance for Doubtful Accounts - Provisions for doubtful accounts are provided for on the reserve method based on historical experience and management's evaluation of outstanding residential receivables.

Subsequent Events - DELCORA has evaluated subsequent events through April 19, 2016, which represents the date the financial statements were available to be issued.

Deferred Outflows of Resources - DELCORA reports decreases in net assets that relate to future periods as deferred outflows of resources in the statements of net position. DELCORA reports deferred outflows of resources for contributions made to the defined benefit pension plan between the measurement date of the net pension liability and DELCORA's year end.

Reclassifications - Certain reclassifications have been made to prior year amounts to conform with current year classifications.

**DELAWARE COUNTY REGIONAL WATER**  
**QUALITY CONTROL AUTHORITY**  
Notes to Financial Statements  
December 31, 2015 and 2014

**NOTE 2 - Deposits and Investments**

Under Section 7.1 of the Pennsylvania Municipality Authorities Act and the Trust Indenture, DELCORA is permitted to invest funds consistent with sound business practices in the following types of investments:

- Obligations of the United States government or its agencies or instrumentalities;
- Obligations of the Commonwealth of Pennsylvania or any of its political subdivisions; and
- Deposits in savings accounts or time deposits must be insured by the Federal Deposit Insurance Corporation ("FDIC"). For amounts above the insured limit, collateral must be pledged by the depository.
- Other investments as described in the Trust Indenture Agreement between DELCORA and TD Bank, N.A. dated July 15, 2001.

Deposits - As of December 31, 2015 and 2014, the carrying amount of the entity's deposits was \$3,813,460 and \$8,229,349, respectively. As of December 31, 2015 and 2014, the bank balance was \$4,082,968 and \$9,155,820, respectively. As of December 31, 2015 and 2014, the entity had \$2,076,997 and \$2,062,305 in certificates of deposit, respectively. The certificates of deposit mature through May 2017.

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the entity's deposits may not be returned to it. The entity's investment policy limits the exposure to custodial credit risk by requiring all deposits in excess of federal depository insurance limits to be secured with collateralization pledged by the applicable financial institution. Of the bank balance, \$456,888 was covered by federal depository insurance. The remaining balance was uninsured and covered by collateral in accordance with the Intergovernmental Cooperation Act of 1972. The entities certificates of deposit are held in a CDARS program and are covered in their entirety by federal depository insurance.

Investments - The entity's investments are categorized as either (1) insured and registered, or securities held by the entity or its agent in the entity's name, (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name, or (3) uninsured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the entity's name.

All funds in the Pennsylvania Local Government Investment Trust ("PLGIT") are invested in accordance with the Pennsylvania Municipality Authorities Act. Each entity owns a prorata share of each investment or deposit which is held in the name of the fund. Other fixed-term investments purchased by the entity through the fund's administrator are purchased in the name of the entity. The balance of the funds as of December 31, 2015 and 2014 was \$109,942 and \$10,787, respectively.

All funds held in accordance with the Trust Indenture for the Sewer Revenue Bonds are invested in accordance with the Trust Indenture Agreement between DELCORA and TD Bank, N.A. dated July 15, 2001. The balance as of December 31, 2015 and 2014 was \$96,383,097 (including certificates of deposit of \$55,019,809, commercial paper of \$7,491,468 and repurchase agreements of \$1,513,148) and \$69,897,625 (including certificates of deposit of \$56,059,931 and repurchase agreements of \$1,454,372), respectively. Certificates of deposit are held in a PLGIT CD program and are covered in their entirety by federal depository insurance.

At December 31, 2015 and 2014 the entity held investments in U.S. Government and Agency Issues, maturing through 2017, amounting to \$6,493,241 and \$4,001,419, respectively. Investments maturing in less than one year from original purchase are recorded at unamortized cost. Investments maturing beyond one year from original purchase are recorded at fair value.

**DELAWARE COUNTY REGIONAL WATER**  
**QUALITY CONTROL AUTHORITY**  
Notes to Financial Statements  
December 31, 2015 and 2014

**NOTE 2 - Deposits and Investments** (Continued)

**Custodial Credit Risk - Investments** - For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the entity will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The entity has no investments subject to custodial credit risk.

**NOTE 3 - Investments and Restricted Investments**

	2015	2014
Cash and Cash Equivalents	\$32,316,154	\$12,321,357
Commercial Paper	7,491,468	0
Certificates of Deposit Originally Maturing Beyond Three Months	47,568,274	48,173,274
Repurchase Agreements	1,513,148	1,454,372
U. S. Government and Agency Issues	6,493,241	4,001,419
<b>TOTAL INVESTMENTS</b>	<b>\$95,382,285</b>	<b>\$65,950,422</b>

	2015	2014
Cash and Cash Equivalents	\$ 42,518	\$ 61,966
Certificates of Deposit Originally Maturing Beyond Three Months	7,451,535	7,886,657
<b>TOTAL RESTRICTED INVESTMENTS</b>	<b>\$ 7,494,053</b>	<b>\$ 7,948,623</b>

**NOTE 4 - Capital Assets**

	2015	2014
Western Region Treatment Plant	\$108,909,444	\$102,625,469
Service Lines and Force Mains	79,221,443	75,412,278
Pumping Stations	39,005,012	28,151,101
Machinery and Equipment	3,385,976	3,385,976
Buildings and Improvements	6,522,616	6,522,616
Land and Right of Way	1,349,495	1,349,495
	238,393,986	217,446,935
Less: Accumulated Depreciation	100,678,500	95,256,010
	137,715,486	122,190,925
Construction in Progress	44,706,702	41,009,411
<b>NET CAPITAL ASSETS</b>	<b>\$182,422,188</b>	<b>\$163,200,336</b>

Capital assets at December 31, 2015 and 2014 include capitalized interest of \$20,060,027 and \$18,409,763, respectively, reduced by interest earned on construction fund investments of \$15,862,445 and \$15,524,990, respectively. Interest expense for the years ended December 31, 2015 and 2014 was \$3,642,339 and \$3,162,957, respectively. Interest expense capitalized for the years ended December 31, 2015 and 2014 was \$1,312,808 and \$1,176,015, respectively.

**DELAWARE COUNTY REGIONAL WATER**  
**QUALITY CONTROL AUTHORITY**  
Notes to Financial Statements  
December 31, 2015 and 2014

**NOTE 4 - Capital Assets (Continued)**

Capital assets activity for the year ended December 31, 2015, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Western Region Treatment Plant	\$102,625,469	\$ 6,283,975	\$ 0	\$108,909,444
Service Lines and Force Mains	75,412,278	3,809,165	0	79,221,443
Pumping Stations	28,151,101	10,853,911	0	39,005,012
Machinery and Equipment	3,385,976	0	0	3,385,976
Buildings and Improvements	6,522,616	0	0	6,522,616
Land and Right of Way	1,349,495	0	0	1,349,495
	<u>217,446,935</u>	<u>20,947,051</u>	<u>0</u>	<u>238,393,986</u>
Less: Accumulated Depreciation	<u>95,256,010</u>	<u>5,422,490</u>	<u>0</u>	<u>100,678,500</u>
	122,190,925	15,524,561	0	137,715,486
Construction in Progress	<u>41,009,411</u>	<u>3,697,291</u>	<u>0</u>	<u>44,706,702</u>
NET CAPITAL ASSETS	<u><u>\$163,200,336</u></u>	<u><u>\$19,221,852</u></u>	<u><u>\$ 0</u></u>	<u><u>\$182,422,188</u></u>

**NOTE 5 - Note Receivable**

DELCORA has a note receivable from Folcroft Borough for renovations to a pump station. The note is being repaid over 20 years with installments of \$2,619 per month including interest at 5.25%. The balance of the note receivable at December 31, 2015 and 2014 was \$75,779 and \$102,468, respectively.

**NOTE 6 - User Agreements**

In accordance with a County-Wide Sewerage Facilities Plan (the "Plan") developed in 1972 and by orders of the Commonwealth of Pennsylvania Department of Environmental Protection, various municipal authorities and industries in Delaware County were ordered to negotiate with DELCORA for future treatment of sewage in its regional facilities.

The Plan divided the County into two sections: Eastern Service Region and Western Service Region. Eastern Service Region waste water is treated in the upgraded and expanded Philadelphia Southwest Water Pollution Control Plant ("City Plant"). Western Service Region waste water is treated at a regional plant constructed on the site of the former City of Chester Plant. The Central Delaware County Authority has the ability to flow to either plant.

In order to execute the Plan, DELCORA entered into service agreements with municipalities and major industries in DELCORA's service area. The agreements are for various terms up to 50 years.

**DELAWARE COUNTY REGIONAL WATER  
QUALITY CONTROL AUTHORITY**  
Notes to Financial Statements  
December 31, 2015 and 2014

**NOTE 7 - Long-Term Debt**

<u>Series</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>2015</u>	<u>2014</u>
2007	5.25%	May 1, 2025	\$29,295,000	\$31,730,000
2013	5.00%	May 1, 2033	34,470,000	34,470,000
2015	2.50%-5.00%	May 1, 2045	36,205,000	0
TOTAL SEWER REVENUE BONDS			<u>99,970,000</u>	<u>66,200,000</u>
<p>Note Payable - Pennsylvania Infrastructure Investment Authority ("Pennvest"), monthly payments of \$30,227, including interest at 4.017%. The note was collateralized by property.</p> <p>The loan was paid in full March 2015. The aggregate principal amount of the note was \$5,009,000, of which the Authority had borrowed \$4,922,349 upon payoff of the loan.</p>			0	1,728,738
<p>Note Payable - Pennsylvania Infrastructure Investment Authority ("Pennvest"), monthly payments of \$46,168, including interest at 1.061%. The note is collateralized by property. The loan matures September 2031. The aggregate principal amount of the note is \$10,038,785, all of which the Authority has borrowed as of December 31, 2015.</p>			<u>8,013,259</u>	<u>8,480,698</u>
			107,983,259	76,409,436
Issuance Premiums			<u>8,622,981</u>	<u>6,419,512</u>
TOTAL			<u>116,606,240</u>	<u>82,828,948</u>
Less: Current Portion			<u>3,569,381</u>	<u>5,073,632</u>
LONG-TERM DEBT			<u>\$113,036,859</u>	<u>\$77,755,316</u>

Sewer Revenue Bond interest is payable on May 1<sup>st</sup> and November 1<sup>st</sup>.

**DELAWARE COUNTY REGIONAL WATER  
QUALITY CONTROL AUTHORITY**

Notes to Financial Statements  
December 31, 2015 and 2014

**NOTE 7 - Long-Term Debt** (Continued)

Aggregate maturities and required sinking fund payments of long-term debt subsequent to December 31, 2015 are as follows:

Year Ending  
December 31,

	Principal	Interest	Principal and Interest	Deferred	Total
2016	\$ 3,036,590	\$ 4,910,685	\$ 7,947,275	\$ 532,791	\$ 8,480,066
2017	3,179,864	4,770,924	7,950,788	532,791	8,483,579
2018	4,594,927	4,586,836	9,181,763	532,791	9,714,554
2019	4,820,044	4,359,909	9,179,953	532,791	9,712,744
2020	5,060,216	4,120,980	9,181,196	532,791	9,713,987
2021-2025	21,870,601	17,424,747	39,295,348	2,521,293	41,816,641
2026-2030	25,408,411	12,199,230	37,607,641	1,593,615	39,201,256
2031-2035	19,932,606	6,619,548	26,552,154	981,621	27,533,775
2036-2040	8,920,000	3,391,250	12,311,250	446,130	12,757,380
2041-2045	11,160,000	1,152,000	12,312,000	416,367	12,728,367
<b>TOTAL</b>	<b>\$107,983,259</b>	<b>\$ 63,536,109</b>	<b>\$171,519,368</b>	<b>\$ 8,622,981</b>	<b>\$180,142,349</b>

The Sewer Revenue Bonds were issued pursuant to the Trust Indenture Agreement between DELCORA and TD Bank, N.A. ("Trustee") dated July 15, 2001. TD Bank replaced Chase Manhattan Trust Company, N.A., now known as JP Morgan Chase, who was the trustee under the previous indenture. Under the July 15, 2001 Indenture, DELCORA has pledged certain assets and agreed to covenants and conditions, the most significant of which are:

- Fix rates and rentals sufficient to cover the costs of operating the system;
- Pledge revenues to secure the outstanding bonds;
- Net Revenues at least equal to 100% of annual debt service requirements of all outstanding bonds exclusive of funds deposited into the revenue fund from the renewal and replacement fund;
- Net Revenues at least equal to 1.1 times the annual debt service requirements of all outstanding bonds;
- Establish certain funds to account for DELCORA activity; and,
- Maintain and operate the system in a sound and economical manner.

Management believes it has complied, in all material respects, with all covenants and requirements of the Indenture.



**DELAWARE COUNTY REGIONAL WATER**  
**QUALITY CONTROL AUTHORITY**  
Notes to Financial Statements  
December 31, 2015 and 2014

**NOTE 7 - Long-Term Debt (Continued)**

Long-term debt activity for the year ended December 31, 2015, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bonds and Notes Payable:				
Sewer Revenue Bonds 2007 Series	\$31,730,000	\$ 0	\$(2,435,000)	\$ 29,295,000
Sewer Revenue Bonds 2013 Series	34,470,000	0	0	34,470,000
Sewer Revenue Bonds 2015 Series	0	36,205,000	0	36,205,000
Note Payable - Pennvest	1,728,738	163,386	(1,892,124)	0
Note Payable - Pennvest	8,480,698	0	(467,439)	8,013,259
TOTAL	<u>76,409,436</u>	<u>36,368,386</u>	<u>(4,794,563)</u>	<u>107,983,259</u>
Deferred Amounts:				
Issuance Premiums	<u>6,419,512</u>	<u>2,684,216</u>	<u>(480,747)</u>	<u>8,622,981</u>
LONG-TERM DEBT	<u>\$82,828,948</u>	<u>\$39,052,602</u>	<u>\$(5,275,310)</u>	<u>\$116,606,240</u>

**BOND REFUNDING**

During 2007, DELCORA issued the Sewer Revenue Bonds, 2007 Series. The 2007 Series bonds were issued to provide funds to advance refund certain maturities of DELCORA's Series 2001 and Series 2004 bonds. Proceeds from the issuance of the 2007 Series bonds were deposited in an irrevocable trust with an escrow agent to provide for the debt service required for advance refunding of the bonds. The advance refunding met the requirements of an in substance defeasance. Accordingly, the trust account assets and defeased bond liabilities were not included in DELCORA's financial statements. The excess of the trust account over the defeased bond liability upon issuance of the 2007 Series bonds was \$1,774,467. The excess was stated as a deferred outflow of resources and was amortized over the term of the advance refunding period. In May 2014, the remaining 2004 Series defeased bonds outstanding of \$12,210,000 were redeemed.

**NOTE 8 - Commitments and Contingencies**

**Commitments** - DELCORA had construction commitments outstanding at December 31, 2015 of approximately \$16,675,382. DELCORA leases equipment at a monthly cost of \$1,842 through 2017.

**Contingencies** - DELCORA is involved in various claims and lawsuits, both for and against DELCORA, arising in the normal course of business. Management believes that any financial responsibility that may be incurred in settlement of such claims and lawsuits would not be material to DELCORA's financial position. Additionally, amounts received from grantor agencies are subject to audit and adjustment by grantor agencies, principally by the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although management expects such amounts, if any, to be immaterial.

**DELAWARE COUNTY REGIONAL WATER  
QUALITY CONTROL AUTHORITY**

Notes to Financial Statements  
December 31, 2015 and 2014

NOTE 9 - Employee Retirement Plans  
DEFINED BENEFIT PLAN

Plan Policies - For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about the Plan fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The change in liability resulting from a change of Plan provisions is recognized immediately in pension expense. The change in liability resulting from a change of assumptions is recognized in pension expense over a closed period equal to the average of the expected remaining service lives of all Plan participants (active and inactive). The change in liability resulting from differences between expected and actual experience is recognized in pension expense over a closed period equal to the average of the expected remaining services lives of all Plan participants (active and inactive). The change in net pension liability resulting from differences between projected and actual earnings on Plan assets is recognized in pension expense over a closed period of five years.

Plan Description - Delaware County Regional Water Quality Control Authority Retirement Plan (the "Plan") is a single-employer defined benefit pension plan administered by DELCORA. The Plan provides early retirement, normal retirement, and disability benefits to plan members. Plan benefits were established under the terms of the plan document. The Plan allows amendments by DELCORA. The operation of the Plan is governed by the provisions of certain public employee laws under the Commonwealth of Pennsylvania Code which are administered by the Public Employee Retirement Commission of the Commonwealth of Pennsylvania.

Pension Benefits - Pension benefits are as follows:

***Normal Retirement:*** A member is eligible upon attainment of age 65.

For salaried employees, the accrued benefit equals the sum of:

- (a) 1.50% of average applicable compensation multiplied by years of service completed on or after January 2, 2006;
- (b) 1.45% of average applicable compensation multiplied by years of service completed on or after January 2, 2004 and before January 2, 2006;
- (c) 1.35% of average applicable compensation multiplied by years of service completed on or after January 2, 2000 and before January 2, 2004; and
- (d) 1.50% of average applicable compensation multiplied by years of service completed prior to January 2, 2000;

For non-salaried employees, the accrued benefit equals the sum of:

- (a) 1.65% of average applicable compensation multiplied by years of service completed on or after January 2, 2006;
- (b) 1.60% of average applicable compensation multiplied by years of service completed on or after January 2, 2004 and before January 2, 2006; and
- (c) 1.50% of average applicable compensation multiplied by years of service completed prior to January 2, 2004;

**DELAWARE COUNTY REGIONAL WATER**  
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Notes to Financial Statements  
December 31, 2015 and 2014

NOTE 9 - Employee Retirement Plans (Continued)

**Early Retirement:** A member is eligible for a retirement benefit upon attainment of age 55 and the completion of ten years of service equal to the portion of the normal retirement benefit that has been accrued as of the participant's early retirement date, reduced by 5/16% for each month that the benefit commencement date precedes the normal retirement date.

**Disability:** Upon total disability, a member is eligible for retirement benefits equal to an early retirement benefit amount.

Funding Policy - Pursuant to the plan document, DELCORA is required to contribute to the Plan from time to time amounts necessary to satisfy the applicable requirements of every relevant statute and expected to be sufficient on the basis of actuarial estimates to provide the benefits specified in the Plan. There is no required contribution rate of the employer in dollars or as a percentage of covered payroll. Active plan members are not required to contribute to the Plan. The Plan was amended in 2011 for technical compliance updates.

The annual contribution calculation was determined as part of the January 1, 2015 actuarial valuation using the Entry Age Normal Actuarial Cost Method. The actuarial assumptions included (a) interest rate of 7.50% compounded annually, (b) lump sum payments are valued based on the 15 year average of IRS section 417e segment rates (3.50%, 5.50%, 6.50%), (c) mortality rates are based on RP-2000 Combined Mortality Table with Scale AA projected to 2015. For Lump Sum payments, the IRS section 417e applicable mortality table is used, (d) turnover (withdrawal) are based on Turnover Table T3, (e) salary increases of 4.00% per annum (f) the Level Dollar Method over an open period of 30 years is used to amortize the unfunded actuarial liability, (g) it is assumed that 90% of participants eligible to receive benefits would elect the Single Sum Distribution, with the remaining 10% electing the Life Annuity form. The Plan amendment and restatement adopted in 2011 was considered in the valuation.

Act 205 requires full funding of the entry age normal cost plus Plan expenses, in addition to amortization of the unfunded liability to ultimately achieve a 100% funded status. The Plan's fiduciary net position is projected to be sufficient to make projected benefit payments for all future years. Hence, there is no "depletion date" and therefore the discount rate is equal to the assumed long-term rate of return of 7.50%.

The Plan's investment consultant has provided the long-term expected return on assets given the Plan's asset allocation and investment policy to be approximately 7.77% per year of net expenses.

The asset valuation method was changed effective January 1, 2005 to use a five year smoothing method. This method determines the value of assets so that asset appreciation or depreciation is only partially recognized in the year of occurrence. The result is a gradual recognition of 20% per year over a five year period of each year's appreciation or depreciation in excess of or less than that which is assumed. The actuarial asset value must be within 80% to 120% of the market value of the assets.

Changes Since Prior Valuation:

The mortality table changed from the 1983 Group Annuity Mortality Table to the RP-2000 Combined Mortality Table with Scale AA projected to 2015. The probability of a lump sum election was assumed to be 90%. Previously, all participants were assumed to take an annuity.

**DELAWARE COUNTY REGIONAL WATER**  
**QUALITY CONTROL AUTHORITY**  
Notes to Financial Statements  
December 31, 2015 and 2014

**NOTE 9 - Employee Retirement Plans (Continued)**

Three-Year Trend Information: Schedule of Contributions:

	January 1,		
	2015	2014	2013
Actuarial determined contribution	\$ 830,001	\$ 699,671	\$ 542,957
Contributions in relation to the actuarially determined contribution	4,450,000	1,150,000	1,100,000
Contribution deficiency (excess)	<u><u>\$(3,619,999)</u></u>	<u><u>\$(450,329)</u></u>	<u><u>\$ (557,043)</u></u>
Covered employee payroll	\$ 7,470,137	\$ 7,435,831	\$ 7,188,949
Ratio of Actuarial Accrued Liability to Payroll	59.57%	15.47%	15.30%

Pension Liabilities, Pension Expense, Pension Contributions, Plan Assets, Employees, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2015, the plan covered 159 employees, which included 121 active employees, 27 inactive employees entitled to but not yet receiving benefits and 11 inactive employees or beneficiaries currently receiving benefits. Average expected remaining service lives as of December 31, 2015 were 8.09 years.

Plan assets at December 31, 2015 include marketable equity securities at fair value of \$11,993,855 and cash and cash equivalents of \$1,273,547. Employer contributions were \$4,450,000 and \$1,150,000 for the years ended December 31, 2015 and 2014, respectively. Pension expense was \$1,399,862 and \$929,260 for the years ended December 31, 2015 and 2014, respectively.

The Plan's total pension liability as of December 31, 2015 was projected from January 1, 2015.

**DELAWARE COUNTY REGIONAL WATER**  
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Notes to Financial Statements  
December 31, 2015 and 2014

NOTE 9 - Employee Retirement Plans (Continued)

Changes in Net Pension Liability:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at December 31, 2014	<u>\$ 13,987,493</u>	<u>\$10,075,375</u>	<u>\$3,912,118</u>
Changes for the year:			
Service Cost	451,185	0	451,185
Interest	982,877	0	982,877
Changes of Assumptions	4,170,435	0	4,170,435
Differences between expected and actual experience	465,714	0	465,714
Contributions - Employer	0	4,450,000	(4,450,000)
Net Investment Income	0	33,319	(33,319)
Benefit Payments	(1,260,137)	(1,260,137)	0
Administrative Expense	<u>0</u>	<u>(31,155)</u>	<u>31,155</u>
Net Changes	<u>4,810,074</u>	<u>3,192,027</u>	<u>1,618,047</u>
Balances at December 31, 2015	<u><u>\$ 18,797,567</u></u>	<u><u>\$13,267,402</u></u>	<u><u>\$5,530,165</u></u>

Sensitivity of Net Pension Liability to Changes in Discount Rate:

	<u>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
Net Pension Liability	<u><u>\$ 6,725,477</u></u>	<u><u>\$ 5,530,165</u></u>	<u><u>\$4,437,005</u></u>

**DELAWARE COUNTY REGIONAL WATER  
QUALITY CONTROL AUTHORITY**

Notes to Financial Statements  
December 31, 2015 and 2014

NOTE 9 - Employee Retirement Plans (Continued)

Deferred outflows and inflows of resources as of December 31, 2015:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 408,147	\$ 0
Changes of Assumptions	3,654,930	0
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	<u>605,108</u>	<u>0</u>
Total Pension Expense	<u><u>\$4,668,185</u></u>	<u><u>\$ 0</u></u>
Future Recognition of Deferred Outflows and Inflows in Pension Expense:		
	<u>Fiscal Year</u>	<u>Amount Recognized</u>
	2016	\$ 724,349
	2017	724,349
	2018	724,349
	2019	724,349
	2020	573,072
	Thereafter	1,197,717

**DEFINED CONTRIBUTION PLAN**

DELCORA established the Delaware County Regional Water Quality Control Authority Defined Contribution Plan (401a Plan) in 2000 covering all salaried employees. Employer contributions were \$110,906 and \$118,151 for the years ended December 31, 2015 and 2014, respectively.

Additionally, all employees are eligible to contribute into a 457 Plan. The 457 Plan does not allow for employer contributions.

**DELAWARE COUNTY REGIONAL WATER**  
**QUALITY CONTROL AUTHORITY**  
Notes to Financial Statements  
December 31, 2015 and 2014

**NOTE 10 - Wastewater Treatment Agreement**

In 1974, DELCORA entered into a thirty year agreement with the Philadelphia Water Department (“the City”) to pay the City for treatment of wastewater sent to the Southwest Philadelphia plant based on its proportionate share of the City’s operating costs. The agreement with the City was extended until 2011.

In July 2011, DELCORA signed an agreement with the City for treatment of the flows. The term was for the longer of either two years or one year after DELCORA received information about the City’s Long Term Control Plan (LTCP). The agreement was considered a bridge toward a long-term agreement.

There remained a need for the determination by the City of DELCORA’s proportionate share of the \$2 billion in estimated costs over twenty five years for the implementation of the City’s LTCP. The flow capacity thresholds in the contract had remained the same as the 1974 agreement. The management fee had been increased from 10% to 12%. The contract also included a different method for accounting for DELCORA’s share of the City’s capital costs, i.e., the depreciation and return on investment method.

On April 1, 2013, a fifteen year agreement between the City and DELCORA became effective. Many of the terms of the July 2011 agreement remain in effect. DELCORA has received an estimate of its proportionate share of LTCP costs.

**NOTE 11 - Prior Period Adjustment**

Net position as of January 1, 2014 and December 31, 2014 and the change in net position for the year ended December 31, 2014 have been restated as a result of DELCORA’s adoption of Government Accounting Standards Board Statement No. 68 *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. The statement required the inclusion of the net pension liability related to the defined benefit pension plan on the statements of net position. The effect of the restatement was to reduce net position as of January 1, 2014 by \$4,132,861 and increase the change in net position for the year ended December 31, 2014 by \$220,743. Additionally, net position as of December 31, 2014 was reduced by \$3,912,118.

**DELAWARE COUNTY REGIONAL WATER**  
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For the Years Ended December 31, 2015 and 2014

**SCHEDULES OF OPERATING EXPENSES**

	<u>2015</u>	<u>2014</u>
Philadelphia Plant Treatment Costs	\$ 10,112,057	\$ 9,889,192
Salaries and Wages	10,356,021	9,540,339
Depreciation	5,422,490	5,088,028
Utilities	2,757,167	2,643,834
Pension	1,399,862	929,260
Employee Benefits	3,825,635	3,746,564
Repairs and Maintenance	4,374,365	3,476,320
Insurance	690,150	688,414
Minor Equipment and Supplies	890,393	1,034,397
Solids Disposal	2,158,926	503,196
Engineering and Tech Services	326,862	387,767
Provision for Doubtful Accounts	109,307	361,436
Other Contracted Services	753,321	798,782
Consulting	81,157	146,258
Solicitor	719,453	788,427
Office	141,190	126,904
Dues and Conferences	71,113	57,646
Advertising	22,517	18,364
	<u>                    </u>	<u>                    </u>
TOTAL OPERATING EXPENSES	<u><u>\$ 44,211,986</u></u>	<u><u>\$ 40,225,128</u></u>



**DELAWARE COUNTY REGIONAL WATER  
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Supplementary Information  
For the Year Ended December 31, 2015

**SCHEDULES OF SELECTED OPERATING REVENUES -  
BUDGET COMPARISON**

	Actual 2015	Budget 2015 (Unaudited)	Favorable (Unfavorable) Variances (Unaudited)	Actual 2014
Major Industry:				
Kimberly-Clark	\$ 3,677,361	\$ 3,518,600	\$ 158,761	\$ 4,105,928
Sun Refining and Marketing Co.	2,294,096	2,638,950	(344,854)	2,270,073
Monroe Energy	638,171	123,151	515,020	375,250
	<u>\$ 6,609,628</u>	<u>\$ 6,280,701</u>	<u>\$ 328,927</u>	<u>\$ 6,751,251</u>
TOTAL MAJOR INDUSTRY				
Municipal:				
Nether Providence	\$ 752,745	\$ 698,617	\$ 54,128	\$ 786,408
Brookhaven	581,070	602,207	(21,137)	530,663
Eddystone	305,330	305,140	190	322,455
Lower Chichester	421,380	396,682	24,698	362,972
Southern Delaware County Authority	1,650,864	1,830,840	(179,976)	1,766,161
South West Delaware County Authority	2,455,135	2,548,722	(93,587)	164,982
Middletown Authority	1,593,430	1,699,148	(105,718)	109,989
	<u>\$ 7,759,954</u>	<u>\$ 8,081,356</u>	<u>\$ (321,402)</u>	<u>\$ 4,043,630</u>
TOTAL MUNICIPAL				
Permit Industries:				
Braskem	\$ 148,601	\$ 69,890	\$ 78,711	\$ 150,219
Liberty Electric	337,125	271,848	65,277	295,442
The P.Q. Corporation	114,674	110,460	4,214	133,354
Ace Linen	82,251	82,056	195	80,318
Rhodia	28,686	20,244	8,442	43,788
PECO	7,317	6,091	1,226	6,612
Florida Power & Light	491,007	208,465	282,542	392,116
Congoleum	47,738	40,342	7,396	40,577
Boeing	131,400	122,056	9,344	124,749
Harrah's Casino	47,085	41,957	5,128	48,840
Delaware County Linen	43,276	60,622	(17,346)	68,353
Other	100,129	0	100,129	90,243
	<u>\$ 1,579,289</u>	<u>\$ 1,034,031</u>	<u>\$ 545,258</u>	<u>\$ 1,474,611</u>
TOTAL PERMIT INDUSTRIES				

**DELAWARE COUNTY REGIONAL WATER**  
**QUALITY CONTROL AUTHORITY**  
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**SCHEDULE OF DEBT SERVICE**  
**SEWER REVENUE BONDS, 2007 SERIES**

<u>Year Ending December 31</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016	5.25%	2,565,000	1,470,656	4,035,656
2017	5.25%	2,705,000	1,332,318	4,037,318
2018	5.25%	4,115,000	1,153,293	5,268,293
2019	5.25%	4,335,000	931,482	5,266,482
2020	5.25%	4,570,000	697,725	5,267,725
2021	5.25%	4,820,000	451,237	5,271,237
2022	5.25%	1,425,000	287,306	1,712,306
2023	5.25%	1,505,000	210,394	1,715,394
2024	5.25%	1,585,000	129,281	1,714,281
2025	5.25%	1,670,000	43,838	1,713,838
TOTAL		<u>\$ 29,295,000</u>	<u>\$ 6,707,530</u>	<u>\$ 36,002,530</u>

**DELAWARE COUNTY REGIONAL WATER**  
**QUALITY CONTROL AUTHORITY**

Supplementary Information

December 31, 2015

**SCHEDULE OF DEBT SERVICE**  
**SEWER REVENUE BONDS, 2013 SERIES**

<u>Year Ending December 31</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016	5.00%	0	1,723,500	1,723,500
2017	5.00%	0	1,723,500	1,723,500
2018	5.00%	0	1,723,500	1,723,500
2019	5.00%	0	1,723,500	1,723,500
2020	5.00%	0	1,723,500	1,723,500
2021	5.00%	0	1,723,500	1,723,500
2022	5.00%	1,100,000	1,696,000	2,796,000
2023	5.00%	1,150,000	1,639,750	2,789,750
2024	5.00%	1,215,000	1,580,625	2,795,625
2025	5.00%	1,275,000	1,518,375	2,793,375
2026	5.00%	3,100,000	1,409,000	4,509,000
2027	5.00%	3,255,000	1,250,125	4,505,125
2028	5.00%	3,425,000	1,083,125	4,508,125
2029	5.00%	3,600,000	907,500	4,507,500
2030	5.00%	3,785,000	722,875	4,507,875
2031	5.00%	3,980,000	528,750	4,508,750
2032	5.00%	4,185,000	324,625	4,509,625
2033	5.00%	4,400,000	110,000	4,510,000
TOTAL		<u>\$ 34,470,000</u>	<u>\$ 23,111,750</u>	<u>\$ 57,581,750</u>

**DELAWARE COUNTY REGIONAL WATER  
QUALITY CONTROL AUTHORITY**

Supplementary Information

December 31, 2015

**SCHEDULE OF DEBT SERVICE  
SEWER REVENUE BONDS, 2015 SERIES**

<u>Year Ending December 31</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016	2.50%	0	1,637,394	1,637,394
2017	2.50%	0	1,637,394	1,637,394
2018	2.50%	0	1,637,394	1,637,394
2019	2.50%	0	1,637,394	1,637,394
2020	2.50%	0	1,637,394	1,637,394
2021	2.50%	0	1,637,394	1,637,394
2022	2.50%	835,000	1,626,956	2,461,956
2023	5.00%	870,000	1,594,769	2,464,769
2024	5.00%	915,000	1,550,144	2,465,144
2025	5.00%	975,000	1,502,894	2,477,894
2026	5.00%	1,010,000	1,453,269	2,463,269
2027	5.00%	1,060,000	1,401,519	2,461,519
2028	5.00%	1,115,000	1,347,144	2,462,144
2029	5.00%	1,170,000	1,290,019	2,460,019
2030	3.375%	1,220,000	1,240,181	2,460,181
2031	3.375%	1,265,000	1,198,247	2,463,247
2032	5.00%	1,320,000	1,143,900	2,463,900
2033	5.00%	1,385,000	1,076,275	2,461,275
2034	5.00%	1,455,000	1,005,275	2,460,275
2035	5.00%	1,530,000	930,650	2,460,650
2036	5.00%	1,610,000	852,150	2,462,150
2037	5.00%	1,695,000	769,525	2,464,525
2038	5.00%	1,780,000	682,650	2,462,650
2039	5.00%	1,870,000	591,400	2,461,400
2040	5.00%	1,965,000	495,525	2,460,525
2041	4.00%	2,055,000	405,300	2,460,300
2042	4.00%	2,140,000	321,400	2,461,400
2043	4.00%	2,230,000	234,000	2,464,000
2044	4.00%	2,320,000	143,000	2,463,000
2045	4.00%	2,415,000	48,300	2,463,300
TOTAL		<u>\$ 36,205,000</u>	<u>\$ 32,728,856</u>	<u>\$ 68,933,856</u>

**DELAWARE COUNTY REGIONAL WATER  
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For the Year Ended December 31, 2015

**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS -  
TRUST FUNDS ESTABLISHED UNDER AN INDENTURE DATED JULY 15, 2001  
AND TOTAL INVESTMENTS**

	Renewal and Replacement Fund	Rate Stabilization Fund	Revenue Fund	Sewer Reserve Fund	Debt Service Fund	Sewer Repair and Replacement Fund	Kimberly Clark Settlement Fund	Debt Service Reserve Fund	2013 Construction Fund	2015 Construction Fund	Total
Balances - January 1, 2015	\$ 33,594,638	\$ 4,016,612	\$ 6,717,422	\$ 2,902,926	\$ 1,482,053	\$ 2,617,640	\$ 289,231	\$ 7,948,623	\$ 14,329,900	\$ 0	\$ 73,899,045
Receipts:											
Transfers from Operating Account	0	0	57,370,931	0	0	0	0	0	0	0	57,370,931
Transfers from Other Trust Funds	13,501,633	2,000,000	0	0	6,361,735	240,000	0	0	0	480,903	22,584,271
Edgmont Escrow Reimbursement	771,594	0	0	0	0	0	0	0	0	0	771,594
Loan Proceeds	0	0	163,386	0	0	0	0	0	0	38,519,982	38,683,368
Investment Income	174,059	39,823	5,955	23,623	44,125	9,906	8	26,333	15,834	12,146	351,812
TOTAL RECEIPTS	14,447,286	2,039,823	57,540,272	23,623	6,405,860	249,906	8	26,333	15,834	39,013,031	119,761,976
Disbursements:											
Requisitions	8,947,161	0	34,291,887	0	0	0	289,239	0	9,024,771	3,975,318	56,528,376
Transfers to Other Trust Funds	0	0	19,101,735	0	0	0	0	480,903	0	3,001,633	22,584,271
Transfers to Operating Account for Pension	3,000,000	0	0	0	0	0	0	0	0	0	3,000,000
Debt Service Payments:											
Principal	0	0	2,359,563	0	2,435,000	0	0	0	0	0	4,794,563
Interest	0	0	101,783	0	3,775,690	0	0	0	0	0	3,877,473
TOTAL DISBURSEMENTS	11,947,161	0	55,854,968	0	6,210,690	0	289,239	480,903	9,024,771	6,976,951	90,784,683
BALANCES - DECEMBER 31, 2015	\$ 36,094,763	\$ 6,056,435	\$ 8,402,726	\$ 2,926,549	\$ 1,677,223	\$ 2,867,546	\$ 0	\$ 7,494,053	\$ 5,320,963	\$ 32,036,080	\$ 102,876,338

**DELAWARE COUNTY REGIONAL WATER  
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NET PENSION LIABILITY HISTORICAL INFORMATION

	<u>2015</u>	<u>2014</u>
Total Pension Liability		
Service Cost	\$ 451,185	\$ 433,832
Interest	982,877	962,400
Changes of Assumptions	4,170,435	0
Differences Between Expected and Actual Experience	465,714	183,182
Benefit Payments	<u>(1,260,137)</u>	<u>(664,651)</u>
Net Change in Total Pension Liability	4,810,074	914,763
Total Pension Liability - Beginning	13,987,493	13,072,730
Total Pension Liability - Ending	<u>\$ 18,797,567</u>	<u>\$ 13,987,493</u>
 Plan Fiduciary Net Position		
Contributions - Employer	\$ 4,450,000	\$ 1,150,000
Net Investment Income	33,319	678,120
Benefit Payments	(1,260,137)	(664,651)
Administrative Expense	<u>(31,155)</u>	<u>(27,963)</u>
Net Change in Plan Fiduciary Net Position	3,192,027	1,135,506
Plan Fiduciary Net Position - Beginning	10,075,375	8,939,869
Plan Fiduciary Net Position - Ending	<u>\$ 13,267,402</u>	<u>\$ 10,075,375</u>
 Net Pension Liability - Ending	<u>\$ 5,530,165</u>	<u>\$ 3,912,118</u>
 Plan Fiduciary Position as a Percentage of the Total Pension Liability	70.58%	72.03%
 Covered Employee Payroll	\$ 7,470,137	\$ 7,435,831
 Net Pension Liability as a Percentage of Covered Employee Payroll	74.03%	52.61%