

**DELAWARE COUNTY REGIONAL
WATER QUALITY CONTROL AUTHORITY**

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2017



CYNTHIA FELZER LEITZELL, CPA
STELLA C. ECONOMIDIS, CPA

LEITZELL & ECONOMIDIS, PC
CERTIFIED PUBLIC ACCOUNTANTS

DELAWARE COUNTY REGIONAL WATER QUALITY CONTROL AUTHORITY

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DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
Management's Discussion and Analysis (Unaudited)
December 31, 2017

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, 2017 includes the following key highlights:

- DELCORA sent an average of 19.85 million gallons per day (MGD) in 2017 to the Philadelphia Water Department's (PWD) Treatment Plant, vs. 21.51 MGD in 2016. Flow in 2017 at DELCORA's Western Regional Treatment Plant (WRTP) was 31.83 MGD vs. 31.81 MGD in 2016.
- In 2017, revenue from the trucked waste receiving business reached \$5,601,967, an increase of \$1,601,967 (40.0%) over the 2017 budget and an increase of \$841,705 (17.7%) over the prior year. Revenue has consistently increased annually from a level of approximately \$300,000 in 2004 to the present level.
- DELCORA entered into a Consent Decree (CD) with the United States Government in August 2015. Compliance with this CD requires the implementation of “Early Action Combined Sewer Overflow (CSO) Control Measures”. These measures achieve a reduction in CSO volume. Several projects are being implemented by mid-2019 to comply with the CD requirement. This includes a replacement of EPS-1 at the WRTP with Pump Station – 6 (PS-6). Construction costs are approximating \$14,000,000 with completion in 2018.
- In 2017, DELCORA issued its Series of 2017 Bonds in the principal amount of \$32,275,000. The 2017 Bonds were issued towards the advance refunding and defeasance of the outstanding 2013 Bonds. Present value savings from the advance refunding approximated \$2.2 million. The Bonds were structured with a final maturity of 5/1/2033 and had an overall arbitrage yield of 2.29%. Moody's affirmed the Authority's very strong “Aa3” credit rating and assigned a “Stable Outlook”.
- DELCORA purchased an available property adjacent to the WRTP from Covanta to facilitate the construction of future facilities. This parcel will likely be needed as a result of the revised Long Term Control Plan.
- DELCORA installed replacement aeration panels to replace the existing failing aeration panels at the WRTP at an approximate cost of \$3,500,000. Also installed was the fourth aeration blower at an approximate cost of \$1,000,000. The aeration system is used to process insert oxygen into the waste water and is a vital part of the activated sludge process. The upgrades increase the efficiency of the treatment process while lowering electrical costs.
- The WRTP utility water system provides utility water service to several critical plant processes. The system was constructed in the 1970s and the piping network was the original material. DELCORA upgraded the system so that it is more reliable and allows for operational flexibility. Project costs are approximately \$5,000,000.
- DELCORA currently owns and operates the wastewater collection, conveyance and treatment facilities located in Rose Valley Borough. The Rose Valley Sewage Treatment Plant (“RVSTP”) facility was constructed in the 1930s, has significant structural issues, and is not expected to meet the proposed future permit limitations for nutrients. After a detailed analysis, Delcora decided that the most cost-effective option is to construct a new force main to convey the wastewater to DELCORA's treatment facility. The project will include an upgrade to the existing Old Mill Pump Station and a new pump station located at the RVSTP site. Construction is anticipated to be completed in mid-2018 at a cost of \$2,800,000.

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Major Capital projects started and/or completed in 2017 included:

• 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
• Ridley Creek Interceptor Grouting / Relining	\$ 458,500

In progress:

• PS-6 (EPS-1 Replacement) Construction	\$ 13,923,660
• Incinerator Secondary Combustion Chamber	\$ 11,360,000
• Solids Handling Upgraded Construction	\$ 8,328,755
• Rose Valley Pump Station and FM Construction	\$ 2,748,435
• Rehabilitation of Siphons Design	\$ 1,935,377
• Incinerator Ash System /7 Center Drive Repair	\$ 662,000
• Incinerator Rebuild	\$ 635,000
• Vernon Run Sewer Rehabilitation Construction	\$ 333,590

DELAWARE COUNTY REGIONAL WATER
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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 eight municipalities: the City of Chester, parts of the Township of Chester, and the Boroughs of Parkside, Upland, Trainer, Marcus Hook, Rose Valley and Edgmont. In addition, DELCORA owns and operates 2 treatment plants in housing developments in Pocopson Township, Chester County.

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, 2017

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 2017, 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
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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.

	2016	2017	Difference	%
<i>Revenues per thousand gallons billed:</i>				
Residential	\$2.83	\$3.07	.24	8.5
Commercial	\$2.85	\$2.88	.03	1.1
<i>Ratio of Operating Revenue to:</i>				
-Operating Expenses	1.16	1.27	.11	9.5
-Operating Expenses, net of depreciation	1.35	1.50	.15	11.1
-Total assets (asset turnover)	0.15	0.16	.01	6.7
<i>Ratio of Operating Income to:</i>				
-Operating Revenue	0.22	0.21	(.01)	(4.5)
<i>Debt-related ratios:</i>				
Total debt to total assets	0.48	.47	(.01)	(2.1)

Financial Results of System-wide Operations

- Total Liabilities	\$ 202,084,897
Long Term	\$ 185,523,409
Other	\$ 16,561,488
- Total Net Assets	\$ 172,851,245
Invested in capital assets (net of related debt)	\$ 88,758,917
Restricted for Debt Service	\$ 10,892,505
Unrestricted	\$ 73,199,823
- Revenues (By source)	
Commercial Industries	\$ 14,138,781
Residential	\$ 44,143,063
Total Operating Revenue	\$ 58,281,844

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2017 Actual Compared to 2017 Budget Results:

	<u>Actual</u>	<u>Budget</u>	<u>Difference</u>	
Total Revenues	\$ 60,275,111	\$ 58,973,056	\$ 1,302,055	Favorable
Operating Expenses (Net of Depreciation and Debt Service)	\$ 38,757,936	\$ 39,689,558	\$ 931,622	Favorable

Total revenue is \$60,275,111, 2.2% higher than the budget of \$58,973,056, despite a shortfall in operating revenue from both the Eastern and Western Service Areas of \$1,850,000, due primarily to flow from the East being 26.5% under budget and lower than budgeted flow from Western Authorities. This shortfall was primarily caused by low rainfall in 2017. Rainfall in 2017 was 39.87 inches as measured at the Philadelphia International Airport. Although this was higher than 2016 rainfall of 34.87, it is historically low. For comparison purposes, rainfall in 2015 was 49.0 inches and as recently as 2013 was as high as 59.0 inches. The shortfall in revenue from Municipal Authorities was more than offset by favorable variances in sludge disposal revenue (\$1,600,000) and interest income (\$1,205,185).

Significant variances to budget in operating expenses are as follows:

PWD Treatment Costs – actual treatment costs were less than budget by \$2,601,000. due to actual treated flow of 19.6 MGD being less than budgeted flow of 27.0 MGD by 7.40 MGD, or 27.4%. The lower flow is the result of the low rainfall during 2017 as mentioned above.

Salaries and Wages and Overtime – Actual of \$11,752,017 was 4.2% over budget of \$11,276,000 due to an unfavorable variance on overtime. This was due primarily to needing 2 incinerator operators for much of the year as the higher trucked waste business resulted in a higher volume of sludge going to the incinerators, causing both incinerators to be in operation for much of the year as opposed to the usual one. In addition, there was extensive maintenance work at the plant.

Repairs and Maintenance – Over budget by \$973,000. This was due to extensive repairs needed at the plant and the collection system. This included repairs and replacements to SCADA, Communications Equipment, Pumps and Piping Systems, Bar Screens, Laterals and Vehicles Maintenance.

Chemicals – Total Chemicals was over budget by approximately \$215,000 or 28%, due to higher polymer usage than budget due to a higher amount of sludge being processed.

Solicitor – Under budget by \$295,000 or 53% due to significantly less legal issues than in recent years.

Solids and Grit Removal – Over budget by \$412,000 or 39%. This was due to higher than planned sludge and ash removal. In addition, 2 holding tanks were thoroughly cleaned out, resulting in a significant expense that was not planned.

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY**
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2017 Actual Compared to 2016 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 \$4.37 to \$4.63 per 1,000 gallons (a 6.0% increase) from calendar year 2016 to 2017. 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 \$2,732,000 from 2016. This was primarily the result of increased sludge revenue of approximately \$841,000, increased Residential billing of \$765,000, which includes a \$420,000 increase in revenue from Edgmont as the Edgmont system was fully operation in 2017 vs. various sections coming on line during 2016 and an increase in revenue from the Eastern Authorities of approximately \$965,000.

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

	2016	% of Total	2017	% of Total	Variance	% Change
PWD Plant Treatment	\$ 8,103,206	18.6%	\$ 8,367,590	18.3%	\$ 264,384	3.3%
Salary & Wages	10,825,887	24.9%	11,752,017	25.7%	\$ 926,130	8.6%
Depreciation & Amortization	6,744,284	15.5%	7,049,095	15.4%	\$ 304,811	4.5%
Utilities	2,822,879	6.5%	3,028,848	6.6%	\$ 205,969	7.3%
Pension	1,721,826	4.0%	1,671,290	3.6%	\$ (50,536)	-2.9%
Employee Benefits	4,231,330	9.7%	4,655,986	10.2%	\$ 424,656	10.0%
Solids Disposal	491,024	1.1%	1,457,857	3.2%	\$ 966,833	196.9%
Repairs & Maintenance	3,661,418	8.4%	2,951,073	6.4%	\$ (710,345)	-19.4%
Engineering & Tech Services	333,828	0.8%	247,709	0.5%	\$ (86,119)	-25.8%
Legal Fees	569,826	1.3%	254,020	0.6%	\$ (315,806)	-55.4%
Minor Equipment and Supplies	1,921,473	4.4%	2,477,234	5.4%	\$ 555,761	28.9%
Other Operating Expenses	2,107,871	4.8%	1,894,312	4.1%	\$ (213,559)	-10.1%
Total Operating Expenses	\$ 43,534,852	100.0%	\$ 45,807,031	100.0%	\$ 2,272,179	5.2%

PWD Treatment Costs – 2017 treatment costs were higher than 2016 by 3.3% (\$264,384). This was despite lower flow sent to PWD in 2017 (19.85 MGD) vs. 2016 (21.51 MGD), as higher PWD rates and higher BOD and TSS content in the flow offset the lower flow.

Salaries and Wages – Increased by 8.6% due to normal salary and wage increase of approximately 3.0% along with several positions added in 2017 and several positions that were open in 2016 that were filled in 2017.

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Utilities – Increased by \$205,000 or 7.3% due almost entirely to an increase in Natural Gas Usage used for the incinerator, as both incinerators were in operation for much of the year, vs. the incinerators being down for overhauls for portions of 2016.

Repairs and Maintenance – Decreased by \$710,947 or 19.43% from 2016 to 2017. Despite continued significant costs associated with the maintenance of equipment and infrastructure at the plant, significant repairs made in the past several years have contributed to a reduction in 2017.

Legal Fees – Decreased by \$315,806 or 55.4% due to an overall reduction in issues needing legal advice and service.

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 \$6,786,175 to \$23,644,079 in 2017 from 2016.

	<u>2016</u>	<u>2017</u>	<u>Difference</u>	<u>% Change</u>
Total operating revenues	\$55,849,791	\$58,281,844	\$2,432,053	4.4%
Net cash provided by operations	\$16,857,904	\$23,644,079	\$6,786,175	40.2%
Net operating cash as a % of operating revenue	30.2%	40.6%		

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.

2017 Operations

WRTP—Water Quality Performance

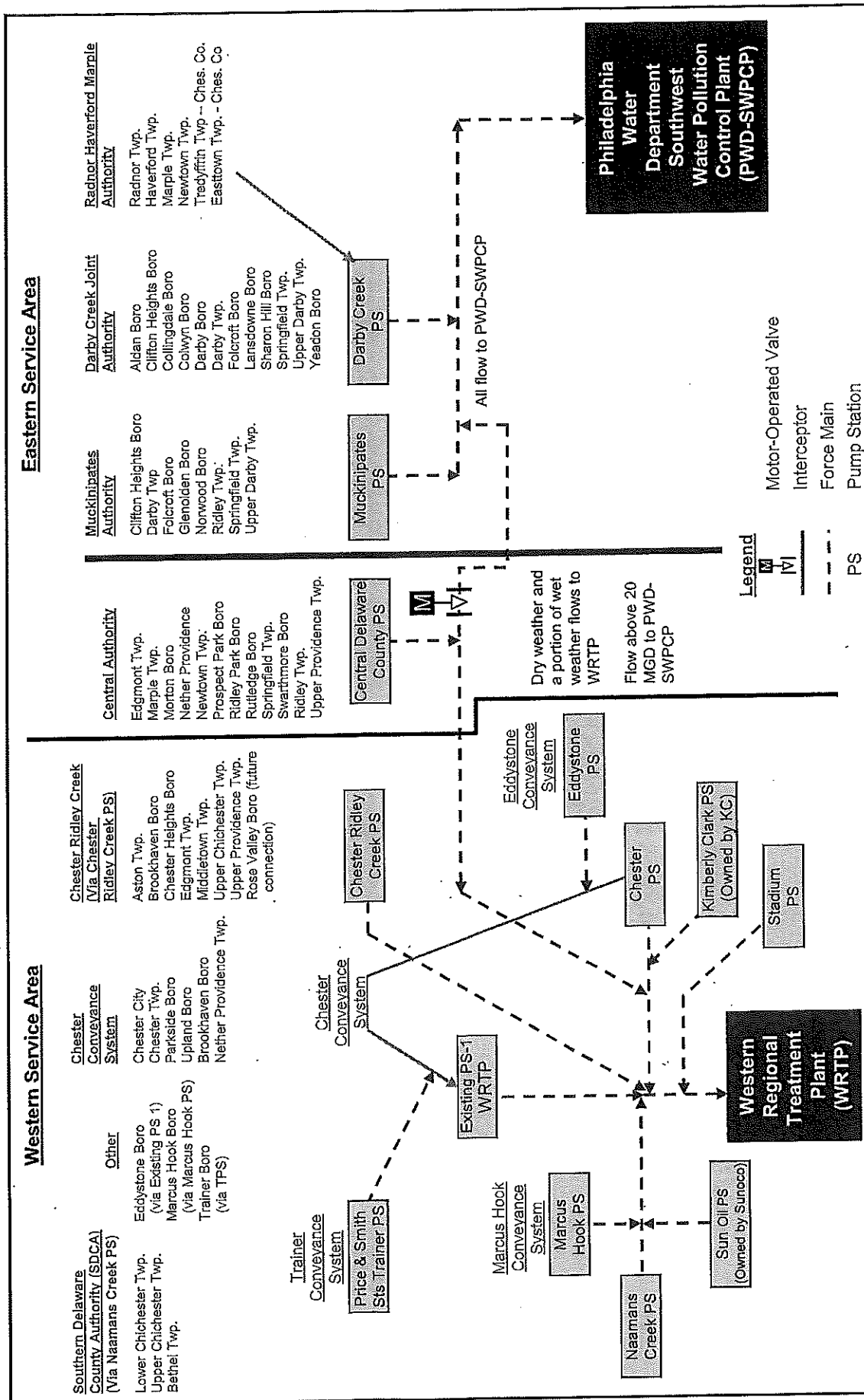
- Average Suspended Solids - 13 mg/L for the year
- Average cBOD5 - 10 mg/L for the year
- Average cBOD20 % Removal – 95.2% for the year

WRTP—Solids Handling Performance

- Average Dry Tons/Day - 66.5 tons for the year
- Average Cake Solids - 23.3 % for the year
- Average Fuel Oil Usage – 4.8 MCF/Dry Ton for the year

Waste Water Conveyed and Treated

- Western Delaware County To WRTP, including 8.47 MGD from CDCA — ~ 31.83 MGD
- Eastern Delaware County To Philadelphia Southwest Treatment Plant— ~19.85 MGD



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TO CONTACT MANAGEMENT AND REQUESTS FOR INFORMATION

This financial report is designed to provide our clients, taxpayers, customers, investors and creditors with a general overview of the Organization's finances and to demonstrate the DELCORA's accountability of its funds. If you have questions regarding this report or would like additional information, contact the Controller at 100 East 5th Street, Chester, Pennsylvania 19013.



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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, 2017 and 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, 2017 and 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.

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 1-10 and 34 and 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 audit was 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, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2018, 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



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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, PC
Media, Pennsylvania

April 6, 2018

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

	2017	2016
ASSETS		
Current:		
Cash and cash equivalents	\$ 54,584,781	\$ 30,185,381
Investments	85,020,856	121,010,490
Receivables:		
Western Region		
Residential, net of allowance for doubtful accounts of \$113,620 and \$113,943 in 2017 and 2016, respectively	786,313	717,098
Municipal	1,284,714	1,281,388
Major industries	717,045	1,263,198
Permit industries	144,470	117,205
Eastern Region		
Notes receivable, current portion	90,800	2,857,281
Other receivables	1,395,599	1,364,173
Prepaid expenses	82,009	406,434
Total current assets	<u>144,106,587</u>	<u>159,202,648</u>
Non Current:		
Capital assets, net of accumulated depreciation	209,481,334	190,825,742
Notes receivable, net of current portion	1,827,040	1,742,031
Restricted investments	11,023,244	11,537,699
Total non current assets	<u>222,331,618</u>	<u>204,105,472</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred expense on refunding	4,337,664	-
Pension plan related deferred outflows	<u>4,160,273</u>	<u>3,809,566</u>
Total assets and deferred outflows of resources	<u><u>\$ 374,936,142</u></u>	<u><u>\$ 367,117,686</u></u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$ 5,883,536	\$ 5,326,187
Payable to the City of Philadelphia	1,426,532	1,544,746
Current portion of long-term debt	5,917,778	4,056,378
Accrued bond interest payable	1,116,660	1,312,930
Advances on services		
Central Delaware County Authority	101,451	173,306
Muckinipates Authority	256,490	244,460
Darby Creek Joint Authority	1,034,508	865,122
Municipal	457,069	374,063
Major industries	181,295	837,488
Permit industries	186,169	149,882
Residential	-	18,890
Total current liabilities	<u>16,561,488</u>	<u>14,903,452</u>
Noncurrent		
Long term debt, net of current portion	170,877,168	172,089,769
Deferred revenue - Philadelphia rate stabilization	8,679,457	8,609,026
Net pension liability	3,578,631	4,224,756
Deferred revenue - long term control plan	1,431,071	1,424,002
Total non current liabilities	<u>184,566,327</u>	<u>186,347,553</u>
Total liabilities	<u>201,127,815</u>	<u>201,251,005</u>
DEFERRED INFLOWS OF RESOURCES		
Pension plan related deferred inflows	957,082	-
Total liabilities and deferred inflows of resources	<u>202,084,897</u>	<u>201,251,005</u>
NET POSITION		
Invested in capital assets, net of related debt	88,758,917	92,201,416
Restricted for debt service	10,892,505	10,627,348
Unrestricted	73,199,823	63,037,917
Total net position	<u>172,851,245</u>	<u>165,866,681</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 374,936,142</u></u>	<u><u>\$ 367,117,686</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 REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31,**

	<u>2017</u>	<u>2016</u>
Operating revenues		
Western Region:		
Major Industries	\$ 6,463,246	\$ 6,685,024
Residential	7,636,856	6,869,903
Municipal	7,727,009	7,615,471
Contract operation fees	539,268	506,878
Permit Industries	1,695,963	1,760,954
Total Western Region	<u>24,062,342</u>	<u>23,438,230</u>
Eastern Region:		
Darby Creek Joint Authority	16,174,750	15,790,209
Central Delaware County Authority	8,678,216	8,294,187
Muckinipates Authority	3,764,569	3,566,903
Total Eastern Region	<u>28,617,535</u>	<u>27,651,299</u>
Sludge disposal and processing	<u>5,601,967</u>	<u>4,760,262</u>
Total operating revenues	<u>58,281,844</u>	<u>55,849,791</u>
Operating expenses, including depreciation of \$7,049,096 in 2017 and \$6,744,284 in 2016	<u>45,807,031</u>	<u>43,534,852</u>
Operating income	<u>12,474,813</u>	<u>12,314,939</u>
Nonoperating revenues (expense)		
Interest income	1,605,035	725,185
Interest expense	(7,326,608)	(4,731,444)
Bond premium amortization	894,583	590,080
Deferred cost on refunding amortization	(11,324)	-
Debt issuance costs	(1,142,573)	(448,365)
Loss on asset disposition	-	(2,643)
Other income	388,232	388,975
Special item - construction related sludge removal	-	(3,532,442)
Total non operating revenues (expense)	<u>(5,592,655)</u>	<u>(7,010,654)</u>
Net income before capital contributions	6,882,158	5,304,285
Capital contributions:	<u>102,406</u>	<u>-</u>
Net income	6,984,564	5,304,285
Net position - beginning	165,866,681	160,562,396
Net position - ending	<u>\$ 172,851,245</u>	<u>\$ 165,866,681</u>

**DELAWARE COUNTY REGIONAL WATER QUALITY
CONTROL AUTHORITY
STATEMENTS OF CASH FLOWS**

FOR THE YEARS ENDED DECEMBER 31,

	2017	2016
Cash flows from operating activities:		
Receipts from customers	\$ 59,549,574	\$ 58,287,233
Payments to suppliers	(19,634,106)	(24,195,113)
Payments to employees	(16,271,389)	(17,234,216)
Net cash provided by operating activities	<u>23,644,079</u>	<u>16,857,904</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(25,602,283)	(14,914,830)
Collection of notes receivable	2,681,472	28,124
Bond payable proceeds	38,816,354	62,709,811
Other income	388,232	388,975
Interest paid	(7,522,878)	(4,912,537)
Repayment of long-term debt	(39,595,876)	(3,036,590)
Special item - construction related sludge removal	-	(3,532,442)
Refunding advanced interest costs	(4,348,388)	-
Debt issuance costs	(1,142,573)	(456,767)
Net cash provided (used) by capital and related financing activities	<u>(36,325,940)</u>	<u>36,273,744</u>
Cash flows from investing activities:		
Investments redeemed (purchased)	36,094,860	(48,237,290)
Investment interest received	986,401	725,185
Net cash provided (used) by investing activities	<u>37,081,261</u>	<u>(47,512,105)</u>
Net increase in cash and cash equivalents	24,399,400	5,619,543
Cash and cash equivalents - beginning	30,185,381	24,565,838
Cash and cash equivalents - ending	<u>\$ 54,584,781</u>	<u>\$ 30,185,381</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 12,474,813	\$ 12,314,939
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	7,049,096	6,744,284
Amortization	883,258	-
Provision for doubtful accounts	52,149	35,986
Decrease (increase) in:		
Receivables:		
Residential	(69,215)	105,146
Municipal	(3,326)	44,324
Major industries	546,143	(671,496)
Permit industries	(27,265)	339,963
Authorities	-	89,169
Note receivables	2,681,472	(3,551,657)
Other receivables	(31,426)	(132,875)
Prepaid expenses	324,425	69,266
Deferred outflows/inflows- pension plan	606,375	858,619
Increase (decrease) in:		
Accounts payable and accrued expenses	361,079	1,011,896
Net pension liabilities	(646,125)	(1,388,423)
Payable to the City of Philadelphia	(118,214)	231,601
Deferred revenue - long term control plan	7,069	2,002
Advances on services	(446,229)	755,160
Net cash provided by operating activities	<u>\$ 23,644,079</u>	<u>\$ 16,857,904</u>

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

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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, 2017 AND 2016

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

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.

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 - Summary of Significant Accounting Policies (continued)

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.

New Pronouncements

In 2017, DELCORA adopted GASB Statement 82, *Pension Issues*. Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered-employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.

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, 2017 and 2016, the carrying amount of the entity's deposits was \$6,759,037 and \$10,769,147, respectively.

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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, \$587,676 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, 2017 and 2016 was \$87,676 and \$136,958, 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, 2017 and 2016 was \$142,413,237 (including cash of \$652,189; certificates of deposit of \$36,161,357, PLGIT Term investments of \$84,259,817, PLGIT Arm of \$19,757,988 and repurchase agreements of \$1,581,886) and \$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), 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, 2017 AND 2016**

NOTE 2 - Deposits and Investments (continued)

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

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, 2017 AND 2016**

NOTE 2 - Deposits and Investments (continued)

	2017	2016
Unrestricted cash and investments:		
Cash and Cash Equivalents		
Cash	\$ 6,759,037	\$ 10,769,147
PLGIT ARM	19,642,744	19,416,234
PLGIT CD	2,933,000	-
PLGIT TERM	25,250,000	-
Cash and Cash equivalents	<u>\$ 54,584,781</u>	<u>\$ 30,185,381</u>
Investments		
Certificates of Deposit Originally Maturing Beyond Three months	\$ 30,704,153	\$ 40,862,384
PLGIT Term	52,734,817	75,600,000
Repurchase Agreements	1,581,886	1,545,856
U.S. Government and Agency Issues	-	3,002,250
Total Investments	<u>\$ 85,020,856</u>	<u>\$ 121,010,490</u>
	2017	2016
Restricted cash and investments:		
PLGIT ARM	\$ 115,244	\$ 11,699
PLGIT Term	6,275,000	5,886,000
Certificates of Deposit Originally Maturing Beyond Three Months	4,633,000	5,640,000
Total Restricted Investments	<u>\$ 11,023,244</u>	<u>\$ 11,537,699</u>

NOTE 3 - Capital Assets

Capital assets at December 31, 2017 and 2016 include capitalized interest of \$2,595,820 and \$2,671,214, respectively. Capitalized interest is reduced by interest earned on construction fund investment. Interest expense (net of interest expense capitalized) for the years ended December 31, 2017 and 2016 was \$7,326,608 and \$4,731,444, respectively. Interest expense capitalized (or reducing capitalization) of that amount for the years ended December 31, 2017 and 2016 was \$(75,394) and \$632,099, respectively.

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 3 - Capital Assets (continued)

Capital assets activity for the year ended December 31, 2017, is as follows:

	Balance 01/01/17	Additions	Deletions	Balance 12/31/17
Capital assets not being depreciated:				
Land and right of way	\$ 1,349,495	\$ 4,479,809	\$ -	\$ 5,829,304
Construction in progress	31,306,539	18,244,519	(8,835,802)	40,715,256
Total capital assets not being depreciated	32,656,034	22,724,328	(8,835,802)	46,544,560
Capital assets being depreciated:				
Western Region Treatment Plant	119,030,500	4,942,337	-	123,972,837
Service lines and force mains	96,540,022	4,895,456	-	101,435,478
Pumping stations	39,221,722	1,045,850	-	40,267,572
Building and improvements	6,491,214	20,342	-	6,511,556
Machinery and equipment	3,194,680	912,178	(13,828)	4,093,030
Total capital assets being depreciated	264,478,138	11,816,163	(13,828)	276,280,473
Total capital assets	297,134,172	34,540,491	(8,849,630)	322,825,033
Accumulated depreciation				
Western Region Treatment Plant	63,258,431	3,297,399	-	66,555,830
Service lines and force mains	22,840,713	2,173,438	-	25,014,151
Pumping stations	16,569,397	1,079,057	-	17,648,454
Building and improvements	2,812,722	163,947	-	2,976,669
Machinery and equipment	827,168	335,255	(13,828)	1,148,595
Total accumulated depreciation	106,308,431	7,049,096	(13,828)	113,343,699
Capital assets, net of depreciation	\$ 190,825,741	\$ 27,491,395	\$ (8,835,802)	\$ 209,481,334

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, 2017 and 2016 was \$18,019 and \$47,655, 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. In 2017, additional debt was incurred bringing the balance of the note receivable to \$1,970,208. The note is being repaid over 20 years at the rate of 3.40% per annum, with anticipated payments

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 4 - Notes Receivable (continued)

of principal and interest of \$137,375 annually. Principal in the amount of \$70,388 was paid leaving a balance of \$1,899,821. Two additional notes were established in 2016 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 in 2017.

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.

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	1/1/2017	New indebtedness	Principal paid	12/31/2017	Due in one year
Revenue Bond 2007	\$ 36,235,000	5.25%	05/01/25	\$ 26,730,000	\$ -	\$ 2,705,000	\$ 24,025,000	\$ 4,115,000
Revenue Bond 2013	34,470,000	5.00%	5/1/2033	34,470,000	-	34,470,000	-	-
Revenue Bond 2015	36,205,000	2.50-5.00%	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	7,541,669	-	474,864	7,066,805	479,927
Revenue Bond 2017	32,275,000	5.00%	5/1/2033	-	32,275,000	-	32,275,000	-
	<u>\$ 202,078,785</u>			157,801,669	32,275,000	37,649,864	152,426,805	4,594,927
Deferred issuance Premiums				18,344,478	6,918,246	894,583	24,368,141	1,322,851
				<u>\$ 176,146,147</u>	<u>\$ 39,193,246</u>	<u>\$ 38,544,447</u>	<u>\$ 176,794,946</u>	<u>\$ 5,917,778</u>

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 6 - Long-Term Debt (continued)

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, 2017 are as follows:

Year ending December 31,	Principal	Interest	Principal and Interest	Deferred Issuance premiums	Total
2018	\$ 4,594,927	\$ 6,850,154	\$ 11,445,081	\$ 1,322,851	\$ 12,767,932
2019	4,820,044	6,847,359	11,667,403	1,322,851	12,990,254
2020	5,060,216	6,608,430	11,668,646	1,322,851	12,991,497
2021	5,315,442	6,358,716	11,674,158	1,322,851	12,997,009
2022	4,910,725	6,153,689	11,064,414	1,322,851	12,387,265
2023-2027	28,249,850	27,078,638	55,328,488	6,043,400	61,371,888
2028-2032	34,845,601	13,551,561	48,397,162	5,543,901	53,941,063
2033-2037	22,710,000	12,519,975	35,229,975	2,446,331	37,676,306
2038-2042	22,410,000	7,583,775	29,993,775	2,164,726	32,158,501
2043-2046	19,510,000	2,031,800	21,541,800	1,555,528	23,097,328
	<u>\$ 152,426,805</u>	<u>\$95,584,097</u>	<u>\$ 248,010,902</u>	<u>\$ 24,368,141</u>	<u>\$ 272,379,043</u>

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.

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 6 - Long-Term Debt (continued)

During 2017, DELCORA issued the Sewer Revenue Bonds, 2017 series. The proceeds of the 2017 Bonds, along with other available funds, were utilized to advance refund all of the outstanding 2013 Bonds as well as to pay for the costs and expenses of issuing the 2017 Bonds. The proceeds were deposited in an irrevocable trust with an escrow agent to provide for the debt service required for the advance refunding of the bonds. This advance refunding resulted in a gross present value savings in the amount of \$2,196,615.

NOTE 7 - Commitments and Contingencies

Commitments - DELCORA had construction commitments outstanding of \$30,376,248 and \$12,379,130 at December 31, 2017 and December 31, 2016 respectively.

DELCORA also has the following leases:

A 60 month lease agreement for copiers in the amount of \$1,750 per month expiring May 31, 2022.

Several cell tower leases at various locations for periods ending from December 31, 2018 through May 31, 2022. Future operating lease payments as of December 31, 2017 are as follows:

2018	\$ 57,224
2019	57,653
2020	44,145
2021	42,914
2022	30,664
	<u>\$ 232,600</u>

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, 2017 AND 2016**

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, 2017 AND 2016**

NOTE 8 - Employee Retirement Plans (continued)

or 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. Funding requirements for the plan years 2018 and 2019 is established as part of the January 1, 2017 actuarial valuation. Entry Age Normal Actuarial Cost Method is used as the actuarial valuation method. The actuarial assumptions pursuant to the January 1, 2017 valuation included (a) interest rate of 7.0% compounded annually (reduced from 7.5% in prior valuations), (b) lump sum payments are valued based on the 15 year average of IRS section 417e segment rates (segment rates changing from 3.5% to 3.30% for the first five years, 5.5% to 5.30% for the next fifteen years, and from 6.5% to 6.10 % for all years thereafter) (c) mortality rates are based on RP-2000 Combined Mortality Table with Scale AA updated from 2015 to 2017. 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 7.0%.

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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.

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, 2017 was as follows:

Inactive employees or beneficiaries receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	22
Active employees	130
Total employees covered	<u>167</u>

Average expected remaining service lives as of December 31, 2017 was 9.11 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, 2017, 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.

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:

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 8 - Employee Retirement Plans (continued)

Vanguard Mid Cap Index Fund	\$	977,281
Vanguard Small Cap Index Fund		974,149
Vanguard Total Bond Market Index Fund		2,169,191
Vanguard Intermediate Term Corp Bond		1,296,256
Vanguard International Equity Index Fund		4,042,221
Vanguard US Large Cap Growth Index Fun		2,856,742
Vanguard US Large Cap Value Index Fund		2,866,175
Vanguard International Bond Index Fund		432,731
Ishares TIPS Bond ETF		437,155
		<u>16,051,901</u>
Cash and cash equivalents		548,079
Total Plan Investments	\$	<u>16,599,980</u>

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Vanguard Small Cap Index Fund		974,149
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Ishares TIPS Bond ETF		437,155
		<u>16,051,901</u>
Cash and cash equivalents		548,079
Total Plan Investments	\$	<u>16,599,980</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, 2017. 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, 2017 AND 2016**

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, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>
Equities	70.00%
Fixed Income	27.00%
Cash	3.00%

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 6.65 percent per year before inflation factor of 2.25%. The net blended rate representing the real rate of return, inclusive of inflation and net of plan expenses was 4.10%. Long term expected real rate of return was as follows:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equities	5.78%
Fixed Income	1.35%
Cash	-0.31%
Total Gross Blended Return	4.40%
Less: Plan Expenses	0.30%
Total Net Blended Return	4.10%

For the year ended December 31, 2017, the annual rate of return on the pension plan investments, net of pension investment expense was 16.59%. The rate of return is calculated net of investment expense, adjusted for the changing amounts actually invested.

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 8 - Employee Retirement Plans (continued)

The Authority recognized pension expense in the amount of \$1,671,290 and \$1,721,826 for the years ended December 31, 2017 and 2016, respectively. At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to the pension as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 635,214	\$ -
Changes in assumptions	3,525,059	-
Net differences between projected and actual earnings on pension plan investments	<u>-</u>	<u>957,082</u>
	<u>\$ 4,160,273</u>	<u>\$ 957,082</u>

Future recognition of deferred outflows and inflows in pension expense	<u>Fiscal Year</u>	<u>Amount Recognized</u>
	2018	\$ 554,359
	2019	\$ 554,359
	2020	\$ 403,080
	2021	\$ 436,648
	2022	\$ 726,382
	Thereafter	\$ 528,363

Sensitivity of Net Pension Liability to Changes in Discount Rate:

	<u>1% Decrease 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
Net Pension Liability	<u>\$ 4,870,101</u>	<u>\$ 3,578,631</u>	<u>\$ 2,404,413</u>

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 \$133,046 and \$122,708 for the years ended December 31, 2017 and 2016, 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, 2017 AND 2016**

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 April 8, 2018, 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 OF NET PENSION LIABILITIES AND RELATED RATIOS

	2014	2015	2016	2017
<i>Total Pension Liability</i>				
Service cost	\$ 433,832	\$ 451,185	\$ 647,770	\$ 743,624
Interest	962,400	982,877	1,321,748	1,345,004
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	183,182	465,714	-	384,396
Changes in assumptions	-	4,170,435	-	1,012,254
Benefit payments	(664,651)	(1,260,137)	(1,994,115)	(2,079,637)
Net change in total pension liability	914,763	4,810,074	(24,597)	1,405,641
Total pension liability - beginning	13,072,730	13,987,493	18,797,567	18,772,970
Total pension liability - ending	\$ 13,987,493	\$ 18,797,567	\$ 18,772,970	\$ 20,178,611
<i>Plan Fiduciary Net Position</i>				
Contributions-authority	\$ 1,150,000	\$ 4,450,000	\$ 2,168,616	\$ 1,711,040
Contributions-employee	-	-	-	-
Net investment income	678,120	33,319	1,146,717	2,466,801
Benefit payments	(664,651)	(1,260,137)	(1,994,115)	(2,079,637)
Other	-	-	-	-
Administrative expense	(27,963)	(31,155)	(40,406)	(46,438)
Net change in fiduciary net position	1,135,506	3,192,027	1,280,812	2,051,766
Plan fiduciary net position - beginning	8,939,869	10,075,375	13,267,402	14,548,214
Plan fiduciary net position - ending	\$ 10,075,375	\$ 13,267,402	\$ 14,548,214	\$ 16,599,980
Net pension liability - ending	\$ 3,912,118	\$ 5,530,165	\$ 4,224,756	\$ 3,578,631

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES OF NET PENSION LIABILITIES AND RELATED RATIOS (continued)

Plan fiduciary net position as a percentage of total pension liability	72.03%	70.58%	77.50%	82.27%
Covered employee payroll	\$ 7,435,831	\$ 7,470,137	\$ 8,516,891	\$ 8,900,803
Authority's net pension liability as a percentage of covered payroll	52.61%	74.03%	49.60%	40.21%

SCHEDULE OF INVESTMENT RETURNS

	2014	2015	2016	2017
Annual money-weighted rate of return net of investment expense	7.25%	0.79%	8.54%	16.59%

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension
Balances at December 31, 2016	\$ 18,772,970	\$ 14,548,214	\$ 4,224,756
Changes for the year:			
Service Cost	743,624	-	743,624
Interest	1,345,004	-	1,345,004
Changes of Assumptions	1,012,254	-	1,012,254
Differences between expected and actual	-	-	-
Contributions - Employer	384,396	1,711,040	(1,326,644)
Net Investment Income	-	2,466,801	(2,466,801)
Benefit Payments	(2,079,637)	(2,079,637)	-
Administrative Expense	-	(46,438)	46,438
Net Changes	1,405,641	2,051,766	(646,125)
Balances at December 31, 2017	\$ 20,178,611	\$ 16,599,980	\$ 3,578,631

SUPPLEMENTAL INFORMATION

SUPPLEMENTAL INFORMATION

**DELAWARE COUNTY REGIONAL WATER QUALITY
CONTROL AUTHORITY**

**SCHEDULE OF OPERATING REVENUES
BUDGET COMPARISON**

	<u>ACTUAL 2017</u>	<u>BUDGET 2017</u>	<u>FAVORABLE (UNFAVORABLE) VARIANCE</u>
WESTERN REGION			
Residential	\$ 7,636,856	\$ 7,662,041	\$ (25,185)
Major industry:			
Kinberly-Clark	3,852,799	3,704,000	148,799
Monroe Energy	222,142	205,816	16,326
Sun Refining and Marketing Co.	2,388,305	2,569,600	(181,295)
Total major industry	<u>6,463,246</u>	<u>6,479,416</u>	<u>(16,170)</u>
Municipal:			
Brookhaven	507,857	526,983	(19,126)
Eddystone	332,138	337,260	(5,122)
Lower Chichester	414,171	421,575	(7,404)
Middletown Authority	1,725,196	1,749,810	(24,614)
Nether Providence	645,774	791,311	(145,537)
South West Delaware County Authority	2,314,054	2,624,715	(310,661)
Southern Delaware County Authority	1,787,819	1,897,088	(109,269)
Total Municipal	<u>7,727,009</u>	<u>8,348,742</u>	<u>(621,733)</u>
Permit industries:			
Ace Linen	109,805	61,380	48,425
Boeing	116,422	105,394	11,028
Braskem	188,905	169,728	19,177
Congoleum	43,197	48,540	(5,343)
Delaware County Linen	52,556	53,987	(1,431)
Florida Power & Light	515,512	338,592	176,920
Harrah's Casino	41,184	48,510	(7,326)
Liberty Electric	322,663	339,200	(16,537)
PECO	4,090	7,806	(3,716)
The P.Q. Corporation	113,376	111,600	1,776
Other	188,253	176,165	12,088
Total permit industries	<u>1,695,963</u>	<u>1,460,902</u>	<u>235,061</u>
Contract operation fees	<u>539,268</u>	<u>433,205</u>	<u>106,063</u>
Total Western Region	<u>24,062,342</u>	<u>24,384,306</u>	<u>(321,964)</u>
EASTERN REGION			
Authority:			
Central Delaware County Authority	8,678,216	8,752,700	(74,484)
Darby Creek Joint Authority	16,174,750	17,107,550	(932,800)
Muckinipates Authority	3,764,569	3,978,500	(213,931)
Total Eastern Region	<u>28,617,535</u>	<u>29,838,750</u>	<u>(1,221,215)</u>
Sludge disposal and processing	<u>5,601,967</u>	<u>4,000,000</u>	<u>1,601,967</u>
Total operating revenues	<u>\$ 58,281,844</u>	<u>\$ 58,223,056</u>	<u>\$ 58,788</u>

SUPPLEMENTAL INFORMATION

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

FOR THE YEARS ENDED DECEMBER 31,

	2017	2016
Advertising	\$ 26,367	\$ 28,201
Consulting	146,495	233,280
Depreciation	7,049,095	6,744,284
Dues and conferences	53,283	86,465
Employee benefits	4,655,986	4,231,330
Engineering and tech services	247,709	333,828
Insurance	744,418	696,650
Minor equipment and supplies	2,477,234	1,921,473
Office	161,393	154,068
Other contracted services	710,207	873,221
Pension	1,671,290	1,721,826
Philadelphia Plant Treatment costs	8,367,590	8,103,206
Provision for doubtful accounts	52,149	35,986
Repairs and maintenance	2,951,073	3,661,418
Salaries and wages	11,752,017	10,825,887
Solicitor	254,020	569,826
Solids disposal	1,457,857	491,024
Utilities	3,028,848	2,822,879
Total operating expenses	<u>\$ 45,807,031</u>	<u>\$ 43,534,852</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>
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>\$ 24,025,000</u>	<u>\$ 3,904,556</u>	<u>\$ 27,929,556</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
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	1,594,768	2,464,768
2024	5.000%	915,000	1,550,143	2,465,143
2025	5.000%	975,000	1,502,893	2,477,893
2026	5.000%	1,010,000	1,453,268	2,463,268
2027	5.000%	1,060,000	1,401,518	2,461,518
2028	5.000%	1,115,000	1,347,143	2,462,143
2029	5.000%	1,170,000	1,290,017	2,460,017
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>\$ 29,454,060</u>	<u>\$ 65,659,060</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>
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>\$ 49,634,350</u>	<u>\$ 102,489,350</u>

SUPPLEMENTAL INFORMATION

DELAWARE COUNTY REGIONAL WATER QUALITY CONTROL AUTHORITY

SCHEDULE OF DEBT SERVICE SEWER REVENUE BONDS, 2017 SERIES

Year Ending December 31	Coupon	Principal Maturity	Interest	Total Debt Service
2018	5.00%	\$ -	\$ 1,389,618	\$ 1,389,618
2019	5.00%	-	1,613,750	1,613,750
2020	5.00%	-	1,613,750	1,613,750
2021	5.00%	-	1,613,750	1,613,750
2022	5.00%	965,000	1,589,625	2,554,625
2023	5.00%	1,005,000	1,540,375	2,545,375
2024	5.00%	1,065,000	1,488,625	2,553,625
2025	5.00%	1,115,000	1,434,125	2,549,125
2026	5.00%	2,935,000	1,332,875	4,267,875
2027	5.00%	3,080,000	1,182,500	4,262,500
2028	5.00%	3,240,000	1,024,500	4,264,500
2029	5.00%	3,405,000	858,375	4,263,375
2030	5.00%	3,580,000	683,750	4,263,750
2031	5.00%	3,765,000	500,125	4,265,125
2032	5.00%	3,960,000	307,000	4,267,000
2033	5.00%	4,160,000	104,000	4,264,000
Total		<u>\$ 32,275,000</u>	<u>\$ 18,276,743</u>	<u>\$ 50,551,743</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, 2017

	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	2013 Bond Refunding Escrow Fund	Total
Balances - January 1, 2016	\$ 34,628,411	\$ 8,609,025	\$ 1,424,002	\$ 10,105,464	\$ 2,937,389	\$ 1,545,856	\$ 3,126,402	\$ 11,537,599	\$ 842,155	\$ 23,574,781	\$ 53,104,887	\$ -	\$ 151,336,072
Receipts:													
Customer revenue	-	-	-	61,173,815	-	-	-	-	-	-	-	-	61,173,815
Edgmont escrow reimbursement	2,900,000	-	-	-	-	-	-	-	-	-	-	-	2,900,000
SWCA & MESA payoff decommissioning	2,775,819	-	-	-	-	-	-	-	-	-	-	-	2,775,819
Transfers from Operating account	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers from other trust funds	-	-	-	-	-	10,847,647	240,000	-	-	-	-	779,521	11,867,168
Loan proceeds	-	-	-	-	-	-	-	-	-	-	-	39,056,887	39,056,887
Investment income	406,510	70,332	7,059	141,168	14,788	45,593	31,986	121,442	1,386	187,841	504,731	-	1,532,846
Total receipts	6,082,329	70,332	7,059	61,314,983	14,788	10,893,240	271,986	121,442	1,386	187,841	504,731	39,836,408	119,306,535
Disbursements:													
Requisitions	2,128,713	-	-	41,626,450	-	-	-	-	843,542	6,186,788	15,120,259	-	65,905,752
Transfers to other trust funds	-	-	-	11,087,647	-	143,625	-	635,896	-	-	-	-	11,867,168
Bond refunding	-	-	-	-	-	-	-	-	-	-	-	39,603,182	39,603,182
Bond refunding expense	-	-	-	-	-	-	-	-	-	-	-	225,920	225,920
Debt service payments:													
Principal	-	-	-	-	-	2,705,000	-	-	-	-	-	-	3,179,865
Interest	-	-	-	77,712	-	7,369,771	-	-	-	-	-	-	7,447,483
Total disbursements	2,128,713	-	-	53,266,614	-	10,218,396	-	635,896	843,542	6,186,788	15,120,259	39,829,102	128,223,370
Balances - December 31, 2017	\$ 38,492,027	\$ 8,679,357	\$ 1,431,071	\$ 18,153,773	\$ 2,952,177	\$ 2,220,700	\$ 3,398,988	\$ 11,023,245	\$ -	\$ 17,576,634	\$ 38,489,359	\$ 7,306	\$ 142,418,237



CYNTHIA FELZER 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, 2017, 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 April 6, 2018.

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.

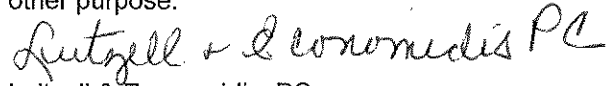
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

A handwritten signature in cursive script that reads "Leitzell & Economidis PC".

Leitzell & Economidis, PC

Media, Pennsylvania

April 6, 2018