

**DELAWARE COUNTY REGIONAL
WATER QUALITY CONTROL AUTHORITY**

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2021



CYNTHIA FRIZER LEITZELL, CPA
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CERTIFIED PUBLIC ACCOUNTANTS

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of the Delaware County Regional Water Quality Control Authority ("DELCORA"), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise DELCORA's financial statements as listed in the table of contents.

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, 2021 and 2020 and the changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the DELCORA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the DELCORA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered



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material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the DELCORA's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the DELCORA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 4-12 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.

Supplementary 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 revenues-budget comparison, operating expenses, debt service and cash receipts and disbursements-trust funds established under an indenture dated July 15, 2001 and total cash and investments are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is 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. The 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



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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 revenues-budget comparison, operating expenses, debt service and cash receipts and disbursement-trust funds established under an indenture dated July 15, 2001 and total cash and investments is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Matters

As reported and detailed in Note 12 of the financial statements, DELCORA has entered into an asset purchase agreement with Aqua Pennsylvania Wastewater, Inc., through which Aqua Pennsylvania Wastewater, inc. will acquire all DELCORA assets and liabilities as specified in the agreements. Various litigation regarding the agreement is still pending at this date.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2022, 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, PC

Leitzell & Economidis, PC
Media, Pennsylvania

May 2, 2022

DELAWARE COUNTY REGIONAL WATER QUALITY CONTROL AUTHORITY

Management's Discussion and Analysis

(Unaudited)

December 31, 2021

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, 2021 includes the following key highlights:

- In spite of the COVID-19 pandemic, DELCORA has maintained a steady level of service throughout the Authority. We continue to treat wastewater, service the conveyance and collection systems, pay our employees and vendors, proceed with our capital projects and perform other functions that were in place pre-pandemic. However, the pandemic has affected DELCORA in 2021 through delays in payment or the inability of some of our customers to pay for our services, although payments improved in 2021 compared to 2020. We have been unable to disconnect service for non-payment during the pandemic. Disconnection acts as a major incentive for bill payment. DELCORA has increased its allowance for doubtful accounts accordingly.
- DELCORA is facing significant infrastructure improvements and increased expenses as a result of more stringent and costly environmental regulations. These significant additional costs will lead to rate increases for all customers.
- On September 17, 2019, DELCORA entered into an Asset Purchase Agreement (APA) with Aqua. Pursuant to the APA, DELCORA agreed to sell all of its assets to Aqua. Following the execution of the APA, Aqua filed an application with the Pennsylvania Public Utility Commission (PUC) seeking approval of the purchase of DELCORA's assets and for a certificate to serve DELCORA's customers.
- In January 2021, the Administrative Law Judges for the Pennsylvania PUC recommended that AQUA's application be denied. AQUA provided exceptions to the recommended decision to the Pennsylvania Public Utility Commission (PA PUC). On March 25, 2021, the PA PUC reopened the record and remanded the application back to the Administrative Law Judges for such further proceedings that may be appropriate. Delaware County, Pennsylvania has appealed that decision to the Pennsylvania Commonwealth Court, and a decision is pending from that Court on whether the PA PUC is able to proceed with AQUA's application.
- In May 2020, Delaware County, Pennsylvania filed a lawsuit alleging that DELCORA does not have the legal authority to establish and fund a customer trust with the proceeds of the sale of assets by DELCORA to Aqua. In December 2020, the judge in the Delaware County court lawsuit issued an order that (1) the County cannot interfere with the Asset Purchase Agreement between DELCORA and AQUA, (2) the County cannot terminate DELCORA prior to the closing of the transaction, and (3) that the establishment of the Customer Trust was valid. In 2021, the County appealed the decision to the Pennsylvania Commonwealth Court. In March 2022, the Commonwealth Court held that although the County can ultimately terminate DELCORA, in doing so it must adhere to the terms of the Asset Purchase Agreement between DELCORA and AQUA. It is unclear whether any party will seek a further appeal of this decision.

DELAWARE COUNTY REGIONAL WATER
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(Unaudited)
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- The Combined Sewer Overflow Long-Term Control Plan (CSO LTCP) Update Report and the Nine Minimum Controls Plan were submitted on February 17, 2019. On January 25, 2021 and February 5, 2021, an updated version of the LTCP Update and Nine Minimum Controls was submitted. Currently, the LTCP Team is awaiting comments from the USEPA / Pennsylvania Department of Environmental Protection (PADEP) on the submittal of the LTCP Updated Report and the Updated Nine Minimum Controls.
- On April 1, 2013, a fifteen-year agreement between the City of Philadelphia and DELCORA became effective. Due to the significant anticipated expenses from the increased environmental regulations facing Philadelphia and DELCORA's contractual proportionate share of those costs, it is DELCORA's intention to not renew the agreement when it reaches its term in 2028. Instead, DELCORA has initiated plans to redirect DELCORA's wastewater in the Eastern Service Area (ESA) away from Philadelphia and send it to DELCORA's Western Regional Treatment Plant (WRTP). The Eastern Service Area (ESA) Pipeline and Western Regional Treatment Plant (WRTP) Expansion Upgrades Program included a design validation and value engineering (VE) phase. The purpose of the VE was to verify that the ESA Pipeline and WRTP Expansion Upgrades were the best methods to disconnect from PWD's Southwest WPCP. The VE determined that an ESA Tunnel would be lower cost, easier to operate, more flexible to handle future flows, and at about the same cost on a life-cycle basis. Design on the ESA tunnel commenced on September 8, 2020 and is anticipated to be bid for construction in Q4 2023. Construction will occur between January 2024 through December 2027 for a total of 4 years of construction duration. Please see Footnote #11 for more details.
- DELCORA sent an average of 22.52 million gallons per day (MGD) in 2021 to the Philadelphia Water Department's (PWD) Treatment Plant vs. 23.27 MGD in 2020. Flow in 2021 at DELCORA's Western Regional Treatment Plant (WRTP) was 36.75 MGD vs. 39.28 MGD in 2020. Total flow in 2021 was down from 2020 in both East and West as rainfall decreased from 49.74 inches in 2020 to 43.77 inches in 2021, as measured by the National Weather Service at the Philadelphia International Airport.
- In 2021, revenue from the trucked waste receiving business was \$6,384,090, an increase of \$1,134,090 (21.6%) over the 2021 budget and a decrease of \$237,530 (3.6%) from the prior year. The decreased revenue was the result of lower revenue for landfill leachate due to lower rainfall.

Major Capital Projects Completed in 2021 Include:

2018 WRTP Upgrades	\$24,400,000
Springhill Farms Pump Station and Force Main	\$2,010,000
Roof Replacement at WRTP	\$1,625,000
WRTP Substation #2 Replacement	\$1,440,000

Major Projects in Progress in 2021:

2020 WRTP Upgrades	\$9,510,000
HVAC Energy Upgrades	\$8,040,000
Sewer Lateral Repair and Cleaning	\$1,200,000
T-28 Clarifier Design Work	\$610,000
Eastern Service Area Program	In Progress
CSO #5 Partial Separation	In Progress

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY**

**Management's Discussion and Analysis
(Unaudited)
December 31, 2021**

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
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Management's Discussion and Analysis
(Unaudited)
December 31, 2021

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, 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.

DELCORA uses 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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(Unaudited)
December 31, 2021

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.

	2020	2021	Difference	%
<i>Revenues per thousand gallons billed:</i>				
Residential	\$3.17	\$3.53	.36	11.6
Commercial	\$2.99	\$3.50	.51	17.0
<i>Ratio of Operating Revenue to:</i>				
-Operating Expenses	1.29	1.35	.06	4.6
-Operating Expenses, net of depreciation	1.54	1.64	.10	6.5
-Total assets (asset turnover)	0.17	0.18	.01	5.9
<i>Ratio of Operating Income to:</i>				
-Operating Revenue	0.22	0.26	.04	18.2
<i>Debt-related ratios:</i>				
Total debt to total assets	0.39	0.37	(.02)	(5.1)

Financial Results of System-wide Operations

- Total Liabilities	\$ 173,871,027
Long Term	\$ 153,133,395
Other	\$ 20,737,632
- Total Net Assets	\$ 235,310,887
Invested in capital assets (net of related debt)	\$ 141,560,360
Restricted for Debt Service	\$ 11,022,139
Unrestricted	\$ 82,728,388
- Revenues (By source)	
Commercial Industries	\$ 16,883,829
Residential	\$ 56,252,825
Total Operating Revenue	<u>\$ 73,136,654</u>

DELAWARE COUNTY REGIONAL WATER
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(Unaudited)
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2021 Actual Compared to 2021 Budget Results:

	<u>Actual</u>	<u>Budget</u>	<u>Difference</u>	
Total Revenues	\$ 73,526,297	\$ 77,640,753	\$ 4,114,446	Unfavorable
Operating Expenses (Net of Depreciation and Debt Service)	\$ 44,628,901	\$ 50,207,340	\$ 5,578,439	Favorable

Total revenue is \$73,526,297, 5.3% lower than the budget of \$77,640,753. This shortfall in revenue was due to lower flows in both the East and West Regions. The lower flow was the result of less rainfall, which decreased from 49.74 inches in 2020 to 43.77 inches in 2021 as measured by the National Weather Service at Philadelphia International Airport. The shortfall in revenue as a result of the lower flow was partially offset by a favorable variance of \$1,134,090 in hauled waste revenue. The overall shortfall in revenue was offset by the favorable variance of \$5,578,439 in operating expenses so that net operating income exceeded budget by \$1,464,305. All excess revenue over expenses is used to fund current and future capital expenditures.

Significant variances to budget in operating expenses are as follows:

PWD Treatment Costs – actual treatment costs were less than budget by \$4,400,813. This was due to lower than budgeted flow, along with lower than budgeted BOD and TSS readings.

Solicitor and Consulting – These expenses were a combined \$1,077,941 under budget, as amounts budgeted for the Aqua purchase were not spent.

Pension Expense – This was over budget by \$1,429,459. DELCORA made its Minimum Municipal Obligation (MMO) payment of \$1,805,000 for the year. The unfavorable expense variance was the result of accounting entries made after actuarial calculations at year end that take into account changes in the plan's investment balance and future pension liabilities. DELCORA is on plan to make its MMO contribution in 2022 of \$2,230,000.

DELAWARE COUNTY REGIONAL WATER
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(Unaudited)
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2021 Actual Compared to 2020 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 \$5.75 to \$6.32 per 1,000 gallons (a 10.0% increase) from calendar year 2020 to 2021. Retail Residential customers are Chester City, Chester and Edgmont Townships, and the Boroughs of Parkside, Upland, Marcus Hook, Trainer and Rose Valley. Total operating revenues increased \$4,262,720 in 2021 from 2020 a 6.2% increase. This was a result of the overall 10% rate increase, offset by lower flows in 2021 compared to 2020.

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

	2020	% of Total	2021	% of Total	Variance	% Change
PWD Plant Treatment	\$ 9,047,218	16.9%	\$ 9,400,895	17.4%	\$ 353,677	3.9%
Salary & Wages	14,179,484	26.6%	13,906,693	25.7%	(272,791)	-1.9%
Depreciation & Amortization	8,590,205	16.1%	9,445,142	17.5%	854,937	10.0%
Utilities	2,687,356	5.0%	2,768,366	5.1%	81,010	3.0%
Pension	2,461,989	4.6%	3,234,459	6.0%	772,470	31.4%
Employee Benefits	4,758,686	8.9%	4,580,360	8.5%	(178,326)	-3.7%
Solids Disposal	1,274,906	2.4%	1,097,441	2.0%	(177,465)	-13.9%
Repairs & Maintenance	2,663,036	5.0%	2,834,240	5.2%	171,204	6.4%
Engineering & Tech Services	1,063,820	2.0%	1,373,007	2.5%	309,187	29.1%
Legal Fees	1,795,967	3.4%	680,429	1.3%	(1,115,538)	-62.1%
Minor Equipment and Supplies	2,083,869	3.9%	2,087,867	3.9%	3,998	0.2%
Other Operating Expenses	2,785,092	5.2%	2,665,144	4.9%	(119,948)	-4.3%
Total Operating Expenses	<u>\$ 53,391,628</u>	100.0%	<u>\$ 54,074,043</u>	100.0%	<u>\$ 682,415</u>	1.3%

PWD Treatment Costs – 2021 treatment costs were higher than 2020 by 3.9% (\$353,677) despite lower flow due to a higher rate and an increase in the annual billing for DELCORA's share of the Philadelphia Long Term Control Plan.

Salaries and Wages – Decrease by 1.9% despite an approximate overall 3.25% wage increase as wages were higher in 2020 due to scheduling issues for operations and maintenance workers in 2020 due to the pandemic, which caused higher than usual overtime hours.

Legal Fees – Decreased by \$1,115,538 or 62.1% due to legal fees associated with litigation with Delaware County and the PUC application, in 2020. These legal fees were significantly lower in 2021.

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(Unaudited)
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Depreciation – Increased by \$854,937 or 10.0% from 2020 to 2021 due to a number of significant projects that have been completed and placed in service in 2021.

Engineering & Tech Services – Increased by \$309,187 or 29.1% due to outside engineering costs associated with stack testing on the incinerators that were incurred in 2021.

Pension – Increased by \$772,470 or 31.4% due to changes in actuarial calculations that resulted in higher expense. These changes included valuing the plan on a termination basis vs. an ongoing plan basis. This was because of the assumption that DELCORA would merge with Aqua and the plan would end. In addition, interest rates were lower as of 12/31/2021 vs. 12/31/2020, which results in a higher lump sum payout calculation.

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 \$11,762,851 to \$32,130,512 in 2021 from 2020.

	<u>2020</u>	<u>2021</u>	<u>Difference</u>	<u>% Change</u>
Total operating revenues (non inclusive of Interest of other income)	\$68,873,934	\$73,136,654	\$4,262,720	6.19%
Net cash provided by operations	\$20,367,661	\$32,130,512	\$11,762,851	57.7%
Net operating cash as a % of operating revenue	29.5%	43.9%		

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.

2020 Operations

WRTP—Water Quality Performance

- Average Suspended Solids - 11 mg/L for the year
- Average cBOD5 - 7 mg/L for the year
- Average cBOD20 % Removal – 97.39% for the year

WRTP—Solids Handling Performance

- Average Dry Tons/Day - 66.38 tons for the year
- Average Cake Solids – 22.19 % for the year
- Average Fuel Oil Usage – 3.88 MCF/Dry Ton for the year

Waste Water Conveyed and Treated

- Western Delaware County To WRTP, including 8.89 MGD from CDCA — ~ 36.75 MGD
- Eastern Delaware County To Philadelphia Southwest Treatment Plant— ~22.52 MGD

DELAWARE COUNTY REGIONAL WATER
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(Unaudited)
December 31, 2021

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 DELCORA's accountability of its funds. If you have questions regarding this report or would like additional information, contact the Chief Financial Officer at 100 East 5th Street, Chester, Pennsylvania 19013.

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

	2021	2020
ASSETS		
Current:		
Cash and cash equivalents	\$ 86,690,610	\$ 89,049,989
Investments	1,102,135	2,162,546
Receivables:		
Western Region		
Residential, net of allowance for doubtful accounts		
of \$909,826 and \$544,202 in 2021 and 2020, respectively	1,421,750	1,095,888
Municipal	2,107,274	2,148,298
Major industries	493,065	135,440
Permit industries	223,516	397,439
Notes receivable, current portion	-	80,460
Other receivables	1,300,045	1,448,595
Prepaid expenses	545,529	335,511
Total current assets	<u>93,883,924</u>	<u>96,854,166</u>
Non current:		
Capital assets, net of accumulated depreciation	294,241,463	276,768,326
Notes receivable, net of current portion	-	1,593,511
Restricted cash and cash equivalents	11,648,746	11,648,746
Total non current assets	<u>305,890,209</u>	<u>290,010,583</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred expense on refunding	3,249,968	3,521,742
Pension plan related deferred outflows	10,483,842	11,682,586
Total assets and deferred outflows of resources	<u>\$ 413,507,943</u>	<u>\$ 402,069,077</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$ 7,535,576	\$ 5,323,543
Payable to the City of Philadelphia	1,754,708	1,589,057
Current portion of long-term debt	6,192,051	6,142,851
Accrued bond interest payable	1,028,843	1,075,979
Advances on services		
Residential	213,348	126,993
Central Delaware County Authority	1,060,064	793,146
Muckinipates Authority	635,630	464,278
Darby Creek Joint Authority	1,384,002	1,374,210
Municipal	-	447,261
Major industries	933,410	512,873
Total current liabilities	<u>20,737,632</u>	<u>17,850,191</u>
Noncurrent		
Long term debt, net of current portion	145,460,209	152,189,228
Net pension liability	7,100,169	8,473,571
Deferred compensation plan	573,017	459,586
Total non current liabilities	<u>153,133,395</u>	<u>161,122,385</u>
Total liabilities	<u>173,871,027</u>	<u>178,972,576</u>
DEFERRED INFLOWS OF RESOURCES		
Pension plan related deferred inflows	4,326,029	2,870,217
Total liabilities and deferred inflows of resources	<u>178,197,056</u>	<u>181,842,793</u>
NET POSITION		
Invested in capital assets, net of related debt	141,560,360	118,436,483
Restricted for debt service	11,022,139	-
Unrestricted	82,728,388	101,789,801
Total net position	<u>235,310,887</u>	<u>220,226,284</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 413,507,943</u>	<u>\$ 402,069,077</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>2021</u>	<u>2020</u>
Operating revenues		
Western Region:		
Major Industries	\$ 8,483,823	\$ 7,988,950
Residential	9,337,233	8,797,981
Municipal	11,091,658	10,509,730
Contract operation fees	461,772	634,364
Permit Industries	1,554,144	1,489,836
Total Western Region	<u>30,928,630</u>	<u>29,420,861</u>
Eastern Region:		
Darby Creek Joint Authority	20,923,500	18,967,409
Central Delaware County Authority	10,362,238	9,591,402
Muckinipates Authority	4,538,196	4,272,642
Total Eastern Region	<u>35,823,934</u>	<u>32,831,453</u>
Sludge disposal and processing	<u>6,384,090</u>	<u>6,621,620</u>
Total operating revenues	<u>73,136,654</u>	<u>68,873,934</u>
Operating expenses, including depreciation of \$9,445,142 in 2021 and \$8,590,205 in 2020	<u>54,074,043</u>	<u>53,391,628</u>
Operating income	<u>19,062,611</u>	<u>15,482,306</u>
Non-operating revenues (expense)		
Interest income	147,467	900,936
Interest expense	(6,314,072)	(6,568,009)
Bond premium amortization	1,322,851	1,322,852
Deferred cost on refunding amortization	(271,774)	(271,774)
Other income (see Note 9)	242,176	10,694,498
Total non-operating revenues (expense)	<u>(4,873,352)</u>	<u>6,078,503</u>
Net income before capital contributions	14,189,259	21,560,809
Capital contributions:	<u>895,344</u>	<u>761,060</u>
Net income	<u>15,084,603</u>	<u>22,321,869</u>
Net position - beginning	<u>220,226,284</u>	<u>197,904,415</u>
Net position - ending	<u><u>\$ 235,310,887</u></u>	<u><u>\$ 220,226,284</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,

	2021	RESTATED 2020
Cash flows from operating activities:		
Receipts from customers	\$ 72,802,900	\$ 67,912,975
Payments to suppliers	(20,388,688)	(28,520,514)
Payments to employees	(20,283,700)	(19,024,800)
Net cash provided by operating activities	<u>32,130,512</u>	<u>20,367,661</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(26,918,281)	(24,852,013)
Capital contributions	895,344	761,060
Collection of notes receivable	1,673,971	77,814
Other income	242,176	193,458
Interest paid	(6,361,208)	(6,849,678)
Repayment of long-term debt	(5,356,957)	(6,383,068)
Net cash used by capital and related financing activities	<u>(35,824,955)</u>	<u>(37,052,427)</u>
Cash flows from investing activities:		
Investments redeemed / (purchased) net	1,187,597	54,834,050
Investment interest received	147,467	1,346,311
Net cash provided by investing activities	<u>1,335,064</u>	<u>56,180,361</u>
Net increase (decrease) in cash and cash equivalents	(2,359,379)	39,495,595
Cash and cash equivalents - beginning	89,049,989	49,554,394
Cash and cash equivalents - ending	<u>\$ 86,690,610</u>	<u>\$ 89,049,989</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 19,062,611	\$ 15,482,308
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	9,445,142	8,590,205
Provision for doubtful accounts	351,660	451,111
Decrease (increase) in:		
Receivables:		
Residential	(691,286)	(714,665)
Municipal	41,024	71,489
Major Industries	(357,625)	234,583
Permit Industries	173,923	(282,709)
Other receivables	148,550	404,251
Prepaid expenses	(210,018)	114,501
Increase (decrease) in:		
Accounts payable and accrued expenses	2,212,033	(217,277)
Pension expense accrual	1,281,154	(5,803,530)
Payable to the City of Philadelphia	165,651	126,377
Advances on services	507,693	1,911,019
Net cash provided by operating activities	<u>\$ 32,130,512</u>	<u>\$ 20,367,661</u>

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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.

DELCORA 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 DELCORA'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.

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.

DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 - Summary of Significant Accounting Policies (continued)

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - 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, 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.

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.

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

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 - Summary of Significant Accounting Policies (continued)

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/Inflows 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. The statement of financial position also reports a section for deferred inflows of resources that represent an acquisition of net position that applies to a future period and so not be recognized as an inflow of resources (revenue) until that time. DELCORA reports deferred inflows of resources related to the pension.

Restatement of Cash Flows - Prior year Statement of Cash Flows was restated for reclassification of components to be consistent with current year presentation in which categories were reclassified for a clearer presentation of cash flow activity.

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, 2021 and 2020, the carrying amount of the entity's deposits was \$98,868,474 and \$7,517,379, respectively.

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, 2021 and 2020 was \$85,128,405 and \$9,495, respectively, included in the deposits noted above.

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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 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, \$751,004 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. Should the entity hold certificates of deposit that were to be in excess of three months maturity they would be held in a Certificate of Deposit Account Registry program and would be covered in their entirety by federal depository insurance. During 2020, none of the entity's certificates of deposit were in excess of three months maturity. During 2021 the entity did not hold any certificates of deposit.

Investments - Should the entity hold investments, such investments would be 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. 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. Investments in the amount of \$573,017 are held with TD Ameritrade for the benefit of the entity's 409A deferred compensation program.

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.

Trust Indenture funds - The funds held in accordance with the Trust Indenture for the Sewer Revenue Bonds (see page 44) are deposited in accordance with the Trust Indenture Agreement between DELCORA and TD Bank, N.A. dated July 15, 2001. The balance as of December 31, 2021 and 2020 was \$87,226,846 (deposits in PLGIT Class \$116,095; PLGIT Prime of \$85,005,950; \$1,575,683 with TD Wealth and repurchase agreement of \$529,118) and \$94,883,765 (including cash and money market \$978,548; PLGIT Class of \$105,548; PLGIT Prime of \$92,096,709 and repurchase agreements of \$1,702,960) respectively. Certificates of deposit in 2020 were held in a PLGIT CD program and were covered in their entirety by federal depository insurance. These funds are included as part of the overall cash and cash equivalent and investments as shown in the chart on page 20.

DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 2 - Deposits and Investments (continued)

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.

	2021	2020
Unrestricted cash and investments:		
Cash and cash equivalents		
Cash and money market (inclusive of PLGIT)	\$ 13,210,952	\$ 8,495,974
PLGIT	6,360	-
PLGIT CLASS	116,095	105,548
PLGIT PRIME	73,357,203	80,448,467
Cash and cash equivalents	<u>\$ 86,690,610</u>	<u>\$ 89,049,989</u>
Investments		
Repurchase agreements	\$ 529,118	\$ 1,702,960
TD Ameritrade	573,017	459,586
Total investments	<u>\$ 1,102,135</u>	<u>\$ 2,162,546</u>
Restricted cash and investments:		
Cash and cash equivalents		
PLGIT PRIME	11,648,746	11,648,746
Cash and cash equivalents	<u>\$ 11,648,746</u>	<u>\$ 11,648,746</u>

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 3 - Capital Assets

DELCORA in 2018 adopted GASB Statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Capital assets at December 31, 2021 and 2020 included previously capitalized interest of \$2,595,820 included in the historical costs of the assets. These costs are depreciated over the lives of the projects. Interest incurred is expensed accordingly. During December 31, 2021, interest expense totaled \$6,314,072.

Capital assets activity for the year ended December 31, 2021, is as follows:

	Balance 01/01/21	Additions	Deletions	Balance 12/31/21
Capital assets not being depreciated:				
Land and right of way	\$ 5,829,304	\$ -	\$ -	\$ 5,829,304
Construction in progress	47,531,643	26,399,364	(30,873,590)	43,057,417
Total capital assets not being depreciated	53,360,947	26,399,364	(30,873,590)	48,886,721
Capital assets being depreciated:				
Western Region Treatment Plant	179,066,610	25,925,069	-	204,991,679
Service lines and force mains	114,952,065	2,760,189	-	117,712,254
Pumping stations	46,258,036	562,344	-	46,820,380
Building and improvements	6,725,956	1,750,988	-	8,476,944
Machinery and equipment	6,559,721	393,917	-	6,953,638
Eastern Service Area Improvements	712,343	-	-	712,343
Western Region Treatment Plant Long Term Control Plan	5,018,521	-	-	5,018,521
Total capital assets being depreciated	359,293,252	31,392,507	-	390,685,759
Total capital assets	412,654,199	57,791,871	(30,873,590)	439,572,480
Accumulated depreciation				
Western Region Treatment Plant	76,676,506	4,707,390	-	81,383,896
Service lines and force mains	32,242,807	2,678,515	-	34,921,322
Pumping stations	20,717,492	1,056,284	-	21,773,776
Building and improvements	3,497,444	196,594	-	3,694,038
Machinery and equipment	2,739,687	663,088	-	3,402,775
Eastern Service Area Improvements	1,484	17,808	-	19,292
Western Region Treatment Plant Long Term Control Plan	10,455	125,463	-	135,918
Total accumulated depreciation	135,885,875	9,445,142	-	145,331,017
Capital assets, net of depreciation	\$ 276,768,324	\$48,346,729	\$(30,873,590)	\$294,241,463

NOTE 4 - Notes Receivable

DELCORA had a 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 had been being repaid over 20 years at the rate of 3.40% per annum, with anticipated payments of principal and interest of \$137,375 annually. During 2021, principal in the amount of \$1,673,971 was paid satisfying the balance.

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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 wastewater is treated in the upgraded and expanded Philadelphia Southwest Water Pollution Control Plant ("City Plant"). Western Service Region wastewater 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.

However, pursuant to the Asset Purchase Agreement with Aqua Pennsylvania Wastewater, Inc. as indicated in Note 12, such service agreements were amended to accept and reflect certain changes in rates and other matters that are applicable to a regulated utility, but not to DELCORA. The amendments do not become effective until the closing of the Asset Purchase Agreement.

NOTE 6 - Long-Term Debt

DELCORA'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	1/1/2021	New indebtedness	Principal/ Amortization	12/31/2021	Due in one year
Revenue Bond 2007	\$ 36,235,000	5.25%	05/01/25	\$ 11,005,000	\$ -	\$ 4,820,000	\$ 6,185,000	\$ 1,425,000
Revenue Bond 2015	36,205,000	2.50-5.50%	5/1/2045	36,205,000	-	-	36,205,000	835,000
Revenue Bond 2016	52,855,000	5.00%	5/1/2046	52,855,000	-	-	52,855,000	1,185,000
Pennvest Note	10,038,785	1.06%	9/1/2031	5,611,618	-	536,967	5,074,651	459,200
Revenue Bond 2017	32,275,000	5.00%	5/1/2033	32,275,000	-	-	32,275,000	965,000
	<u>\$167,608,785</u>			137,951,618	-	5,356,967	132,594,651	4,869,200
Deferred issuance Premiums				20,380,461	-	1,322,852	19,057,609	1,322,851
				<u>\$ 158,332,079</u>	<u>\$ -</u>	<u>\$ 6,679,819</u>	<u>\$ 151,652,260</u>	<u>\$ 6,192,051</u>

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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, 2021 are as follows:

Year ending December 31,	Principal	Interest	Principal and Interest	Deferred Issuance premiums	Total
2022	\$ 4,869,200	\$ 6,152,939	\$ 11,022,139	\$ 1,322,851	\$ 12,344,990
2023	5,131,063	5,930,002	11,061,065	1,322,851	12,383,916
2024	5,381,459	5,684,868	11,066,327	1,322,851	12,389,178
2025	5,646,912	5,426,972	11,073,884	1,197,975	12,271,859
2026	5,907,423	5,158,248	11,065,671	1,108,780	12,174,451
2027-2031	33,818,594	21,346,755	55,165,349	5,543,900	60,709,249
2032-2036	26,055,000	13,687,550	39,742,550	3,122,137	42,864,687
2037-2041	21,365,000	8,631,900	29,996,900	2,164,725	32,161,625
2042-2046	24,420,000	3,118,950	27,538,950	1,951,539	29,490,489
	<u>\$132,594,651</u>	<u>\$ 75,138,184</u>	<u>\$207,732,835</u>	<u>\$ 19,057,609</u>	<u>\$ 226,790,444</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.

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 6 - Long-Term Debt (continued)

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.

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.

NOTE 7 - Commitments and Contingencies

Commitments - DELCORA had construction commitments outstanding of \$77,869,155 and \$30,988,475 at December 31, 2021 and December 31, 2020, 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 that our GPS equipment is placed onto at various locations for periods ending from December 31, 2020 through February 3, 2025.

Future operating lease payments as of December 31, 2021 are as follows:

2022	\$	30,664
2023		16,590
2024		17,087
2025		1,427
	\$	<u>65,768</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.

DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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.

As indicated in Footnote 12, with the Asset Purchase Agreement with Aqua Pennsylvania Wastewater, Inc., the Plan is expected to freeze at completion of the transaction and commence a timely termination. The valuation of the total pension liability as presented herein was determined by the actuaries using census data as of the measurement date and is based upon plan termination assumption rather than long-term assumptions. Certain assumption changes were made as of December 31, 2018 as a result of an experience study conducted in 2019 for calendar years 2014 through 2018. However, these assumptions no longer apply due to the anticipated plan termination.

For a plan expected to remain ongoing, the entry age actuarial cost method is used to determine Plan liabilities. Due to the expected termination, the cost method was adjusted to value accrued benefits of each participant under the estimated assumption utilized to settle obligations.

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.

**DELAWARE COUNTY REGIONAL WATER
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NOTE 8 - Employee Retirement Plans (continued)

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

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

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

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

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, 2019 actuarial valuation. Funding requirements for the plan year 2020 was established as part of the January 1, 2019 actuarial valuation. Funding requirements for plan year 2021 was established as part of the January 1, 2021 actuarial valuation. Entry Age Normal Actuarial Cost Method is used as the actuarial valuation method. The actuarial assumptions pursuant to the January 1, 2021 valuation included (a) long term rate of return on assets at 7%, with an effective interest rate of 2.73%-changed from 2.45% in the previous valuation; (b) lump sum payments are valued based on IRS section 417e segment rates as of December 2021 (1.16%, 2.72% and 3.10%), (c) mortality rates are based on Pub-2010 General Amount Weighted Mortality Tables projected from 2010 with Mortality Improvement Scale MP-2021; for Lump Sum payments, the IRS section 417e applicable mortality table is used, (d) salary increases of 4.00% per annum (e) the Level Dollar Open Method over an open period of 30 years is used to amortize the unfunded actuarial liability with a

DELAWARE COUNTY REGIONAL WATER
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 8 - Employee Retirement Plans (continued)

remaining amortization period of 6 years. The discount rate for valuing annuities was changed this period from 1.90% to 2.25%. 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. The discount rate is equal to the assumed effective interest rate of return of 2.73%.

Assets are valued at adjusted 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, 2021 was as follows:

Inactive employees or beneficiaries receiving benefits	16
Inactive employees entitled to but not yet receiving benefits	27
Active employees	134
Total employees covered	<u>177</u>

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, 2020, the carrying amount and the balance of the Plan's deposits in cash and cash alternatives totaled \$837,871 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.

**DELAWARE COUNTY REGIONAL WATER
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 8 - Employee Retirement Plans (continued)

Plan investments at year end are as follows:

Ishares IBOXX Hi Yd	\$ 922,393
Vanguard Total Bond Market Index Fund	3,045,152
Vanguard AllWRLD Ex US	5,657,124
Vanguard Mortgage-bkd Sec	612,415
Vamgiard Strm infproidx	915,074
Vanguard Intermediate Term Corp Bond	607,671
Vanguard Mid Cap Index Fund	1,362,765
Vanguard Growth ETF	3,999,377
Vanguard Value ETF	4,053,322
Vanguard Small Cap Index Fund	1,349,506
	<u>22,524,799</u>
Cash and cash equivalents/mutual funds	837,871
	<u>\$ 23,362,670</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, 2021. 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, 2021 AND 2020**

NOTE 8 - Employee Retirement Plans (continued)

The Plan's investment policy regarding 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, 2021:

<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 was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long-term rate of return on assets is expected to be approximately 5.65 percent per year before inflation factor of 2.21%. The net blended rate representing the real rate of return, inclusive of inflation and net of plan expenses was 3.44%. Long term expected real rate of return was as follows:

	<u>Long-Term Expected Real Rate of Return</u>
Equities	10.13%
Fixed Income	-1.22%
Cash	-0.38%
Total Gross Blended Return	<u>3.44%</u>
Less: Plan Expenses	<u>0.38%</u>
Total Net Blended Return	<u><u>3.06%</u></u>

For the year ended December 31, 2021, the annual rate of return on the pension plan investments, net of pension investment expense was 13.09%. The rate of return is calculated net of investment expense, adjusted for the changing amounts actually invested.

DELCORA recognized defined benefit pension expense in the amount of \$3,086,154 and \$2,317,272 for the years ended December 31, 2021 and 2020, respectively. Contributions for the year totaled \$1,805,000. At December 31, 2021, DELCORA reported deferred outflows of resources and deferred inflows of resources related to the pension as follows:

DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 8- Employee Retirement Plans (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,667,601	\$ 319,883
Changes in assumptions	8,816,241	1,382,383.00
Net differences between projected and actual earnings on pension plan investments	-	2,623,763
	<u>\$ 10,483,842</u>	<u>\$ 4,326,029</u>
Future recognition of deferred outflows and inflows in pension expense	Fiscal Year	Amount Recognized
	2022	\$ 1,163,413
	2023	\$ 260,970
	2024	\$ 636,582
	2025	\$ 980,333
	2026	\$ 1,157,363
	Thereafter	\$ 1,959,152

Sensitivity of Net Pension Liability to Changes in Discount Rate:

	1% Decrease 1.73%	Current Rate 2.73%	1% Increase 3.73%
Net pension liability	<u>\$12,871,169</u>	<u>\$7,100,169</u>	<u>\$2,554,570</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 \$148,305 and \$144,717 for the years ended December 31, 2021 and 2020, respectively. DELCORA matches employee contributions up to 1.5% with an additional year end match of 1.5% of employee's payroll.

Additionally, all employees are eligible to contribute into a 457 Plan.

**DELAWARE COUNTY REGIONAL WATER
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 8 - Employee Retirement Plans (continued)

DELCORA also provides a deferred compensation Section 409(a) Plan for certain employees. Compensation for the participants in the Plan is earned in one year but is paid in a future year. This is considered a nonqualified deferred compensation plan. The funds remain within DELCORA and represents a liability on DELCORA's balance sheet shown on these financial statements as \$573,017 and \$459,586 for 2021 and 2020, respectively.

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 \$4 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 had been previously shown on these statements as deferred revenue - long term control plan. During the prior period, as a result of the impending asset acquisition agreement, the remaining deferred revenue-long term control plan was recognized as income on these statements as miscellaneous revenue. Additional deferred revenue relative to Philadelphia had been represented by the deferred revenue - rate stabilization for which a portion of revenues had been deferred to protect from unanticipated or precipitous charges from Philadelphia. This too was recognized as revenue during the period ending December 31, 2020.

NOTE 10 – Eastern Service Area (ESA) Alternative to Treatment by the Philadelphia Water Department (PWD)

DELCORA's service area is divided into two regions; the Western Service Area (WSA) and the Eastern Service Area (ESA). Both dry and wet weather flows collected in the WSA are conveyed and treated at DELCORA's existing Western Regional Treatment Plant (WRTP). In the western portion of the ESA, dry weather and a portion of wet weather flows (less than 20 million of gallons per day (mgd)) are also conveyed and treated at DELCORA's WRTP. However, wet weather flow above 20 mgd in the western portion of the ESA as well as both dry and wet weather flows

**DELAWARE COUNTY REGIONAL WATER
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 10 – Eastern Service Area (ESA) Alternative to Treatment by the Philadelphia Water Department (PWD)

collected in the eastern portion of the ESA are conveyed to and treated at the Southwest Water Pollution Control Plant owned and operated by the Philadelphia Water Department (PWD). The current contract to send ESA flow to Philadelphia ends in April 2028, which includes a requirement to cost share in the Philadelphia Water Department (PWD) Long Term Control Plan (LTCP). DELCORA's contribution to the PWD LTCP is estimated to cost over \$600 million through 2042 with another \$600 million expected after 2042 for a total of \$1.2 billion.

DELCORA has evaluated how to utilize its existing facilities to treat the flows from the ESA which are currently sent to PWD's Southwest Waste Water Pollution Control Plant (SWWPCP). DELCORA determined a pipeline and plant expansion of the WRTP would cost significantly less than the current estimate for DELCORA contribution to the PWD LTCP. As a result, DELCORA chose to move forward with the ESA design to prepare for potential April 2028 disconnection from the PWD system.

The ESA Pipeline and WRTP Expansion Upgrades Program included a design validation and value engineering at the 10% design level. The purpose of the design validation and value engineering was to verify that the ESA Pipeline and WRTP Expansion Upgrades were the best methods to disconnect from PWD's Southwest WPCP. The value engineering three (3) day session was conducted in February 2020 and included experts specializing in pumping station design, wastewater treatment plant design, high-rate treatment design, and wet weather flow management. The design validation also identified a need to increase the capacity of the WRTP to 120 mgd to minimize the number and duration of activations of the proposed Wet Weather Biological Treatment Facility. Multiple alternatives were developed, evaluated, compared, and costed and resulted in a determination of a deep rock storage/conveyance tunnel (ESA tunnel). Design of the ESA tunnel commenced in 2020 and is expected to be constructed between January 2024 through December 2027.

NOTE 11 – Delaware County Long-Term Control Plan Update

The Combined Sewer Overflow Long-Term Control Plan (CSO LTCP) Update Report and the Nine Minimum Controls Plan was submitted on February 17, 2019 to meet a Consent Decree and regulatory requirements requiring the implementation of "early action combined sewer overflow" (CSO) measures designed to achieve a reduction in CSO volume. Comments on the February 17, 2019 Long Term Control Plan Update (LTCPU) and NMC were received on January 30, 2020 and a revised LTCPU was submitted on July 15, 2020 and a revised NMC was submitted on August 28, 2020. Comments on the July 2020 LTCPU and the August 2020 NMC were received on December 7, 2020. On January 25, 2021, an updated version of the LTCP Update and Nine Minimum Controls was submitted. Currently, the LTCP Team is awaiting comments or approval from the USEPA / Pennsylvania Department of Environmental Protection (PADEP) on the submittal of the LTCP Updated Report and the Updated Nine Minimum Controls.

This LTCPU has evaluated the Delaware County Regional Water Quality Control Authority's (DELCORA's) sewer systems according to United States Environmental Protection Agency

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
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DECEMBER 31, 2021 AND 2020**

NOTE 11 – Delaware County Long-Term Control Plan Update

(USEPA) requirements and guidance. The final plan addresses all aspects of the Consent Decree issued to DELCORA by USEPA. Although monitoring and modeling studies show DELCORA is not causing Water Quality Standards to be exceeded, the plan includes further investment to reduce Combined Sewer Overflow (CSO) discharges and improve water quality. The investments include improvements to the collection system, the treatment plant and the implementation of green infrastructure that will provide multiple benefits to DELCORA customers. These improvements increase the level of system wide annual average wet weather flow capture to over 90% of the total wet weather flow. This level of capture exceeds Federal Clean Water Act requirements under USEPA's "Presumption" approach.

Prior to this LTCPU, DELCORA has expended approximately \$150 million in capital improvements to address CSOs as planned in the original 1999 Long Term Control Plan. This update adds over \$120 million in life cycle costs to the prior and ongoing investment within an accelerated 10-year schedule. This additional investment is affordable if other program costs do not increase significantly.

DELCORA Monitoring and Modeling required by the DELCORA/USEPA/Pennsylvania Department of Environmental Protection Consent Decree has shown that high wet weather flows in the separate serviced areas result in Sanitary Sewer Overflows (SSOs) and contribute to increased CSO discharges. Projects planned under the LTCPU address the impact of CSO discharges as required by the Clean Water Act. However, while SSOs are reduced under the plan, the DELCORA/USEPA consent decree requires the elimination of SSOs. To address the Consent Decree, DELCORA will continue to monitor and model the hydraulically connected system to evaluate SSOs and identify additional areas where remediation is needed. While some of these areas in need of remediation are likely to be in a DELCORA owned system, it is known that there are significant areas in non-DELCORA owned satellite systems that will require investment to address SSOs and remain cost effective.

NOTE 12 - Asset Purchase Agreement

On September 17, 2019, DELCORA entered into an asset purchase agreement with Aqua Pennsylvania Wastewater, Inc. through which it will acquire all assets and assume all liabilities as specified in the agreements. The purchase price shall be \$276,500,000. The sale proceeds are to be used to pay outstanding debt with the balance to be reinvested by DELCORA in a rate stabilization trust. The net proceeds in the trust will be utilized to offset future customer bill increases. The sale requires approval by the Pennsylvania Public Utility Commission. Aqua Pennsylvania Wastewater, Inc.'s application for approval is pending. There is various litigation regarding the asset sale to Aqua Pennsylvania Wastewater, Inc., that is still pending at the date of these financial statements.

NOTE 13 – Subsequent Events

DELCORA has evaluated subsequent events through May 2, 2022, which represents the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF CHANGES OF NET PENSION LIABILITY AND RELATED RATIOS

	2014	2015	2016	2017	2018	2019	2020	2021
Total Pension Liability								
Service cost	\$ 433,832	\$ 451,185	\$ 647,770	\$ 743,624	\$ 833,107	\$ 928,895	\$ 966,051	\$ 2,906,823
Interest	962,400	982,877	1,321,748	1,345,004	1,236,708	1,350,242	1,407,937	704,497
Changes in benefit terms	-	-	-	-	(4,914)	181	-	-
Differences between expected and actual experience	183,182	465,714	-	384,396	(59,417)	962,659	(372,728)	872,605
Changes in assumptions	-	4,170,435	-	1,012,254	(490,245)	1,158,057	9,063,948	(1,254,623)
Benefit payments	(664,651)	(1,260,137)	(1,994,115)	(2,079,637)	(3,272,141)	(1,806,164)	(1,804,382)	(3,042,868)
Net change in total pension liability	<u>914,763</u>	<u>4,810,074</u>	<u>(24,597)</u>	<u>1,405,641</u>	<u>(1,756,902)</u>	<u>2,593,870</u>	<u>9,260,826</u>	<u>186,434</u>
Total pension liability - beginning	<u>13,072,730</u>	<u>13,987,493</u>	<u>18,797,567</u>	<u>18,772,970</u>	<u>20,178,611</u>	<u>18,421,709</u>	<u>21,015,579</u>	<u>30,276,405</u>
Total pension liability - ending	<u>\$13,987,493</u>	<u>\$18,797,567</u>	<u>\$18,772,970</u>	<u>\$20,178,611</u>	<u>\$18,421,709</u>	<u>\$21,015,579</u>	<u>\$30,276,405</u>	<u>\$30,462,839</u>
Plan Fiduciary Net Position								
Contributions-authority	\$ 1,150,000	\$ 4,450,000	\$ 2,168,616	\$ 1,711,040	\$ 2,600,000	\$ 1,640,000	\$ 2,725,000	\$ 1,805,000
Contributions-employee	-	-	-	-	-	-	-	-
Net investment income	678,120	33,319	1,146,717	2,466,801	(867,963)	3,147,159	2,987,688	2,866,204
Benefit payments	(664,651)	(1,260,137)	(1,994,115)	(2,079,637)	(3,272,141)	(1,806,164)	(1,804,382)	(3,042,868)
Administrative expense	(27,963)	(31,155)	(40,406)	(46,438)	(46,154)	(47,822)	(52,367)	(68,500)
Net change in fiduciary net position	<u>1,135,506</u>	<u>3,192,027</u>	<u>\$ 1,280,812</u>	<u>\$ 2,051,766</u>	<u>\$(1,586,258)</u>	<u>\$ 2,933,173</u>	<u>\$ 3,855,939</u>	<u>\$ 1,559,836</u>
Plan fiduciary net position - beginning	<u>8,939,869</u>	<u>10,075,375</u>	<u>13,267,402</u>	<u>14,548,214</u>	<u>16,599,980</u>	<u>15,013,722</u>	<u>17,946,895</u>	<u>21,802,834</u>
Plan fiduciary net position - ending	<u>\$10,075,375</u>	<u>\$13,267,402</u>	<u>\$14,548,214</u>	<u>\$16,599,980</u>	<u>\$15,013,722</u>	<u>\$17,946,895</u>	<u>\$21,802,834</u>	<u>\$23,362,670</u>
Net pension liability - ending	<u>\$ 3,912,118</u>	<u>\$ 5,530,165</u>	<u>\$ 4,224,756</u>	<u>\$ 3,578,631</u>	<u>\$ 3,407,987</u>	<u>\$ 3,068,684</u>	<u>\$ 8,473,571</u>	<u>\$ 7,100,169</u>
Plan fiduciary net position as a percentage of total pension liability	72.03%	70.58%	77.50%	82.27%	81.50%	85.40%	72.01%	76.69%
Covered employee payroll	\$ 7,435,831	\$ 7,470,137	\$ 8,516,891	\$ 8,900,803	\$ 9,160,776	\$ 9,686,532	\$10,410,878	\$10,686,874
Authority's net pension liability as a percentage of covered payroll	52.61%	74.03%	49.60%	40.21%	37.20%	31.68%	81.39%	66.44%

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY**

REQUIRED SUPPLEMENTARY INFORMATION

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

	SCHEDULE OF INVESTMENT RETURNS					
	2014	2015	2016	2017	2018	2019
Annual money-weighted rate of return						
net of investment expense	7.25%	0.79%	8.54%	16.59%	-5.69%	21.41%
					16.11%	13.09%

SCHEDULE OF CONTRIBUTIONS

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Actuarial determined contribution	\$ 542,957	\$ 699,671	\$ 830,001	\$1,693,616	\$ 1,711,041	\$1,593,018	\$1,638,414	\$ 1,717,319	\$ 1,800,853
Contributions in relation to the actuarially determined	1,100,000	1,150,000	4,450,000	2,168,616	1,711,040	2,600,000	1,640,000	2,725,000	1,805,000
Contributions deficiency (excess)	(557,043)	(450,329)	(3,619,999)	(475,000)	1	(1,006,982)	(1,586)	(1,007,681)	(4,147)
Covered employee payroll	\$ 7,188,949	\$ 7,435,831	\$7,470,137	\$8,516,891	\$ 8,900,803	\$9,160,776	\$9,686,532	\$10,410,878	\$10,686,874
Contributions as a percentage of covered payroll	15.30%	15.47%	59.57%	25.46%	19.22%	28.38%	16.93%	26.17%	16.89%

**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, 2020	\$ 30,276,405	\$ 21,802,834	\$ 8,473,571
Changes for the year:			
Service cost	2,906,823	-	2,906,823
Interest	704,497	-	704,497
Change in benefit terms	-	-	-
Changes of assumptions	(1,254,623)	-	(1,254,623)
Differences between expected and actual	872,605	-	872,605
Contributions - employer	-	1,805,000	(1,805,000)
Net investment income	-	2,866,204	(2,866,204)
Benefit payments	(3,042,868)	(3,042,868)	-
Administrative expense	-	(68,500)	68,500
Net changes	186,434	1,559,836	(1,373,402)
Balances at December 31, 2021	\$ 30,462,839	\$ 23,362,670	\$ 7,100,169

SUPPLEMENTAL INFORMATION

SUPPLEMENTAL INFORMATION
DELAWARE COUNTY REGIONAL WATER QUALITY
CONTROL AUTHORITY
SCHEDULE OF REVENUES
ACTUAL VS BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2021

	Actual 2021	Budget 2021	Variance Favorable / (Unfavorable)
WESTERN REGION			
Residential	\$ 9,337,233	\$ 9,929,748	\$ (592,515)
Major Industry:			
Kinberly-Clark	4,520,410	4,776,938	(256,528)
Monroe Energy	581,809	249,536	332,273
Sun Refining and Marketing Co.	3,381,604	4,058,486	(676,882)
Total major industry	8,483,823	9,084,960	(601,137)
Municipal:			
Brookhaven	869,308	886,861	(17,553)
Eddystone	402,939	459,900	(56,961)
Lower Chichester	631,781	574,875	56,906
Middletown Authority	2,281,606	2,318,663	(37,057)
Nether Providence	1,145,954	1,163,507	(17,553)
South West Delaware County Authority	3,507,588	3,723,913	(216,325)
Southern Delaware County Authority	2,252,482	2,529,450	(276,968)
Total Municipal	11,091,658	11,657,169	(565,511)
Permit industries:			
Ace Linen	131,340	60,980	70,380
Boeing	134,009	148,050	(14,041)
Braskem	206,785	272,220	(65,435)
Congoleum	23,824	26,670	(2,846)
Delaware County Linen	39,425	30,480	8,945
Marcus Hook Energy FPL	454,644	296,650	157,994
Harrah's Casino	47,550	66,150	(18,600)
Dynegy	338,511	362,960	(24,449)
Exelon	5,986	11,681	(5,695)
The P.Q. Corporation	146,944	162,893	(15,949)
Other	25,126	29,888	(4,762)
Total permit industries	1,554,144	1,468,602	85,542
Contract operation fees	461,772	500,000	(38,228)
Total Western Region	30,928,630	32,640,479	(1,711,849)
EASTERN REGION			
Authority:			
Central Delaware County Authority	10,362,238	11,420,850	(1,058,612)
Darby Creek Joint Authority	20,923,500	22,297,850	(1,374,350)
Muckinipates Authority	4,538,196	5,166,575	(628,379)
Total Eastern Region	35,823,934	38,885,275	(3,061,341)
OTHER REVENUES			
Interest income	147,467	150,000	(2,533)
Other income	242,176	715,000	(472,824)
Sludge disposal and processing	6,384,090	5,250,000	1,134,090
Total other revenues	6,773,733	6,115,000	658,733
Total revenues	\$ 73,526,297	\$ 77,640,754	\$ (4,114,457)

SUPPLEMENTAL INFORMATION
DELAWARE COUNTY REGIONAL WATER QUALITY
CONTROL AUTHORITY

SCHEDULE OF TOTAL EXPENSES
ACTUAL VS BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2021

	Actual 2021	Budget 2021	Variance Favorable / (Unfavorable)
Operating expenses			
Advertising and Office	\$ 167,041	\$ 186,000	\$ 18,959
Consulting	241,630	500,000	258,370
Dues, conferences, education and training	39,628	172,450	132,822
Employee benefits	4,580,360	4,947,490	367,130
Engineering and tech services	1,373,007	1,677,000	303,993
Insurance	966,518	951,775	(14,743)
Minor equipment and supplies including chemicals	2,087,867	1,503,146	(584,721)
Other contracted services including Edgmont Treatment	898,667	1,146,800	248,133
Pension	3,234,459	1,805,000	(1,429,459)
Philadelphia Plant Treatment costs	9,400,895	13,801,708	4,400,813
Provision for doubtful accounts	351,660	500,000	148,340
Repairs and maintenance	2,834,240	2,902,975	68,735
Salaries and wages	13,906,693	13,958,846	52,153
Solicitor	680,429	1,500,000	819,571
Solids disposal	1,097,441	1,375,000	277,559
Utilities	2,768,366	2,579,150	(189,216)
Contingency	-	700,000	700,000
Subtotal operating expenses (net of depreciation)	44,628,901	50,207,340	5,578,439
Depreciation	9,445,142	-	(9,445,142)
Total operating expenses	54,074,043	50,207,340	(3,866,703)
Non-operating expenses			
Interest expense	6,314,072	6,152,939	(161,133)
Total non-operating expenses	6,314,072	6,152,939	(161,133)
Total expenses	<u>\$ 60,388,115</u>	<u>\$ 56,360,279</u>	<u>\$ (4,027,836)</u>

SUPPLEMENTAL INFORMATION

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

FOR THE YEARS ENDED DECEMBER 31,

	2021	2020	Variance Favorable / (Unfavorable)
Advertising	\$ 19,440	\$ 24,375	\$ 4,935
Consulting	241,630	676,273	434,643
Depreciation	9,445,142	8,590,205	(854,937)
Dues and conferences	39,628	26,339	(13,289)
Employee benefits	4,580,360	4,758,686	178,326
Engineering and tech services	1,373,007	1,063,820	(309,187)
Insurance	966,518	835,844	(130,674)
Minor equipment and supplies	2,087,867	2,083,869	(3,998)
Office	147,601	154,466	6,865
Other contracted services	898,667	616,684	(281,983)
Pension	3,234,459	2,461,989	(772,470)
Philadelphia Plant Treatment costs	9,400,895	9,047,218	(353,677)
Provision for doubtful accounts	351,660	451,111	99,451
Repairs and maintenance	2,834,240	2,663,036	(171,204)
Salaries and wages	13,906,693	14,179,484	272,791
Solicitor	680,429	1,795,967	1,115,538
Solids disposal	1,097,441	1,274,906	177,465
Utilities	2,768,366	2,687,356	(81,010)
Total operating expenses	<u>\$ 54,074,043</u>	<u>\$ 53,391,628</u>	<u>\$ (682,415)</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>
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>\$ 6,185,000</u>	<u>\$ 670,819</u>	<u>\$ 6,855,819</u>

SUPPLEMENTAL INFORMATION

**DELAWARE COUNTY REGIONAL WATER QUALITY
CONTROL AUTHORITY**

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

<u>Year Ending December 31,</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest</u>	<u>Total Debt Service</u>
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>\$ 22,904,492</u>	<u>\$ 59,109,492</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>
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	5.00%	2,230,000	1,547,950	3,777,950
2036	5.00%	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>\$ 39,245,550</u>	<u>\$ 92,100,550</u>

SUPPLEMENTAL INFORMATION

**DELAWARE COUNTY REGIONAL WATER QUALITY
CONTROL AUTHORITY**

**SCHEDULE OF DEBT SERVICE
SEWER REVENUE BONDS, 2017 SERIES**

<u>Year Ending December 31</u>	<u>Coupon</u>	<u>Principal Maturity</u>	<u>Interest</u>	<u>Total Debt Service</u>
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>\$ 12,045,875</u>	<u>\$ 44,320,875</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, 2021**

	Renewal and Replacement Fund	Revenue Fund	Sewer Reserve Fund	Debt Service Fund	Sewer Repair and Replacement Fund	Debt Service Reserve Fund	2016 Construction Fund	Total
Balances - January 1, 2021	\$ 15,298,127	\$ 58,047,256	\$ 3,114,716	\$ 2,681,510	\$ 4,093,177	\$ 11,648,746	\$ 236	\$ 94,883,768
Receipts:								
Customer revenue	-	75,253,923	-	-	-	-	-	75,253,923
Transfers from other trust funds	12,868,177	236	-	10,498,206	-	-	-	23,366,619
Investment income	-	39,824	-	44,666	-	-	-	84,490
Total receipts	12,868,177	75,293,983	-	10,542,872	-	-	-	98,705,032
Disbursements:								
Requisitions	-	43,823,161	-	-	-	-	-	43,823,161
Capital requisitions	25,453,968	-	-	-	-	-	-	25,453,968
Transfers to other trust funds	-	19,273,206	-	-	4,093,177	-	236	23,366,619
Transfers to operating funds	-	2,000,000	-	-	-	-	-	2,000,000
Debt service payments:								
Principal	-	536,729	-	4,820,000	-	-	-	5,356,729
Interest	-	61,896	-	6,299,581	-	-	-	6,361,477
Total disbursements	25,453,968	65,694,992	-	11,119,581	4,093,177	-	236	106,361,954
Balances - December 31, 2021	\$ 2,712,336	\$ 67,646,247	\$ 3,114,716	\$ 2,104,801	\$ -	\$ 11,648,746	\$ -	\$ 87,226,846



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, 2021, 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 2, 2022.

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 opinion 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

Leitzell & Economidis, PC
Media, Pennsylvania

May 2, 2022