

**DELAWARE COUNTY REGIONAL
WATER QUALITY CONTROL AUTHORITY**

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2016



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DELAWARE COUNTY REGIONAL WATER QUALITY CONTROL AUTHORITY

TABLE OF CONTENTS

Page

MANAGEMENT'S DISCUSSION AND ANALYSIS.....	1-8
INDEPENDENT AUDITOR'S REPORT.....	9-11
STATEMENTS OF NET POSITION.....	12
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	13
STATEMENTS OF CASH FLOWS.....	14
NOTES TO FINANCIAL STATEMENTS.....	15--32

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULES OF OF CHANGES IN DELCORA'S NET PENSION LIABILITY AND RELATED RATIOS.....	33
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SUPPLEMENTAL INFORMATION

SCHEDULES OF OPERATING EXPENSES BUDGET COMPARISON.....	34
SCHEDULES OF OPERATING EXPENSES.....	35
SCHEDULE OF DEBT SERVICE SEWER REVENUE BONDS, 2007 SERIES.....	36
SCHEDULE OF DEBT SERVICE SEWER REVENUE BONDS, 2013 SERIES.....	37
SCHEDULE OF DEBT SERVICE SEWER REVENUE BONDS, 2015 SERIES.....	38



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Page

SCHEDULE OF DEBT SERVICE SEWER REVENUE BONDS, 2016 SERIES.....39

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS TRUST FUNDS
ESTABLISHED UNDER AN INDENTURE DATED JULY 15, 2001.....40

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.....41-42

DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
Management's Discussion and Analysis (Unaudited)
December 31, 2016

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, 2016 includes the following key highlights:

- DELCORA sent an average of 21.51 million gallons per day (MGD) in 2016 to the Philadelphia Water Department's (PWD) Treatment Plant, vs. 23.15 MGD in 2015. Flow in 2016 at DELCORA's Western Regional Treatment Plant was 31.81 MGD vs. 33.54 MGD in 2016.
- In 2016, revenue from the trucked waste receiving business reached \$4,760,262, an increase of \$1,160,262 (32.2%) over the 2016 budget and an increase of \$382,496 (8.7%) 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 900 EDUs was substantially complete at the end of 2015, and flow from several portions of the collection system began in February of 2016. The entire system was fully operational as of the end of 2016, with only 18 EDU's remaining to be connected to the system as of early 2017. Edgmont generated \$670,000 of revenue in 2016 and revenue is budgeted at \$1,100,000 in 2017.
- DELCORA entered into a consent decree in 2015 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. There is a 20 year term to the agreement, which DELCORA is in full compliance with.
- Philadelphia Water Department (PWD) is in the process of updating their agreement with the U.S. Environmental Protection Agency (USEPA). The agreement from 2011 is under a periodic review. In its most recent Official Statement associated with its 2017 Bond Issue, PWD disclosed that its Long-Term Control Plan costs increased significantly. DELCORA pays a proportionate share of these costs.
- In 2016, DELCORA successfully priced its Series of 2016 Bonds in the principal amount of \$52,855,000. The Bonds were sold with approximately \$10,311,578 of net original issue premium, which resulted in total available proceeds of \$63,166,578. From these proceeds, \$448,366 of fees and expenses were paid at settlement. There was also a contribution of \$3,983,636 into the Debt Service Reserve Fund from the Bond Proceeds. This resulted in a net amount of \$58,734,576 being deposited into the Construction Fund to be available to use for capital projects. The proceeds of the Bonds will be used towards various capital projects of the Authority, including improvements to the WRTP, conveyance system, purchase of an adjacent real estate parcel, improvements to the Combined Sewer Overflow outfall system, purchase of the Spring Hill Farms waste water treatment plant, and purchase of a building and easement at the former Baldwin Run Pollution Control Facility. 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 November 1, 2046 and had an overall arbitrage yield of 2.46%

Major Capital projects started and/or completed in 2016 included:

Completed

• Edgmont Collection System	\$ 10,950,000
• Decommissioning Baldwin Run Facility	\$ 2,775,000
• Marcus Hook Collection System Upgrade	\$ 614,000
• Bar Screen Replacements at 4 remote stations	\$ 535,000

In progress:

• Incinerator Secondary Combustion Chamber	\$ 11,360,000
• Utility Water System Upgrade	\$ 5,055,000
• Aeration Panel Replacement	\$ 3,514,000
• Ridley Creek Interceptor Pipe Grouting	\$ 1,935,000
• Clarifier T-18 Design and Construction	\$ 1,091,500
• EPS-1 Upgrade Design	\$ 1,058,000
• Aeration System 4 th Blower Installation	\$ 980,000
• Incinerator Ash System /7 Center Drive Repair	\$ 662,000
• Incinerator Rebuild	\$ 635,000
• Rose Valley Pump Station and FM Design	\$ 600,000
• Solids Handling Upgraded Design	\$ 458,500

DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
Management's Discussion and Analysis (Unaudited)
December 31, 2016

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, 2016

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 2016, 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, 2016

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.

	2015	2016	Difference	%
<i>Revenues per thousand gallons billed:</i>				
Residential	\$2.55	\$2.83	.28	11.0
Commercial	\$2.88	\$2.85	(.03)	(.01)
<i>Ratio of Operating Revenue to:</i>				
-Operating Expenses	1.13	1.16	.03	2.6
-Operating Expenses, net of depreciation	1.27	1.35	.08	6.3
-Total assets (asset turnover)	0.18	.15	(.03)	(16.7)
<i>Ratio of Operating Income to:</i>				
-Operating Revenue	0.11	.09	(.02)	(18.2)
<i>Debt-related ratios:</i>				
Total debt to total assets	0.39	.48	.09	23.1

Financial Results of System-wide Operations

- Total Liabilities	\$ 201,251,005
Long Term	\$ 186,347,553
Other	\$ 14,903,452
- Total Net Assets	\$ 165,866,681
Invested in capital assets	
(net of related debt)	\$ 92,201,416
Restricted for Debt Service	\$ 10,627,348
Unrestricted	\$ 63,037,917
- Revenues (By source)	
Commercial Industries	\$ 13,206,240
Residential	\$ 42,643,551
Total Operating Revenue	\$ 55,849,791

DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
Management's Discussion and Analysis (Unaudited)
December 31, 2016

2016 Actual Compared to 2016 Budget Results:

	<u>Actual</u>	<u>Budget</u>	<u>Difference</u>	
Total Revenues	\$ 56,963,951	\$ 57,095,844	\$ 131,893	Unfavorable
Operating Expenses (Net of Depreciation and Debt Service)	\$ 36,790,568	\$ 38,384,193	\$ 1,593,625	Favorable

Total revenue is \$56,963,951, 0.2% less than the budget of \$57,095,844, as a shortfall in revenue from the Eastern Service Area of \$2,100,000, due primarily to flow from the East being 21.2% under budget. This was primarily caused by very low rainfall in 2016. Rainfall in 2016 was 34.87 inches as measured at the Philadelphia International Airport. This compares with 47.0 inches in 2015 and a recent high of 56.49 inches in 2013. The Eastern shortfall was almost completely offset by favorable variances in sludge disposal revenue (\$1,160,000), interest income (\$425,185) and industrial excess loading charges (\$275,000).

Significant variances to budget in operating expenses are as follows:

PWD Treatment Costs – actual treatment costs were less than budget by \$1,843,000 due to actual treated flow of 21.51 MGD being less than budgeted flow of 27.3 MGD by 5.79 MGD, or 21.3%. Rainfall in 2016 was 34.89 inches vs. 47.0 inches in 2015, which contributed significantly to the lower flow.

Salaries and Wages and Overtime – Actual of \$10,826,000 was over budget of \$10,622,000 due to an unfavorable variance on overtime. This was due to extensive maintenance work at the plant.

Repairs and Maintenance – Over budget by \$1,446,000. This was due to extensive repairs needed at the plant and the collection system. This included repairs and replacements to HVAC Systems, Aeration Systems, SCADA, Communications Equipment, Pumps and Piping Systems, Bar Screens, Laterals, Vehicles and General Building Maintenance.

Chemicals – Total Chemicals was over budget by approximately \$250,000 or 40%, due to an excessive amount of chlorine needed as a result of a failing aerations system, which is in the process of being replaced. In addition, polymer usage was higher than budget due to a higher amount of sludge being processed.

Edgmont Treatment Costs – 2016 was the first year that Edgmont was part of the DELCORA system. Edgmont is also part of the Central Delaware County Authority (CDCA) system. Since this was the first year of operations, the treatment cost fee paid by Edgmont to CDCA, was unknown, and it came in lower than anticipated, as flow was lower than anticipated. In addition, DELCORA paid off all debt that was apportioned to Edgmont from CDCA, eliminating the capital portion of the CDCA bill. This resulted in Edgmont treatment costs being under budget by \$430,000 for the year.

Information Technology Costs – IT expenses were over budget by \$175,000, or 32% due to new hardware purchases as well as higher than planned expense for software maintenance contracts.

DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
Management's Discussion and Analysis (Unaudited)
December 31, 2016

2016 Actual Compared to 2015 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 \$4.16 to \$4.37 per 1,000 gallons (a 5.0% increase) from calendar year 2015 to 2016. Retail Residential customers are Chester City, Chester Township, and the Boroughs of Parkside, Upland, Marcus Hook, Trainer, Rose Valley and Edgmont. Total operating revenues increased \$2,093,476 from 2015. This was primarily the result of increased sludge revenue of approximately \$383,000, Edgmont billing of \$665,000 (2016 was the initial year of Edgmont operations) and increased other residential revenue of \$600,000 (increased flow and higher rates).

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

	2015	% of Total	2016	% of Total	Variance	% Change
PWD Plant Treatment	\$10,112,057	23.8%	\$8,103,206	18.6%	\$(2,008,851)	(19.9)%
Salary and Wages	\$ 10,356,021	24.3%	\$10,825,887	24.9%	\$469,866	4.5%
Depreciation/Amortization	\$ 5,422,490	12.7%	\$6,744,284	15.5%	\$1,321,794	24.3%
Utilities	\$ 2,757,167	6.5%	\$2,822,879	6.5%	\$65,712	2.4%
Pension	\$ 1,399,862	3.2%	\$1,721,826	4.0%	\$321,964	23.0%
Employee Benefits	\$ 3,825,635	9.0%	\$4,231,330	9.7%	\$405,695	10.6%
Solids Disposal	\$ 491,024	1.2%	\$491,024	1.1%	\$0	0.0%
Repairs and Maintenance	\$ 4,374,365	10.3%	\$3,661,418	8.4%	\$(712,947)	(16.3)%
Engineering	\$ 326,862	0.8%	\$333,828	0.8%	\$6,966	2.1%
Legal Fees	\$ 719,453	1.7%	\$569,826	1.3%	\$(149,627)	(20.8)%
Other Operating Expenses	\$ 2,759,148	6.5%	\$4,029,344	9.2%	\$1,270,196	46.0%
Total Operating Expenses	\$42,544,084	100.0%	\$43,534,852	100.0%	\$990,768	2.3%

PWD Treatment Costs – 2016 actual treatment costs were lower than 2015 by 19.9% (\$2,008,851). This was due to lower flow sent to PWD in 2016 (21.51 MGD) vs. 2015 (23.15 MGD), offset by higher PWD rates. The remaining reduction was because there was no accrual made to offset future PWD rate increases. In 2015, an accrual for \$2,500,000 was made.

Salaries and Wages – Increased by 4.5% due to normal salary and wage increase of approximately 3.5% and several additional positions added in 2016.

Depreciation – 2016 actual was more than 2015 actual by \$1,321,74 or 23.4% as several significant new assets were placed in service in 2016. These included the Edgmont system, sewer maintenance and improvement projects, along with various improvement projects at the plant. In addition this was the first full year of depreciation for the Chester Ridley Creek Pump Station.

Repairs and Maintenance – Decreased by \$712,947 or 16.3% from 2015 to 2016. Despite continued significant costs associated with the maintenance of equipment and infrastructure at the plant, it was less in 2016 than in 2015.

Legal Fees – Decreased by \$149,627 or 20.8% due to lower spending associated with the Chester Long Term Control Plan.

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 decreased by \$1,288,065 to \$16,857,904 in 2016 from 2015.

	2015	2016	Difference	% Change
Total operating revenues	\$53,756,315	\$55,849,791	\$2,093,746	3.9%
Net cash provided by operations	\$18,145,969	\$16,857,904	(\$1,288,065)	(7.1%)
Net operating cash as a % of operating revenue	28.4%	27.3%		

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.

2016 Operations

WRTP—Water Quality Performance

- Average Suspended Solids - 11 mg/L for the year
- Average cBOD5 - 8 mg/L for the year
- Average cBOD20 % Removal – 96.3% for the year

WRTP—Solids Handling Performance

- Average Dry Tons/Day - 61.9 tons for the year
- Average Cake Solids - 24.1 % for the year
- Average Fuel Oil Usage – 7.3 MCF/Dry Ton for the year

Waste Water Conveyed and Treated

- Western Delaware County To WRTP, including 7.93 MGD from CDCA — ~ 31.81 MGD
- Eastern Delaware County To Philadelphia Southwest Treatment Plant— ~21.51 MGD



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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 year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise DELCORA's 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 opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.



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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, 2016 and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Delaware County Regional Water Quality Control Authority as of December 31, 2015, were audited by other auditors whose opinion was unmodified. As discussed in Note 1, certain reclassifications have been made to the prior year amounts to conform with current year classifications.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and net pension liability historical information on pages 1-8 and 33 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 audit was conducted for the purpose of forming opinion on the Delaware County Regional Water Quality Control Authority's basic financial statements. The schedules of operating expenses, 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, 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 applied in the audit 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 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.



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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2017, 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 provisions 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 the Delaware County Regional Water Quality Control Authority's internal control over financial reporting and compliance.

Leitzell & Economidis, P.C
Media, Pennsylvania

May 8, 2017

DELAWARE COUNTY REGIONAL WATER QUALITY
CONTROL AUTHORITY
STATEMENTS OF NET POSITION
DECEMBER 31,

	2016 (AUDITED)	2015 (UNAUDITED)
ASSETS		
Current:		
Cash and cash equivalents	\$ 30,185,381	\$ 24,565,838
Investments	121,010,490	76,816,846
Receivables:		
Western Region		
Residential, net of allowance for doubtful accounts of \$113,943 and \$247,401 in 2016 and 2015, respectively	717,098	822,244
Municipal	1,281,388	1,325,712
Major industries	1,263,198	591,702
Permit industries	117,205	457,168
Eastern Region		
Muckinipates Authority	-	89,169
Notes receivable, current portion	2,857,281	28,124
Other receivables	1,364,173	1,231,298
Prepaid expenses	406,434	475,700
Total current assets	159,202,648	106,403,801
Non Current:		
Capital assets, net of accumulated depreciation	190,825,742	182,422,188
Notes receivable, net of current portion	1,742,031	47,655
Restricted investments	11,537,699	7,494,053
Total non current assets	204,105,472	189,963,896
DEFERRED OUTFLOWS OF RESOURCES		
Pension plan related deferred outflows	3,809,566	4,668,185
Total assets and deferred outflows of resources	<u>\$ 367,117,686</u>	<u>\$ 301,035,882</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$ 5,326,187	\$ 4,314,291
Payable to the City of Philadelphia	1,544,746	1,313,145
Current portion of long-term debt	4,056,378	3,569,381
Accrued bond interest payable	1,312,930	823,158
Advances on services		
Central Delaware County Authority	173,306	9,098
Muckinipates Authority	244,460	-
Darby Creek Joint Authority	865,122	1,056,007
Municipal	374,063	379,282
Major industries	837,488	344,854
Permit industries	149,882	91,428
Residential	18,890	27,382
Total current liabilities	14,903,452	11,928,026
Noncurrent		
Long term debt, net of current portion	172,089,769	113,036,859
Deferred revenue - Philadelphia rate stabilization	8,609,026	8,556,436
Net pension liability	4,224,756	5,530,165
Deferred revenue - long term control plan	1,424,002	1,422,000
Total non current liabilities	186,347,553	128,545,460
Total liabilities	<u>201,251,005</u>	<u>140,473,486</u>
NET POSITION		
Invested in capital assets, net of related debt	92,201,416	101,699,396
Restricted for debt service	10,627,348	6,677,573
Unrestricted	63,037,917	52,185,427
Total net position	<u>165,866,681</u>	<u>160,562,396</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 367,117,686</u>	<u>\$ 301,035,882</u>

The accompanying notes to the financial statements 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,**

	2016 (AUDITED)	2015 (UNAUDITED)
Operating revenues		
Western Region:		
Major Industries	\$ 6,685,024	\$ 6,609,628
Residential	6,869,903	5,622,353
Municipal	7,615,471	7,759,954
Contract operation fees	506,878	450,529
Permit Industries	1,760,954	1,579,289
Total Western Region	<u>23,438,230</u>	<u>22,021,753</u>
Eastern Region:		
Darby Creek Joint Authority	15,790,209	15,555,731
Central Delaware County Authority	8,294,187	8,096,008
Muckinipates Authority	3,566,903	3,705,057
Total Eastern Region	<u>27,651,299</u>	<u>27,356,796</u>
Sludge disposal and processing	<u>4,760,262</u>	<u>4,377,766</u>
Total operating revenues	<u>55,849,791</u>	<u>53,756,315</u>
Operating expenses, including depreciation of \$6,744,284 in 2016 and \$5,422,490 in 2015	<u>43,534,852</u>	<u>42,544,084</u>
Operating income	<u>12,314,939</u>	<u>11,212,231</u>
Nonoperating revenues (expense)		
Interest income	725,185	362,188
Interest expense	(4,731,444)	(2,810,276)
Bond premium amortization	590,080	480,745
EPA - DEP civil penalty	-	(1,376,638)
Debt issuance costs	(448,365)	(369,233)
Loss on asset disposition	(2,643)	-
Other income	388,975	201,186
Special item - construction related sludge removal	(3,532,442)	(1,667,902)
Total non operating revenues (expense)	<u>(7,010,654)</u>	<u>(5,179,930)</u>
Net income before capital contributions	5,304,285	6,032,301
Capital contributions:	-	2,392,191
Net income	<u>5,304,285</u>	<u>8,424,492</u>
Net position - beginning	<u>160,562,396</u>	<u>152,137,904</u>
Net position - ending	<u><u>\$ 165,866,681</u></u>	<u><u>\$ 160,562,396</u></u>

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

DELAWARE COUNTY REGIONAL WATER QUALITY
CONTROL AUTHORITY
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,

	2016 (AUDITED)	2015 (UNAUDITED)
Cash flows from operating activities:		
Receipts from customers	\$ 58,287,233	\$ 56,935,993
Payments to suppliers	(24,195,113)	(19,152,405)
Payments to employees	(17,234,216)	(18,569,717)
Net cash provided by operating activities	<u>16,857,904</u>	<u>19,213,871</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(14,914,830)	(20,989,493)
Collection of notes receivable	28,124	26,689
Bond payable proceeds	62,709,811	39,052,601
Other income	388,975	651,715
Interest paid	(4,912,537)	(3,877,473)
Repayment of long-term debt	(3,036,590)	(4,794,563)
Special item - construction related sludge removal	(3,532,442)	(1,067,902)
EPA compliance penalty	-	(1,376,638)
Debt issuance costs	(456,767)	(369,233)
Net cash provided by capital and related financing activities	<u>36,273,744</u>	<u>7,255,703</u>
Cash flows from investing activities:		
Purchase of investments	(48,237,290)	(8,349,550)
Investment interest received	725,185	324,109
Net cash provided used by investing activities	<u>(47,512,105)</u>	<u>(8,025,441)</u>
Net increase in cash and cash equivalents	5,619,543	18,444,133
Cash and cash equivalents - beginning	24,565,838	6,121,705
Cash and cash equivalents - ending	<u>\$ 30,185,381</u>	<u>\$ 24,565,838</u>
Non-cash capital financing activities:		
Accounts payable incurred for the purchase of capital assets	<u>\$ -</u>	<u>\$ 1,473,594</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 12,314,939	\$ 12,280,133
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	6,744,284	5,422,490
Provision for doubtful accounts	35,986	109,307
Decrease (increase) in:		
Receivables:		
Residential	105,146	(178,314)
Municipal	44,324	255,819
Major industries	(671,496)	196,003
Permit industries	339,963	(172,579)
Authorities	89,169	(89,169)
Note receivables	(3,551,657)	-
Other receivables	(132,875)	(158,993)
Prepaid expenses	69,266	159,019
Deferred outflows of resources - pension plan	858,619	(4,668,185)
Increase (decrease) in:		
Accounts payable and accrued expense	1,011,896	(384,926)
Net pension liabilities	(1,388,423)	1,618,047
Payable to the City of Philadelphia	231,601	3,166,210
Deferred revenue - long term control plan	2,002	1,422,000
Advances on services	755,160	237,009
Net cash provided by operating activities	<u>\$ 16,857,904</u>	<u>\$ 19,213,871</u>

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

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) and as amended by GASB Statement 61. 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).

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.

The Organization distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Organization's principal ongoing operations. 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.

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 - Summary of Significant Accounting Policies (continued)

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.

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

Statements of cash flows - For the purposes of the statements of cash flows, cash and cash equivalents are defined to be cash on hand, demand deposits, restricted cash and investments, and highly liquid investments with a maturity of three months or less from the date of purchase (as noted above). For financial statement presentation purposes, cash and cash equivalents are shown accordingly. Investments include certificates of deposit with a maturity of over three months from the date of purchase.

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	5 - 40	Years
Plant service lines	10 - 60	Years
Force mains pumping	10 - 40	Years
Stations	5 - 10	Years
Machinery and equipment	40	Years

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 - Summary of Significant Accounting Policies (continued)

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.

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 the prior year amounts to conform to current year classifications.

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;
- 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, 2016 and 2015, the carrying amount of the entity's deposits was \$10,769,147 and \$3,932,402, respectively.

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 2 - Deposits and Investments (continued)

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 deposits, \$584,407 was covered by federal depository insurance, inclusive. The remaining balance was uninsured and covered by collateral in accordance with the Intergovernmental Cooperation Act of 1972. The entity's certificates of deposit are in excess of three months maturity and are held in a Certificate of Deposit Account Registry 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 prorate 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, 2016 and 2015 was \$136,958 and \$109,942, 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, 2016 and 2015 was \$151,336,073 (including cash of \$1,424,002, certificates of deposit of \$44,450,032, PLGIT Term investments of \$81,486,000, PLGIT Arm of \$19,427,933, US Treasury Bond of \$3,002,250 and repurchase agreements of \$1,545,856) and \$96,383,097 (including certificates of deposit of \$55,236,045, PLGIT Term of \$11,500,000, PLGIT ARM of \$20,642,436, commercial paper of \$7,491,468 and repurchase agreements of \$1,513,148), respectively. Certificates of deposit are held in a PLGIT CD program and are covered in their entirety by federal depository insurance.

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 2 - Deposits and Investments (continued)

At December 31, 2016 and 2015 the entity held investments in U.S. Government and Agency Issues, maturing through 2017, amounting to \$3,002,250 and \$6,493,241, 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.

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.

Fair Value Measurement

GASB Statement No. 72, Fair Value Measurement and Application, is effective for fiscal years beginning after June 15, 2015. The provisions of GASB Statement No. 72 have been implemented. The Authority's financial statements and note disclosures reflect any required changes.

The Authority's investments are measured and reported at fair value and are classified according to the following hierarchy:

Level 1—Investments reflect prices quoted in active markets

Level 2—Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3—Investments which reflect prices based on unobservable resources

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

The Authority considers all investments to be Level 1.

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 2 - Deposits and Investments (continued)

	2016 (AUDITED)	2015 (UNAUDITED)
Unrestricted cash and investments:		
Cash and cash equivalents		
Cash	\$ 10,769,147	\$ 3,923,402
PLGIT ARM	19,416,234	20,642,436
Cash and cash equivalents	<u>\$ 30,185,381</u>	<u>\$ 24,565,838</u>
Investments		
Commerical paper	\$ -	\$ 7,491,468
Certificates of deposit originally maturing beyond three months	40,862,384	49,818,989
PLGIT Term	75,600,000	11,500,000
Repurchase agreements	1,545,856	1,513,148
U.S. Government and Agency Issues	<u>3,002,250</u>	<u>6,493,241</u>
Total Investments	<u>\$ 121,010,490</u>	<u>\$ 76,816,846</u>
	2016	2015
Restricted cash and investments:		
PLGIT ARM	\$ 11,699	\$ 42,518
PLGIT Term	5,886,000	-
Certificates of deposit originally maturing beyond three months	<u>5,640,000</u>	<u>7,451,535</u>
Total restricted cash and investments	<u>\$ 11,537,699</u>	<u>\$ 7,494,053</u>

NOTE 3 - Capital Assets

Capital assets at December 31, 2016 and 2015 include capitalized interest of \$21,390,787 and \$20,060,027, respectively, reduced by interest earned on construction fund investments of \$16,561,105 and \$15,862,445, respectively. Interest expense (net of interest expense capitalized) for the years ended December 31, 2016 and 2015 was \$4,731,444 and \$2,810,276, respectively. Interest expense capitalized of that amount for the years ended December 31, 2016 and 2015 was \$632,099 and \$1,312,808, respectively.

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 3 - Capital Assets (continued)

Capital assets activity for the year ended December 31, 2016, is as follows:

	Balance 01/01/16	Additions	Deletions	Balance 12/31/16
Capital assets not being depreciated:				
Land and right of way	\$ 1,349,495	\$ -	\$ -	\$ 1,349,495
Construction in progress	44,706,702	17,585,259	(30,985,422)	31,306,539
Total capital assets not being depreciated	46,056,197	17,585,259	(30,985,422)	32,656,034
Capital assets being depreciated:				
Western Region Treatment Plant	108,909,444	9,880,076	-	118,789,520
Service lines and force mains	94,455,780	18,603,893	(16,406,556)	96,653,117
Pumping stations	39,005,013	344,595	-	39,349,608
Building and improvements	6,491,214	-	-	6,491,214
Machinery and equipment	3,385,976	830,706	(1,022,002)	3,194,680
Total capital assets being depreciated	252,247,427	29,659,270	(17,428,558)	264,478,139
Total capital assets	298,303,624	47,244,529	(48,413,980)	297,134,173
Accumulated depreciation				
Western Region Treatment Plant	60,048,841	3,209,590	-	63,258,431
Service lines and force mains	36,138,594	1,997,406	(15,295,287)	22,840,713
Pumping stations	15,507,511	1,061,886	-	16,569,397
Building and improvements	2,654,216	158,506	-	2,812,722
Machinery and equipment	1,532,274	316,896	(1,022,002)	827,168
Total accumulated depreciation	115,881,436	6,744,284	(16,317,289)	106,308,431
Capital assets, net of depreciation	\$ 182,422,188	\$ 40,500,245	\$ (32,096,691)	\$ 190,825,742

NOTE 4 - Notes 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, 2016 and 2015 was \$47,655 and \$75,779, respectively.

DELCORA has an additional note receivable from Edgmont Township established in 2016 in the amount of \$1,775,838 for payment of debt on its behalf to the Central Delaware County Authority. The note is being repaid over 20 years at the rate of 3.40% per annum, with anticipated payments of \$123,823 annually.

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 4 - Notes Receivable (continued)

An additional two notes were established to pay for the decommissioning and demolition of the Baldwin Run Plan. The notes were in the amount of \$1,665,491 with the Southwest Delaware County Sewer Authority and the Middletown Township Sewer Authority in the amounts of \$1,665,491 and \$1,110,328 respectively. Both notes originally established for five years at 3.74 percent per annum, were paid in full before the report date of these financial statements. Both notes are classified within current portion of notes receivable.

NOTE 5 - 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, 2016 AND 2015**

NOTE 6 - Long-Term Debt

The Authority's long term debt consists of sewer revenue bonds, a note payable consisting of a Pennsylvania Infrastructure Investment Authority "Pennvest" note payable and deferred issuance premiums.

The long term indebtedness is as follows:

	Original Indebtedness	Interest rate	Maturity Date	1/1/2016	New indebtedness	Principal paid	12/31/16	Due in one year
Revenue Bond 2007	\$ 36,235,000	5.25%	05/01/25	\$ 29,295,000	\$ -	\$ 2,565,000	\$ 26,730,000	\$ 2,705,000
Revenue Bond 2013	34,470,000	5.00%	5/1/2033	34,470,000	-	-	34,470,000	-
Revenue Bond 2015	36,205,000	5.00-5.50%	5/1/2045	36,205,000	-	-	36,205,000	-
Revenue Bond 2016	52,855,000	5.00%	5/1/2046	-	52,855,000	-	52,855,000	-
Pennvest Note	10,038,785	1.06%	9/1/2031	8,013,259	-	471,590	7,541,669	474,865
	<u>\$ 169,803,785</u>			107,983,259	52,855,000	3,036,590	157,801,669	3,179,865
Deferred issuance Premiums				8,622,981	10,311,977	590,480	18,344,478	876,513
				<u>\$ 116,606,240</u>	<u>\$ 63,166,977</u>	<u>\$ 3,627,070</u>	<u>\$ 176,146,147</u>	<u>\$ 2,303,352</u>

Sewer Revenue Bond interest is payable on May 1st and November 1st.

Aggregate maturities and required sinking fund payments of long-term debt subsequent to December 31, 2016 are as follows:

Year ending December 31,	Principal	Interest	Principal and Interest	Deferred Issuance	Total
2017	\$ 3,179,865	\$ 7,447,483	\$ 10,627,348	\$ 876,513	\$ 11,503,861
2018	4,594,927	7,184,036	11,778,963	876,513	12,655,476
2019	4,820,044	6,957,109	11,777,153	876,513	12,653,666
2020	5,060,216	6,718,180	11,778,396	876,513	12,654,909
2021	5,315,441	6,468,466	11,783,907	876,513	12,660,420
2022-2026	27,732,582	28,811,154	56,543,736	4,025,781	60,569,517
2027-2031	34,793,594	21,589,880	56,383,474	3,312,211	59,695,685
2032-2036	26,520,000	13,711,175	40,231,175	2,470,722	42,701,897
2037-2041	21,365,000	8,631,900	29,996,900	2,164,726	32,161,626
2042-2046	24,420,000	3,118,950	27,538,950	1,988,473	29,527,423
	<u>\$ 157,801,669</u>	<u>\$ 110,638,333</u>	<u>\$ 268,440,002</u>	<u>\$ 18,344,478</u>	<u>\$286,784,480</u>

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 6 - Long-Term Debt (continued)

The Sewer Revenue Bonds were issued pursuant to the Trust Indenture Agreement between DELCORA and TD Bank, NA, ("Trustee") dated July 15, 2001. TD Bank replaced Chase Manhattan Trust Company, NA., 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.

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.

NOTE 7 - Commitments and Contingencies

Commitments - DELCORA had construction commitments outstanding at December 31, 2016 of approximate \$12,379,130. DELCORA also has a 60 month lease agreement for copiers in the amount of \$1,842 per month expiring June, 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, 2016 AND 2015**

NOTE 8 - 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;

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 8 - Employee Retirement Plans (continued)

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;

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.

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.

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 8 - Employee Retirement Plans (continued)

Assets are valued at adjusted market value which consists of market value of the assets, plus 20 percent of the excess of the market value over the expected market value and not less than 70 percent nor more than 130 percent of the market value.

Schedule of Contributions

	2016 (AUDITED)	2015 (UNAUDITED)	2014 (UNAUDITED)	2013 (UNAUDITED)
Actuarial determined contribution	\$ 1,693,616	\$ 830,001	\$ 699,671	\$ 542,957
Contributions in relation to the actuarially determined contribution	2,168,616	4,450,000	1,150,000	1,100,000
Contribution deficiency (excess)	\$ (475,000)	\$ (3,619,999)	\$ (450,329)	\$ (557,043)
Covered employee payroll	\$ 8,516,891	\$ 7,470,137	\$ 7,435,831	\$ 7,188,949
Contributions as a percentage of covered payroll	25.46%	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

Plan membership as of December 31, 2016 was as follows:

Inactive employees or beneficiaries receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	23
Active employees	125
Total employees covered	161

Average expected remaining service lives as of December 31, 2016 was 7.72 years.

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, 2016, the carrying amount and the balance of the Plan's deposits in cash and cash alternatives totaled \$490,840 and was held with Ameritrade of which \$250,000 was covered by FDIC insurance.

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 8 - Employee Retirement Plans (continued)

In accordance with Government Accounting Standards Board (GASB) No. 67, investments are reported at fair value. Unrealized gains and/or losses due to fluctuations in market value are recorded in the financial statements. Securities traded on national exchanges are valued at the last reported sales price. Realized gains or losses are recorded at the time of sale. Net appreciation or depreciation in the fair value of plan investments include both realized and unrealized gains and losses and related fees as well as investment. Plan investments at year end are as follows:

Vanguard Mid Cap Index Fund	\$ 833,349
Vanguard Small Cap Index Fund	833,984
Vanguard Total Bond Market Index Fund	2,374,337
Vanguard Intermediate Term Corp Bond	1,188,745
Vanguard International Equity Index Fund	3,065,341
Vanguard US Large Cap Growth Index Fund	2,679,645
Vanguard US Large Cap Value Index Fund	2,687,989
Vanguard International Bond Index Fund	393,984
	<hr/> 14,057,374
Cash and cash equivalents	490,840
Total Plan investments	<hr/> <u>\$ 14,548,214</u>

Pension fund investments, pursuant to Government Accounting Standards Board Statement Nos. 3 and 40, are categorized to give an indication of the level of risk assumed by the Plan at December 31, 2016. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Plan and are held by either counterparty or the counterparty's trust department or agent but not in the Plan's name. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities in the possession of an outside party.

The securities are registered in the name of the Plan, thus they are not subject to credit risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or deposit. Generally, the longer the maturity of an investment, the greater sensitivity of its fair value to changes in market interest rates. The Board has no formal policy that limits investment maturities as a means of managing its exposure to interest rate risk. The Board has, however, adopted a long-term investment policy to weigh the chances and duration of investment losses against the long-term potential for appreciation of assets. Investments in mutual funds and certain investment pools are excluded from this requirement.

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 8 - Employee Retirement Plans (continued)

The Plan's investment policy in regard to the allocation of invested assets is established and may be amended by the Plan's Board by a majority vote of its members. The policy of the Board is to pursue an investment strategy that reduces risk through prudent diversification among its asset classes given the Plan's liability structure. Following is the Board's adopted asset allocation policy as of December 31, 2016:

<u>Asset Class</u>	<u>Target Allocation</u>
International Equity	17.50%
Fixed Income	27%
Cash	3%

The long-term expected rate of return on pension plan investments is determined by an estimate of the ranges of expected real rates of returns weighting these expected rates of return by target asset allocation and adding estimated inflation. The long-term rate of return on assets is expected to be approximately 7.72 percent per year. The net blended rate representing the real rate of return, inclusive of inflation and net of plan expenses was 4.01%. Long term expected real rate of return was as follows:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	5.54%
International Stocks	6.42%
Bonds	1.35%
Cash	-31.00%
Total gross blended return	4.40%
Less: Plan expenses	0.39%
Total net blended return	4.01%

Investment returns are as follows:

	SCHEDULE OF INVESTMENT RETURNS		
	2016	2015	2014
Annual money-weighted rate of return			
net of investment expense	8.54%	-0.79%	7.25%

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 8 - Employee Retirement Plans (continued)

Changes in net pension liability are as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension
Balances at December 31, 2015	\$ 18,797,567	\$ 13,267,402	\$ 5,530,165
Changes for the year:			
Service cost	647,770	-	647,770
Interest	1,321,748	-	1,321,748
Changes of assumptions	-	-	-
Differences between expected and actual	-	-	-
Contributions - employer	-	2,168,616	(2,168,616)
Net investment income	-	1,146,717	(1,146,717)
Benefit payments	(1,994,115)	(1,994,115)	-
Administrative expense	-	(40,406)	40,406
Net changes	(24,597)	1,280,812	(1,305,409)
Balances at December 31, 2016	\$ 18,772,970	\$ 14,548,214	\$ 4,224,756

Sensitivity of Net Pension Liability to Changes in Discount Rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability	\$ 6,725,477	\$ 4,224,756	\$ 3,126,459

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 8 - Employee Retirement Plans (continued)

The Authority recognized pension expense in the amount of \$1,721,826 and \$1,399,862 for the years ended December 31, 2016 and 2015, respectively. At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to the police pension as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 350,580	\$ -
Changes in assumptions	3,139,425	-
Net differences between projects and actual earnings on pension plan investments	319,561	-
Total pension expense	<u>\$ 3,809,566</u>	<u>\$ -</u>

	<u>Fiscal Year</u>	<u>Amount Recognized</u>
Future recognition of deferred outflows and inflows in pension expense	2017	\$ 690,782
	2018	\$ 690,782
	2019	\$ 690,782
	2020	\$ 539,505
	2021	\$ 573,070
	Thereafter	\$ 624,645

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 \$122,708 and \$110,906 for the years ended December 31, 2016 and 2015, 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, 2016 AND 2015**

NOTE 9 - 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 for which in 2015 municipal revenue was deferred and is shown on these statements as deferred revenue - long term control plan. Additional deferred revenue relative to Philadelphia is represented by the deferred revenue - rate stabilization for which a portion of revenues are deferred to protect from unanticipated or precipitous charges from Philadelphia.

NOTE 10 – Subsequent Events

DELCORA has evaluated subsequent events through May 8, 2017, which represents the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY**

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGES IN DELCORA'S
NET PENSION LIABILITY AND RELATED RATIOS**

	2016	2015	2014
<i>Total Pension Liability</i>			
Service cost	\$ 647,770	\$ 451,185	\$ 433,832
Interest	1,321,748	982,877	962,400
Changes in benefit terms	-	-	-
Differences between expected and actual experience	-	465,714	183,182
Changes in assumptions	-	4,170,435	-
Benefit payments	(1,994,115)	(1,260,137)	(664,651)
Net change in total pension liability	(24,597)	4,810,074	914,763
Total pension liability - beginning	18,797,567	13,987,493	13,072,730
Total pension liability - ending	\$18,772,970	\$ 18,797,567	\$ 13,987,493
 <i>Plan Fiduciary Net Position</i>			
Contributions-Authority	\$ 2,168,616	\$ 4,450,000	\$ 1,150,000
Contributions-employee	-	-	-
Net investment income	1,146,717	33,319	678,120
Benefit payments	(1,994,115)	(1,260,137)	(664,651)
Administrative expense	(40,406)	(31,155)	(27,963)
Net change in fiduciary net position	1,280,812	3,192,027	1,135,506
Plan fiduciary net position - beginning	13,267,402	10,075,375	8,939,869
Plan fiduciary net position - ending	\$14,548,214	\$ 13,267,402	\$ 10,075,375
 Net pension liability	\$ 4,224,756	\$ 5,530,165	\$ 3,912,118
 Plan fiduciary net position as a percentage of total pension liability	77.50%	70.58%	72.03%
Covered employee payroll	\$ 8,516,891	\$ 7,470,137	\$ 7,435,831
 Net pension liability as a percentage of covered employee payroll	49.60%	74.03%	52.61%

SUPPLEMENTAL INFORMATION

SUPPLEMENTAL INFORMATION

**DELAWARE COUNTY REGIONAL WATER QUALITY
CONTROL AUTHORITY**

**SCHEDULE OF OPERATING REVENUES
BUDGET COMPARISON**

	ACTUAL 2016 (AUDITED)	BUDGET 2016 (UNAUDITED)	FAVORABLE (UNFAVORABLE) VARIANCE (UNAUDITED)
WESTERN REGION			
Residential	\$ 6,869,903	\$ 5,559,938	\$ 1,309,965
Major industry:			
Kinberly-Clark	4,184,408	3,376,350	808,058
Monroe Energy	220,157	334,082	(113,925)
Sun Refining and Marketing Co.	2,280,459	3,117,947	(837,488)
Total major industry	6,685,024	6,828,379	(143,355)
Municipal:			
Brookhaven	475,929	497,066	(21,137)
Eddystone	317,390	319,152	(1,762)
Lower Chichester	391,411	414,898	(23,487)
Middletown Authority	1,639,728	1,713,466	(73,738)
Nether Providence	700,663	721,800	(21,137)
South West Delaware County Authority	2,346,291	2,570,198	(223,907)
Southern Delaware County Authority	1,744,059	1,795,230	(51,171)
Total Municipal	7,615,471	8,031,810	(416,339)
Permit industries:			
Ace Linen	91,118	59,070	32,048
Boeing	124,000	127,312	(3,312)
Braskem	180,047	147,600	32,447
Congoleum	47,640	41,154	6,486
Delaware County Linen	45,238	53,056	(7,818)
Florida Power & Light	598,915	126,050	472,865
Harrah's Casino	40,796	43,764	(2,968)
Liberty Electric	339,184	333,330	5,854
PECO	5,924	-	5,924
Rhodia	3,746	26,420	(22,674)
The P.Q. Corporation	103,420	109,763	(6,343)
Other	180,926	23,218	157,708
Total permit industries	1,760,954	1,090,737	670,217
Contract operation fees	506,878	-	506,878
Total Western Region	23,438,230	21,510,864	1,927,366
EASTERN REGION			
Authority:			
Central Delaware County Authority	8,294,187	8,448,060	(153,873)
Darby Creek Joint Authority	15,790,209	16,587,120	(796,911)
Muckinipates Authority	3,566,903	3,769,800	(202,897)
Total Eastern Region	27,651,299	28,804,980	(1,153,681)
Sludge disposal and processing	4,760,262	-	4,760,262
Total operating revenues	\$ 55,849,791	\$ 50,315,844	\$ 5,533,947

SUPPLEMENTAL INFORMATION

**DELAWARE COUNTY REGIONAL WATER QUALITY
CONTROL AUTHORITY
SCHEDULES OF OPERATING EXPENSES**

FOR THE YEARS ENDED DECEMBER 31,

	2016	2015
	(AUDITED)	(UNAUDITED)
Advertising	\$ 28,201	\$ 22,517
Consulting	233,280	81,157
Depreciation	6,744,284	5,422,490
Dues and conferences	86,465	71,113
Employee benefits	4,231,330	3,825,635
Engineering and tech services	333,828	326,862
Insurance	696,650	690,150
Minor equipment and supplies	1,921,473	890,393
Office	154,068	141,190
Other contracted services	873,221	753,321
Pension	1,721,826	1,399,862
Philadelphia Plant Treatment costs	8,103,206	10,112,057
Provision for doubtful accounts	35,986	109,307
Repairs and maintenance	3,661,418	4,374,365
Salaries and wages	10,825,887	10,356,021
Solicitor	569,826	719,453
Solids disposal	491,024	491,024
Utilities	2,822,879	2,757,167
Total operating expenses	<u>\$ 43,534,852</u>	<u>\$ 42,544,084</u>

SUPPLEMENTAL INFORMATION

**DELAWARE COUNTY REGIONAL WATER QUALITY
CONTROL AUTHORITY**

**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>
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>\$ 26,730,000</u>	<u>\$ 5,236,874</u>	<u>\$ 31,966,874</u>

SUPPLEMENTAL INFORMATION

**DELAWARE COUNTY REGIONAL WATER QUALITY
CONTROL AUTHORITY**

**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>
2017	5.00%	\$ -	\$ 1,723,500	\$ 1,723,500
2018	5.00%	-	1,723,500	1,723,500
2019	5.00%	-	1,723,500	1,723,500
2020	5.00%	-	1,723,500	1,723,500
2021	5.00%	-	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>\$ 21,388,250</u>	<u>\$ 55,858,250</u>

SUPPLEMENTAL INFORMATION

DELAWARE COUNTY REGIONAL WATER QUALITY CONTROL AUTHORITY

SCHEDULE OF DEBT SERVICE SEWER REVENUE BONDS, 2015 SERIES

Year Ending December 31,	Coupon	Principal Maturity	Interest	Total Debt Service
2017	2.500%	\$ -	\$ 1,637,394	\$ 1,637,394
2018	2.500%	-	1,637,394	1,637,394
2019	2.500%	-	1,637,394	1,637,394
2020	2.500%	-	1,637,394	1,637,394
2021	2.500%	-	1,637,394	1,637,394
2022	2.500%	835,000	1,626,956	2,461,956
2023	5.000%	870,000	1,594,769	2,464,769
2024	5.000%	915,000	1,550,144	2,465,144
2025	5.000%	975,000	1,502,894	2,477,894
2026	5.000%	1,010,000	1,453,269	2,463,269
2027	5.000%	1,060,000	1,401,519	2,461,519
2028	5.000%	1,115,000	1,347,144	2,462,144
2029	5.000%	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	5.000%	1,320,000	1,143,900	2,463,900
2033	5.000%	1,385,000	1,076,275	2,461,275
2034	5.000%	1,455,000	1,005,275	2,460,275
2035	5.000%	1,530,000	930,650	2,460,650
2036	5.000%	1,610,000	852,150	2,462,150
2037	5.000%	1,695,000	769,525	2,464,525
2038	5.000%	1,780,000	682,650	2,462,650
2039	5.000%	1,870,000	591,400	2,461,400
2040	5.000%	1,965,000	495,525	2,460,525
2041	4.000%	2,055,000	405,300	2,460,300
2042	4.000%	2,140,000	321,400	2,461,400
2043	4.000%	2,230,000	234,000	2,464,000
2044	4.000%	2,320,000	143,000	2,463,000
2045	4.000%	2,415,000	48,300	2,463,300
Total		<u>\$ 36,205,000</u>	<u>\$ 31,091,462</u>	<u>\$ 67,296,462</u>

SUPPLEMENTAL INFORMATION

**DELAWARE COUNTY REGIONAL WATER QUALITY
CONTROL AUTHORITY**

**SCHEDULE OF DEBT SERVICE
SEWER REVENUE BONDS, 2016 SERIES**

<u>Year Ending December 31,</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017		\$ -	\$ 2,676,559	\$ 2,676,559
2018		-	2,597,200	2,597,200
2019		-	2,597,200	2,597,200
2020		-	2,597,200	2,597,200
2021		-	2,597,200	2,597,200
2022	5.00%	1,185,000	2,597,200	3,782,200
2023	5.00%	1,245,000	2,537,950	3,782,950
2024	5.00%	1,305,000	2,475,700	3,780,700
2025	5.00%	1,370,000	2,410,450	3,780,450
2026	5.00%	1,440,000	2,341,950	3,781,950
2027	5.00%	1,515,000	2,269,950	3,784,950
2028	5.00%	1,585,000	2,194,200	3,779,200
2029	5.00%	1,670,000	2,114,950	3,784,950
2030	5.00%	1,755,000	2,031,450	3,786,450
2031	5.00%	1,835,000	1,943,700	3,778,700
2032	5.00%	1,930,000	1,851,950	3,781,950
2033	5.00%	2,025,000	1,755,450	3,780,450
2034	5.00%	2,125,000	1,654,200	3,779,200
2035	4.00%	2,230,000	1,547,950	3,777,950
2036	4.00%	2,325,000	1,458,750	3,783,750
2037	5.00%	2,170,000	1,365,750	3,535,750
2038	5.00%	2,280,000	1,257,250	3,537,250
2039	5.00%	2,395,000	1,143,250	3,538,250
2040	5.00%	2,515,000	1,023,500	3,538,500
2041	5.00%	2,640,000	897,750	3,537,750
2042	5.00%	2,770,000	765,750	3,535,750
2043	5.00%	2,910,000	627,250	3,537,250
2044	5.00%	3,055,000	481,750	3,536,750
2045	5.00%	3,210,000	329,000	3,539,000
2046	5.00%	3,370,000	168,500	3,538,500
Total		<u>\$ 52,855,000</u>	<u>\$ 52,310,909</u>	<u>\$ 105,165,909</u>

SUPPLEMENTAL INFORMATION

DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
TRUST FUNDS ESTABLISHED UNDER AN INDENTURE DATED JULY 15, 2001
AND TOTAL CASH AND INVESTMENTS
For the Year Ended December 31, 2016

	Renewal and Replacement Fund	Rate Stabilization Fund	LTCF East Escrow	Revenue Fund	Sewer Reserve Fund	Debt Service Fund	Sewer Repair and Replacement Fund	Debt Service Reserve Fund	2013 Construction Fund	2015 Construction Fund	2016 Construction Fund	Total
Balances - January 1, 2016	\$ 38,094,763	\$ 6,056,435	\$ -	\$ 8,402,726	\$ 2,925,549	\$ 1,677,223	\$ 2,867,546	\$ 7,494,053	\$ 5,320,963	\$ 32,036,080	\$ -	\$ 102,876,338
Receipts:												
Transfers from Operating account	-	-	1,422,000	55,328,679	-	-	-	-	-	-	-	56,750,679
Transfers from other trust funds	5,736,405	2,500,000	-	-	-	7,221,230	240,000	3,983,636	-	-	-	19,681,271
Loan proceeds	-	-	-	-	-	-	-	-	-	-	62,718,212	62,718,212
Investment income	242,511	52,590	2,002	29,401	10,840	7,138	18,856	60,010	8,957	136,511	12,531	581,347
Total receipts	5,978,916	2,552,590	1,424,002	55,358,080	10,840	7,228,368	258,856	4,043,646	8,957	136,511	82,730,743	139,731,509
Disbursements:												
Requisitions	7,545,268	-	-	42,643,487	-	-	-	-	4,487,763	8,597,809	405,815	63,680,142
Transfers to other trust funds	-	-	-	10,461,230	-	-	-	-	-	-	9,220,041	19,681,271
Debt service payments:												
Principal	-	-	-	471,590	-	2,565,000	-	-	-	-	-	3,036,590
Interest	-	-	-	79,035	-	4,794,736	-	-	-	-	-	4,873,771
Total disbursements	7,545,268	-	-	53,655,342	-	7,359,736	-	-	4,487,763	8,597,809	9,625,856	91,271,774
Balances - December 31, 2016	\$ 34,528,411	\$ 8,609,025	\$ 1,424,002	\$ 10,105,464	\$ 2,937,389	\$ 1,545,855	\$ 3,126,402	\$ 11,537,699	\$ 842,157	\$ 23,574,782	\$ 53,104,887	\$ 151,336,073



CYNTHIA FEYZER LEITZELL, CPA
STELLA C. ECONOMIDIS, CPA

LEITZELL & ECONOMIDIS, PC
CERTIFIED PUBLIC ACCOUNTANTS

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 the Delaware County Regional Water Quality Control Authority ("DELCORA"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Delaware County Regional Water Quality Control Authority's basic financial statements, and have issued our report thereon dated May 8, 2017.

Internal Control over Financial Reporting

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

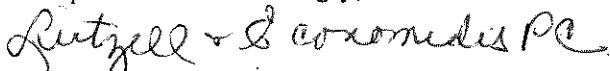
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.



Leitzell & Economidis, PC

Media, Pennsylvania

May 8, 2017