

**DELAWARE COUNTY REGIONAL
WATER QUALITY CONTROL AUTHORITY**

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2022

**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

Opinion

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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise DELCORA's financial statements as listed in the table of contents.

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, 2022 and 2021 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). 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a



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substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 to 12 and 35 to 37 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 budget comparison, 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 was derived from and relates 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 audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial



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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 budget comparison, 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.

Leitzell & Economidis, PC

Leitzell & Economidis, PC
Media, Pennsylvania

May 5, 2023

DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
Management's Discussion and Analysis (Unaudited)
December 31, 2022

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, 2022 includes the following key highlights:

- As the effects of the COVID-19 pandemic have diminished in 2022, DELCORA continues to maintain 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 2022 through delays in payment or the inability of some of our customers to pay for our services, although payments improved in 2022 compared to 2021. We have been unable to disconnect service for non-payment during the pandemic through now. Disconnection acts as a major incentive for bill payment. DELCORA has increased its allowance for doubtful accounts accordingly. DELCORA plans on reinstating pre-pandemic collection procedures, such as water shutoffs, in 2023.
- 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 in the coming years.
- 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 appealed that decision to the Pennsylvania Commonwealth Court.
- 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.
- In July of 2022, The Secretary of the Pennsylvania PUC issued an Order lifting the Stay of Proceedings and directing the Office of Administrative Law Judge to promptly schedule hearings, briefing, and address other pending matters in the remanded proceeding. The Administrative Law Judge issued an Interim Order which included Hearings scheduled for February 14 and 15, 2023 and Briefs due in March of 2023.

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- On January 18, 2023 DELCORA filed a Complaint for Declaratory Judgment with the Delaware County Court of Common Pleas, naming both Delaware County and Aqua as Defendants. The Declaratory Judgment Action raised two claims: (1) Whether the County Ordinance is a final action prohibiting DELCORA from carrying out the material transactions of the APA; and (2) In the event that DELCORA retains the ability to close on the transaction, whether DELCORA is permitted under the MAA to solely exist as a trust and maintain the protections of a municipal entity while serving as a trust.
- On February 3, 2023, the Receiver for the City of Chester filed with the Bankruptcy Court for the Eastern District of Pennsylvania a Motion of Debtor Pursuant to Section 362 of the Bankruptcy Code for Entry of an Order Enforcing the Automatic Stay of Proceeding Before the Pennsylvania Public Utilities [sic] Commission. DELCORA's 1973 Sales Agreement contains a reversionary clause that DELCORA would return certain assets to Chester should DELCORA no longer service the system. The identification and valuation of those assets is ongoing. Prior to the filing of their Bankruptcy, the Receiver for the City of Chester filed a Complaint in Delaware County Common Pleas seeking a Declaratory Judgment that the Reversionary Clause is in full force and effect and seeking damages related to DELCORA's inclusion of those assets in the APA with Aqua. Due to the Bankruptcy filing, the parties are in the process of stipulating to a stay of the Common Pleas matter, as there is substantial overlap with the issues raised in Chester's Bankruptcy proceeding.
- On February 6, 2023 Administrative Law Judge Brady issued an Interim Order Granting a Joint Motion for Stay in response to a motion filed by Delaware County, I&E, the OCA, and the OSBA requesting a stay of the PUC matter while the Chester Bankruptcy and DELCORA Declaratory Judgment actions are resolved. At this time, the PUC matter is stayed pending a final unappealable decision of the Chester Bankruptcy Motion to Enforce Stay and also DELCORA's Complaint for Declaratory Judgment.
- In addition, Univest Bank and Trust Co. (Univest) has filed a Petition in the Delaware County Orphan's Court seeking to have a successor Trustee appointed for the DELCORA Rate Stabilization Trust. The parties are discussing an amicable resolution which will allow the Court to have a successor appointed.
- The Combined Sewer Overflow Long-Term Control Plan (CSO LTCP) Update Report and the Nine Minimum Controls (NMC) 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. The NMC Plan was approved. The LTCP Update was resubmitted on March 1, 2022. Currently, the LTCP Team is awaiting comments from the USEPA / Pennsylvania Department of Environmental Protection (PADEP) on the submittal of the LTCP Updated Report.
- On April 1, 2013, a fifteen-year agreement between the City of Philadelphia Water Department (PWD) and DELCORA became effective. With less than five years remaining in the contract, DELCORA needs to initiate constructing of infrastructure if it's going 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). Most of the permits to initiate construction are not approved. There is no sign that they will be soon. The window to initiate construction and complete before the contract expires appears to have closed. Meanwhile, PWD dramatically changed its methodology for allocating its LTCP costs. This translates to a significant reduction in the portion that DELCORA will be charged. The February 7, 2023 PWD memo says "Wholesale rates and charges will be finalized in June 2023" and Commissioner Hayman's January 3, 2023 letter says the new rates will be effective on September 1, 2023. On April 29, 2023 PWD confirmed they are still tracking on schedule for a September 1, 2023 effective date. Due to the permit situation and the cost methodology, the normal course of business is to engage PWD in a contract renewal. This process has begun.

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- DELCORA sent an average of 21.36 million gallons per day (MGD) in 2022 to the Philadelphia Water Department's (PWD) Treatment Plant vs. 22.52 MGD in 2021. Flow in 2022 at DELCORA's Western Regional Treatment Plant (WRTP) was 35.84 MGD vs. 36.75 MGD in 2021. Total flow in 2022 was down from 2021 in both East and West as rainfall decreased from 43.77 inches in 2021 to 41.90 inches in 2022, as measured by the National Weather Service at the Philadelphia International Airport.
- In 2022, revenue from the trucked waste receiving business was \$6,190,959, an increase of \$440,959 (7.7%) over the 2022 budget and a decrease of \$193,131 (3.0%) from the prior year. The decreased revenue was the result of lower revenue for landfill leachate due to lower rainfall, as well as lower revenue from industrial customers.

Major Capital Projects Completed in 2022 Include:

| | |
|-----------------------------|--------------|
| 2020 WRTP Upgrades | \$10,490,000 |
| HVAC Energy Upgrades | \$8,665,000 |
| Various Electrical Upgrades | \$1,090,000 |
| Church Street Rehab | \$775,000 |

Major Projects in Progress in 2022:

| | |
|---|--------------|
| T-28 Clarifier | \$17,900,000 |
| WRTP Outfall Design | \$876,000 |
| SWDCA I&I Removal | \$875,000 |
| Townsend St. CSO Separation Design Work | \$815,000 |
| Eastern Service Area Program | \$8,907,135 |

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY**

Management's Discussion and Analysis (Unaudited)
December 31, 2022

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, 2022

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.

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Financial Analysis

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

| | 2021 | 2022 | Difference | % |
|---|--------|--------|------------|------|
| <i>Revenues per thousand gallons billed:</i> | | | | |
| Residential | \$3.53 | \$4.03 | .50 | 14.2 |
| Commercial | \$3.50 | \$3.82 | .32 | 9.1 |
| <i>Ratio of Operating Revenue to:</i> | | | | |
| -Operating Expenses | 1.35 | 1.37 | .02 | 1.5 |
| -Operating Expenses, net of depreciation | 1.64 | 1.65 | .01 | 0.6 |
| -Total assets (asset turnover) | 0.18 | .19 | .01 | 5.5 |
| <i>Ratio of Operating Income to:</i> | | | | |
| -Operating Revenue | 0.26 | .27 | .01 | 3.8 |
| <i>Debt-related ratios:</i> | | | | |
| Total debt to total assets | 0.37 | .34 | -.03 | -8.1 |

Financial Results of System-wide Operations

| | |
|---|----------------------|
| - Total Liabilities | \$ 162,323,965 |
| Long Term | \$ 141,816,661 |
| Other | \$ 20,507,304 |
| - Total Net Assets | \$ 253,809,021 |
| Invested in capital assets (net of related debt) | \$ 176,881,753 |
| Restricted for Debt Service | \$ 11,740,850 |
| Unrestricted | \$ 65,186,418 |
| - Revenues (By source) | |
| Commercial Industries | \$ 18,235,033 |
| Residential | \$ 61,228,850 |
| Total Operating Revenue | <u>\$ 79,463,883</u> |

DELAWARE COUNTY REGIONAL WATER
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December 31, 2022

2022 Actual Compared to 2022 Budget Results:

| | <u>Actual</u> | <u>Budget</u> | <u>Difference</u> | |
|---|---------------|---------------|-------------------|-------------|
| Total Revenues | \$ 80,896,534 | \$84,145,403 | \$3,248,869 | Unfavorable |
| Operating Expenses (Before Depreciation and Debt Service) | \$ 48,119,177 | \$52,483,362 | \$4,364,185 | Favorable |

Total revenue is \$80,896,534, 3.9% lower than the budget of \$84,145,403. 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 43.77 inches in 2021 to 41.90 inches in 2022 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 \$440,959 in hauled waste revenue and a favorable variance of \$1,244,078 in interest income. The favorable variance in interest income was due to quickly rising interest rates on invested cash balances in 2022, well above what was budgeted. The overall shortfall in revenue was offset by the favorable variance of \$4,364,185 in operating expenses so that net operating income exceeded budget by \$1,115,316. 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 \$4,349,399. 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 \$872,717 under budget, as amounts budgeted for the Aqua purchase were not spent.

Pension Expense – This was over budget by \$1,104,575. DELCORA made its Minimum Municipal Obligation (MMO) payment of \$2,230,001 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 2023 of \$2,100,676.

Employee Benefits – This was under budget by \$616,011 due to lower than budgeted employee health insurance expense. Due to positive experience in prior years, DELCORA received a 2 month premium holiday in 2022, that was the cause for most of the favorable budget position.

Minor Equipment and Supplies – This was over budget by \$1,386,194, as this includes expenses for chemicals used in the treatment process. The price of chemicals, particularly chlorine, increased significantly in 2022 above budgeted levels.

Salaries and Wages – This was under budget by \$622,596 due to open positions and several employees out on disability in 2022.

Utilities – This was over budget by \$611,637 as rates for both electricity and natural gas increased significantly more than was budgeted.

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2022 Actual Compared to 2021 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 \$6.32 to \$7.11 per 1,000 gallons (a 12.5% increase) from calendar year 2021 to 2022. 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 \$6,327,229 in 2022 from 2021 an 8.6% increase. This was a result of the overall 12.5% rate increase, offset by lower flows in 2022 compared to 2021.

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

| | 2021 | % of Total | 2022 | % of Total | Variance | % Change |
|-------------------------------|----------------------|------------|----------------------|------------|---------------------|----------|
| PWD Plant Treatment | \$ 9,400,895 | 17.4% | \$ 10,850,602 | 18.7% | \$ 1,449,707 | 15.4% |
| Salary And Wages | 13,906,693 | 25.7% | 14,180,527 | 24.5% | 273,834 | 2.0% |
| Depreciation And Amortization | 9,445,142 | 17.5% | 9,792,367 | 16.9% | 347,225 | 3.7% |
| Utilities | 2,768,366 | 5.1% | 3,266,337 | 5.6% | 497,971 | 18.0% |
| Pension | 3,234,459 | 6.0% | 3,334,576 | 5.8% | 100,117 | 3.1% |
| Employee Benefits | 4,580,360 | 8.5% | 4,208,994 | 7.3% | (371,366) | -8.1% |
| Solids Disposal | 1,097,441 | 2.0% | 1,483,194 | 2.6% | 385,753 | 35.2% |
| Repairs And Maintenance | 2,834,240 | 5.2% | 3,484,722 | 6.0% | 650,482 | 23.0% |
| Engineering And Tech Services | 1,373,007 | 2.5% | 1,394,426 | 2.4% | 21,419 | 1.6% |
| Legal Fees | 680,429 | 1.3% | 448,586 | 0.8% | (231,843) | -34.1% |
| Minor Equipment and Supplies | 2,087,867 | 3.9% | 3,006,594 | 5.2% | 918,727 | 44.0% |
| Other Operating Expenses | 2,665,144 | 4.9% | 2,460,619 | 4.2% | (204,525) | -7.7% |
| Total Operating Expenses | <u>\$ 54,074,043</u> | 100.0% | <u>\$ 57,911,544</u> | 100.0% | <u>\$ 3,837,501</u> | 7.1% |

PWD Treatment Costs – 2022 treatment costs were higher than 2021 by 15.4% (\$1,449,707) despite lower flow due to an increase of \$1,170,000 in the annual billing for DELCORA's share of the Philadelphia Long Term Control Plan.

Depreciation – Increased by \$347,225 or 3.7% from 2021 to 2022 due to a number of significant projects that have been completed and placed in service in 2022.

Utilities – Increased by \$487,971 or 18.0% due to higher rates for electric and natural gas.

Solids Disposal – Increased by \$385,753 or 35.2% due to a higher volume of sludge being disposed, as well as significant increases in pricing for all areas of waste removal.

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Supplies – This increased by \$918,727 or 44.06% as the price for all chemicals used in the treatment process, particularly chlorine, increased significantly in 2022 from 2021.

Repairs and Maintenance – This increased by \$650,482 or 23.0% due to ever increasing needs for maintenance on existing conveyance and plant infrastructure.

Cash Flow Activity

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

Net cash flow from operations increased by \$1,608,685 to \$30,521,827 in 2022 from 2021.

| | <u>2021</u> | <u>2022</u> | <u>Difference</u> | <u>% Change</u> |
|---|--------------|--------------|-------------------|-----------------|
| Total operating revenues | \$73,136,654 | \$79,463,883 | \$6,327,229 | 8.6 % |
| Net cash provided by operations | \$32,130,512 | \$30,521,827 | (\$1,608,685) | (5.0)% |
| Net operating cash as a % of operating revenue | 43.9% | 38.4% | | |

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.

2022 Operations

WRTP—Water Quality Performance

- Average Suspended Solids - 13 mg/L for the year
- Average cBOD5 - 8 mg/L for the year
- Average cBOD20 % Removal – 96.25% for the year

WRTP—Solids Handling Performance

- Average Dry Tons/Day - 64.31 tons for the year
- Average Cake Solids – 22.38 % for the year
- Average Fuel Oil Usage – 4.23 MCF/Dry Ton for the year

Waste Water Conveyed and Treated

- Western Delaware County To WRTP, including 8.47 MGD from CDCA — ~ 35.84 MGD
- Eastern Delaware County To Philadelphia Southwest Treatment Plant— ~21.36 MGD

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,**

| | 2022 | 2021 |
|--|-----------------------|-----------------------|
| ASSETS | | |
| Current: | | |
| Cash and cash equivalents | \$ 70,487,931 | \$ 86,690,610 |
| Investments | 485,673 | 1,102,135 |
| Receivables: | | |
| Western Region | | |
| Residential, net of allowance for doubtful accounts of \$1,172,935 and \$909,826 in 2022 and 2021, respectively | 2,401,935 | 1,421,750 |
| Municipal | 2,338,630 | 2,107,274 |
| Major industries | 476,208 | 493,065 |
| Permit industries | 203,853 | 223,516 |
| Other receivables | 1,869,725 | 1,300,045 |
| Prepaid expenses | 268,067 | 545,529 |
| Total current assets | 78,532,022 | 93,883,924 |
| Non current: | | |
| Capital assets, net of accumulated depreciation | 322,299,993 | 294,241,463 |
| Right to use asset | 110,812 | - |
| Restricted cash and cash equivalents | 11,740,850 | 11,648,746 |
| Total non current assets | 334,151,655 | 305,890,209 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred expense on refunding | 2,978,193 | 3,249,968 |
| Pension plan related deferred outflows | 10,810,065 | 10,483,842 |
| Total assets and deferred outflows of resources | <u>\$ 426,271,935</u> | <u>\$ 413,507,943</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 6,772,098 | \$ 7,535,576 |
| Payable to the City of Philadelphia | 1,948,014 | 1,754,708 |
| Current portion of long-term debt | 6,453,914 | 6,192,051 |
| Accrued bond interest payable | 994,978 | 1,028,843 |
| Current portion of operating lease liability | 43,532 | - |
| Advances on services | | |
| Eastern Region | | |
| Residential | 158,048 | 213,348 |
| Central Delaware County Authority | 1,280,721 | 1,060,064 |
| Muckinipates Authority | 554,152 | 635,630 |
| Darby Creek Joint Authority | 2,202,771 | 1,384,002 |
| Major industries | 31,796 | 933,410 |
| Total current liabilities | 20,440,024 | 20,737,632 |
| Noncurrent | | |
| Operating lease liability - net of current portion | 67,280 | - |
| Long term debt, net of current portion | 138,964,327 | 145,460,209 |
| Net pension liability | 2,366,661 | 7,100,169 |
| Deferred compensation plan | 485,673 | 573,017 |
| Total non current liabilities | 141,883,941 | 153,133,395 |
| Total liabilities | <u>162,323,965</u> | <u>173,871,027</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension plan related deferred inflows | 10,138,949 | 4,326,029 |
| Total liabilities and deferred inflows of resources | <u>172,462,914</u> | <u>178,197,056</u> |
| NET POSITION | | |
| Invested in capital assets, net of related debt | 176,881,753 | 141,560,360 |
| Restricted for debt service | 11,740,850 | 11,022,139 |
| Unrestricted | 65,186,418 | 82,728,388 |
| Total net position | 253,809,021 | 235,310,887 |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 426,271,935</u> | <u>\$ 413,507,943</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>2022</u> | <u>2021</u> |
|--|-----------------------|-----------------------|
| Operating revenues | | |
| Western Region: | | |
| Major Industries | \$ 9,711,481 | \$ 8,483,823 |
| Residential | 10,927,364 | 9,337,233 |
| Municipal | 11,550,992 | 11,091,658 |
| Contract operation fees | 551,853 | 461,772 |
| Permit Industries | 1,780,740 | 1,554,144 |
| Total Western Region | <u>34,522,430</u> | <u>30,928,630</u> |
| Eastern Region: | | |
| Darby Creek Joint Authority | 22,547,367 | 20,923,500 |
| Central Delaware County Authority | 11,237,212 | 10,362,238 |
| Muckinipates Authority | 4,965,915 | 4,538,196 |
| Total Eastern Region | <u>38,750,494</u> | <u>35,823,934</u> |
| Sludge disposal and processing | <u>6,190,959</u> | <u>6,384,090</u> |
| Total operating revenues | <u>79,463,883</u> | <u>73,136,654</u> |
| Operating expenses, including depreciation of \$9,792,367 in 2022 and \$9,445,142 in 2021 | <u>57,911,544</u> | <u>54,074,043</u> |
| Operating income | <u>21,552,339</u> | <u>19,062,611</u> |
| Non-operating revenues (expense) | | |
| Interest income | 1,294,078 | 147,467 |
| Interest expense | (6,118,633) | (6,314,072) |
| Bond premium amortization | 1,322,851 | 1,322,851 |
| Deferred cost on refunding amortization | (271,774) | (271,774) |
| Other income | 138,573 | 242,176 |
| Total non-operating revenues (expense) | <u>(3,634,905)</u> | <u>(4,873,352)</u> |
| Net income before capital contributions | 17,917,434 | 14,189,259 |
| Capital contributions: | <u>580,700</u> | <u>895,344</u> |
| Net income | 18,498,134 | 15,084,603 |
| Net position - beginning | <u>235,310,887</u> | <u>220,226,284</u> |
| Net position - ending | <u>\$ 253,809,021</u> | <u>\$ 235,310,887</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,

| | <u>2022</u> | <u>2021</u> |
|---|----------------------|----------------------|
| Cash flows from operating activities: | | |
| Receipts from customers | \$ 78,588,514 | \$ 72,802,900 |
| Payments to suppliers | (28,148,859) | (20,388,688) |
| Payments to employees | (19,917,828) | (20,283,700) |
| Net cash provided by operating activities | <u>30,521,827</u> | <u>32,130,512</u> |
| Cash flows from capital and related financing activities: | | |
| Acquisition and construction of capital assets | (37,850,897) | (26,918,281) |
| Capital contributions | 580,700 | 895,344 |
| Collection of notes receivable | - | 1,673,971 |
| Other income | 138,573 | 242,176 |
| Interest paid | (6,152,498) | (6,361,208) |
| Repayment of long-term debt | (4,911,167) | (5,356,957) |
| Net cash used by capital and related financing activities | <u>(48,195,289)</u> | <u>(35,824,955)</u> |
| Cash flows from investing activities: | | |
| Investments redeemed / (purchased), net | 473,023 | 1,187,597 |
| Investment interest received | 997,760 | 147,467 |
| Net cash provided by investing activities | <u>1,470,783</u> | <u>1,335,064</u> |
| Net decrease in cash and cash equivalents | (16,202,679) | (2,359,379) |
| Cash and cash equivalents - beginning | 86,690,610 | 89,049,989 |
| Cash and cash equivalents - ending | <u>\$ 70,487,931</u> | <u>\$ 86,690,610</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income | \$ 21,552,339 | \$ 19,062,611 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 9,792,367 | 9,445,142 |
| Provision for doubtful accounts | 261,576 | 351,660 |
| Decrease (increase) in: | | |
| Receivables: | | |
| Residential | (980,185) | (691,286) |
| Municipal | (231,356) | 41,024 |
| Major industries | 16,857 | (357,625) |
| Permit industries | 19,663 | 173,923 |
| Other receivables | (569,680) | 148,550 |
| Prepaid expenses | 277,462 | (210,018) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | (763,477) | 2,212,033 |
| Pension expense adjustment | 953,989 | 1,281,154 |
| Payable to the City of Philadelphia | 193,306 | 165,651 |
| Advances on services | (1,034) | 507,693 |
| Net cash provided by operating activities | <u>\$ 30,521,827</u> | <u>\$ 32,130,512</u> |

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

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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, 2022 AND 2021**

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, 2022 AND 2021**

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.

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, 2022 and 2021, the carrying amount of the entity's deposits was \$82,228,781 and \$98,339,356, 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, 2022 and 2021 was \$74,302,499 and \$85,128,405 respectively, included in the deposits noted above.

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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, \$751,005 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 2021 or 2022 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 \$485,673 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 46) 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 2022 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 \$76,435,523 (including deposits in PLGIT Class of \$10,369,365; PLGIT Prime of \$23,691,741; PLGIT Term of \$40,240,850; and \$2,133,567 with TD Wealth) respectively. 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, 2022 AND 2021**

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.

| | <u>2022</u> | <u>2021</u> |
|------------------------------------|----------------------|----------------------|
| Unrestricted cash and investments: | | |
| Cash and cash equivalents | | |
| Cash and money market | \$ 7,926,282 | \$ 13,210,952 |
| PLGIT | 543 | 6,360 |
| PLGIT Term | 28,500,000 | - |
| PLGIT CLASS | 10,369,365 | 116,095 |
| PLGIT PRIME | 23,691,741 | 73,357,203 |
| Cash and cash equivalents | <u>\$ 70,487,931</u> | <u>\$ 86,690,610</u> |
| Investments | | |
| Repurchase agreements | \$ - | \$ 529,118 |
| TD Ameritrade | 485,673 | 573,017 |
| Total investments | <u>\$ 485,673</u> | <u>\$ 1,102,135</u> |
| Restricted cash and investments: | | |
| Cash and cash equivalents | | |
| PLGIT PRIME | \$ 11,740,850 | \$ 11,648,746 |
| Cash and cash equivalents | <u>\$ 11,740,850</u> | <u>\$ 11,648,746</u> |

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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, 2022 and 2021 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 the year ended December 31, 2022, interest expense totaled \$6,118,633.

Capital assets activity for the year ended December 31, 2022, is as follows:

| | Balance 01/01/22 | Additions | Deletions | Balance 12/31/22 |
|---|---------------------|--------------|----------------|---------------------|
| Capital assets not being depreciated: | | | | |
| Land and right of way | \$ 5,829,304 | \$ - | \$ - | \$ 5,829,304 |
| Construction in progress | 43,057,417 | 37,096,017 | (28,527,613) | 51,625,821 |
| Total capital assets not being depreciated | 48,886,721 | 37,096,017 | (28,527,613) | 57,455,125 |
| Capital assets being depreciated: | | | | |
| Western Region Treatment Plant | 204,991,679 | 22,587,238 | - | 227,578,917 |
| Service lines and force mains | 117,712,254 | 3,994,446 | - | 121,706,700 |
| Pumping stations | 46,820,380 | 457,531 | - | 47,277,911 |
| Building and improvements | 8,476,944 | - | - | 8,476,944 |
| Machinery and equipment | 6,953,638 | 555,480 | (141,399) | 7,367,719 |
| Eastern Service Area Improvements | 712,343 | 23,496 | - | 735,839 |
| Western Region Treatment Plant Long Term Control Plan | 5,018,521 | 1,664,302 | - | 6,682,823 |
| Total capital assets being depreciated | 390,685,759 | 29,282,493 | (141,399) | 419,826,853 |
| Total capital assets | 439,572,480 | 66,378,510 | (28,669,012) | 477,281,978 |
| Accumulated depreciation | | | | |
| Western Region Treatment Plant | 81,383,896 | 5,058,344 | - | 86,442,240 |
| Service lines and force mains | 34,921,322 | 2,325,585 | - | 37,246,907 |
| Pumping stations | 21,773,776 | 1,376,678 | - | 23,150,454 |
| Building and improvements | 3,694,038 | 245,316 | - | 3,939,354 |
| Machinery and equipment | 3,402,775 | 639,527 | (141,399) | 3,900,903 |
| Eastern Service Area Improvements | 19,292 | 17,858 | - | 37,150 |
| Western Region Treatment Plant Long Term Control Plan | 135,918 | 129,059 | - | 264,977 |
| Total accumulated depreciation | 145,331,017 | 9,792,367 | (141,399) | 154,981,985 |
| Capital assets, net of depreciation | \$ 294,241,463 | \$56,586,143 | \$(28,527,613) | \$322,299,993 |

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, 2022 AND 2021**

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 | 1/1/2022 | New Indebtedness | Principal/ Amortization | 12/31/2022 | Due in one year |
|-------------------------------|--------------------------|------------------|------------------|-----------------------|---------------------|----------------------------|-----------------------|---------------------|
| Revenue Bond 2007 | \$ 36,235,000 | 5.25% | 05/01/25 | \$ 6,185,000 | \$ - | \$ 1,425,000 | \$ 4,760,000 | \$ 1,505,000 |
| Revenue Bond 2015 | 36,205,000 | 2.50-5.50% | 5/1/2045 | 36,205,000 | - | 835,000 | 35,370,000 | 870,000 |
| Revenue Bond 2016 | 52,855,000 | 5.00% | 5/1/2046 | 52,855,000 | - | 1,185,000 | 51,670,000 | 1,245,000 |
| Pennvest Note | 10,038,785 | 1.06% | 9/1/2031 | 5,074,651 | - | 501,167 | 4,573,484 | 506,063 |
| Revenue Bond 2017 | 32,275,000 | 5.00% | 5/1/2033 | 32,275,000 | - | 965,000 | 31,310,000 | 1,005,000 |
| | <u>\$ 167,608,785</u> | | | <u>132,594,651</u> | <u>-</u> | <u>4,911,167</u> | <u>127,683,484</u> | <u>5,131,063</u> |
| Deferred issuance Premiums | | | | <u>19,057,609</u> | <u>-</u> | <u>1,322,852</u> | <u>17,734,757</u> | <u>1,322,851</u> |
| | | | | <u>\$ 151,652,260</u> | <u>\$ -</u> | <u>\$ 6,234,019</u> | <u>\$ 145,418,241</u> | <u>\$ 6,453,914</u> |

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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, 2022 are as follows:

| Year ending December 31, | Principal | Interest | Principal and Interest | Deferred Issuance premiums | Total |
|--------------------------|-----------------------|----------------------|------------------------|----------------------------|-----------------------|
| 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 | 1,197,976 | 12,271,860 |
| 2026 | 5,907,423 | 5,158,248 | 11,065,671 | 1,108,780 | 12,174,451 |
| 2027 | 6,182,993 | 4,878,553 | 11,061,546 | 1,108,780 | 12,170,326 |
| 2028-2032 | 34,803,633 | 19,771,052 | 54,574,685 | 5,543,900 | 60,118,585 |
| 2033-2037 | 22,710,000 | 12,519,975 | 35,229,975 | 2,446,324 | 37,676,299 |
| 2038-2042 | 22,410,000 | 7,583,775 | 29,993,775 | 2,164,725 | 32,158,500 |
| 2043-2046 | 19,510,000 | 2,031,800 | 21,541,800 | 1,518,570 | 23,060,370 |
| | <u>\$ 127,683,483</u> | <u>\$ 68,985,245</u> | <u>\$ 196,668,728</u> | <u>\$ 17,734,757</u> | <u>\$ 214,403,485</u> |

Subsequent to year end, DELCORA issued a 2023 revenue bond in the amount of \$30,000,000 at varying rates commencing at 5.17% and increasing in 2026 to 5.42% through maturity in 2043. The bond revenues are drawdown as required. At the date of this report DELCORA has drawn down some \$7,799,000 of the \$30,000,000. Assuming the full drawdown of the funds, following is a schedule of aggregate maturities and sinking fund payments of long term debt inclusive of the 2023 revenue bond issuance:

| Year ending December 31, | Principal | Interest | Principal and Interest | Deferred Issuance premiums | Total |
|--------------------------|-----------------------|----------------------|------------------------|----------------------------|-----------------------|
| 2023 | \$ 5,131,063 | \$ 7,144,952 | \$ 12,276,015 | \$ 1,322,851 | \$ 13,598,866 |
| 2024 | 5,381,459 | 7,235,868 | 12,617,327 | 1,322,851 | 13,940,178 |
| 2025 | 6,643,912 | 6,952,200 | 13,596,112 | 1,197,976 | 14,794,088 |
| 2026 | 6,884,423 | 6,703,734 | 13,588,157 | 1,108,780 | 14,696,937 |
| 2027 | 7,214,993 | 6,369,595 | 13,584,588 | 1,108,780 | 14,693,368 |
| 2028-2032 | 40,891,633 | 26,297,272 | 67,188,905 | 5,543,900 | 72,732,805 |
| 2033-2037 | 30,693,000 | 17,150,689 | 47,843,689 | 2,446,324 | 50,290,013 |
| 2038-2042 | 32,877,000 | 9,729,038 | 42,606,038 | 2,164,725 | 44,770,763 |
| 2043-2046 | 21,966,000 | 2,098,358 | 24,064,358 | 1,518,570 | 25,582,928 |
| | <u>\$ 157,683,483</u> | <u>\$ 89,681,706</u> | <u>\$ 247,365,189</u> | <u>\$ 17,734,757</u> | <u>\$ 265,099,946</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:

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NOTE 6 - Long-Term Debt (continued)

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

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

Bond refunding

During 2007, DELCORA issued the Sewer Revenue Bonds, 2007 Series. The 2007 Series bonds were issued to provide funds to advance refund certain maturities of DELCORA's Series 2001 and Series 2004 bonds. Proceeds from the issuance of the 2007 Series bonds were deposited in an irrevocable trust with an escrow agent to provide for the debt service required for advance refunding of the bonds.

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 \$22,273,090 and \$77,869,155 at December 31, 2022 and December 31, 2021, respectively.

DELCORA also has the following leases:

- A 60-month lease agreement for copiers in the amount of \$1,750 per month expiring October 31, 2027
- 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.
- Carbon Absorber Trailer in the amount of \$1,800 per month for a period of fifteen months remaining
- A warehouse lease for \$2,800 per month for a remaining period of ten months
- A postage lease extending for a remaining period of six months

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NOTE 7 - Commitments and Contingencies (continued)

Future operating lease payments as of December 31, 2022 are as follows:

| | | |
|------|----|----------------|
| 2023 | \$ | 63,437 |
| 2024 | | 27,990 |
| 2025 | | 22,590 |
| 2026 | | 22,590 |
| 2027 | | 18,825 |
| | \$ | <u>155,432</u> |

During this period, DELCORA adopted Government Accounting Standards Board (GASB) Statement No. 87, *Leases* which requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payments provisions of the contracts. Operating leases to be classified as such and reported at net present value as an asset and liability on the balance sheet would include all leases other than short-term leases which has a maximum possible term of 12 months or less. Effectively in the case of DELCORA this meant showing on the Statement of Financial Position the net present value of its existing operating leases shown herein as both an asset and a liability. The above schedule includes all of those aforementioned operating leases. However, pursuant to GASB 87, only the copier and trailer leases fall within that purview. Net present value of those leases are shown herein as Right to Use Asset and Operating Lease Liability in the amount of \$110,812.

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.

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

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 8 - Employee Retirement Plans (continued)

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.

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;

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DECEMBER 31, 2022 AND 2021**

NOTE 8 - Employee Retirement Plans (continued)

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

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

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

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

The annual contribution calculation was determined as part of the January 1, 2021 actuarial valuation. Funding requirements for the plan year 2022 was established as part of the January 1, 2021 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 4.87 percent; (b) lump sum payments are valued based on IRS section 417e segment rates as of December 2022 (4.84%, 5.15% and 4.85%), (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 2023 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 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%.

DELAWARE COUNTY REGIONAL WATER
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 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022 AND 2021

NOTE 8 - Employee Retirement Plans (continued)

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, 2022 was as follows:

| | |
|--|------------|
| Inactive employees or beneficiaries receiving benefits | 14 |
| Inactive employees entitled to but not yet receiving benefits | 28 |
| Active employees | <u>137</u> |
| Total employees covered | <u>179</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, 2022, the carrying amount and the balance of the Plan's deposits in cash and cash alternatives totaled \$774,326 and was held with Ameritrade, of which \$437,373 was invested in treasury obligations of Schwab funds and the balance was covered by FDIC insurance in the amount of \$250,000.

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
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NOTE 8 - Employee Retirement Plans (continued)

Plan investments at year end are as follows:

| | |
|--|---------------------|
| Ishares IBOXX HI Yd | \$ 556,348 |
| Vanguard Total Bond Market Index Fund | 2,806,142 |
| Vanguard AllWRLD Ex US | 3,654,053 |
| Vanguard Short Term Bond | 1,464,121 |
| Vanguard Strm infproidx | 573,926 |
| Vanguard Intermediate Term Corp Bond | 280,121 |
| Vanguard Mid Cap Index Fund | 1,714,857 |
| Vanguard Growth ETF | 3,860,275 |
| Vanguard Value ETF | 4,143,863 |
| Vanguard Small Cap Index Fund | 1,153,182 |
| | <hr/> |
| | 20,206,888 |
| Cash and cash equivalents/mutual funds | 774,326 |
| | <hr/> |
| | <u>\$20,981,214</u> |

Pension fund investments, pursuant to Government Accounting Standards Board Statement Nos. 3 and 40, are categorized to give an indication of the level of risk assumed by the Plan at December 31, 2022. 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, 2022 AND 2021**

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, 2022:

| <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 6.20 percent per year before inflation factor of 2.33%. The net blended rate representing the real rate of return, inclusive of inflation and plan expense was 3.57%. Long term expected real rate of return was as follows:

| | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------------|---|
| Equities | 11.33% |
| Fixed Income | -0.01% |
| Cash | -1.16% |
| Total Gross Blended Return | <u>3.87%</u> |
| Less: Plan Expenses | <u>0.30%</u> |
| Total Net Blended Return | <u>3.57%</u> |

For the year ended December 31, 2022, the annual rate of return on the pension plan investments, net of pension investment expense was -15.19%. 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 \$3,183,190 and \$3,086,154 for the years ended December 31, 2022 and 2021, 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
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NOTES TO FINANCIAL STATEMENTS
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NOTE 8 - Employee Retirement Plans (continued)

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 1,372,378 | \$ 891,754 |
| Changes in assumptions | 7,040,115 | 9,247,195 |
| Net differences between projected and actual earnings on pension plan investments | <u>2,197,572</u> | <u>-</u> |
| | <u>\$ 10,610,065</u> | <u>\$ 10,138,949</u> |
| | | |
| Future recognition of deferred outflows and inflows in pension expense | Fiscal Year | Amount Recognized |
| | 2023 | \$ 229,213 |
| | 2024 | \$ 604,825 |
| | 2025 | \$ 948,576 |
| | 2026 | \$ 1,125,606 |
| | 2027 | \$ 101,963 |
| | Thereafter | \$ (2,539,067) |

Sensitivity of Net Pension Liability to Changes in Discount Rate:

| | 1% Decrease 3.87% | Current Rate 4.87% | 1% Increase 5.87% |
|-----------------------|-------------------------|--------------------------|-------------------------|
| Net pension liability | <u>\$6,043,756</u> | <u>\$2,366,661</u> | <u>(\$557,076)</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 \$151,386 and \$148,305 for the years ended December 31, 2022 and 2021, 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.

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.

**DELAWARE COUNTY REGIONAL WATER
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 8 - Employee Retirement Plans (continued)

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 \$485,673 and \$573,017 for 2022 and 2021, 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.

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 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 was estimated to cost over \$600 million through 2042 with another \$600 million expected after 2042 for a total of \$1.2 billion.

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

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 had chosen 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 was expected to be constructed between January 2024 through December 2027.

However, in 2023 PWD has changed its methodology for allocation of costs for its Long Term Control Plan. This will significantly decrease DELCORA's share of these costs. This may change the determination of whether DELCORA will continue with the tunnel project. For that reason, combined with the delay in receiving permits to initiate construction, DELCORA has established contract renewal discussions with PWD.

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 and subsequently approved. The LTCP update was resubmitted on March 1, 2022. 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. This LTCPU has evaluated the Delaware County Regional Water Quality Control Authority's (DELCORA's) sewer systems according to United States Environmental Protection Agency (USEPA) requirements and guidance. The final plan addresses all aspects of the Consent Decree issued to DELCORA by USEPA. Although monitoring and

**DELAWARE COUNTY REGIONAL WATER
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NOTES TO FINANCIAL STATEMENTS
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NOTE 11 – Delaware County Long-Term Control Plan Update (continued)

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 5, 2023, 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 | 2022 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <i>Total Pension Liability</i> | | | | | | | | | |
| Service cost | \$ 433,832 | \$ 451,185 | \$ 647,770 | \$ 743,624 | \$ 833,107 | \$ 928,895 | \$ 966,051 | \$ 2,906,823 | \$ 2,841,710 |
| Interest | 982,400 | 982,877 | 1,321,748 | 1,345,004 | 1,236,708 | 1,350,242 | 1,407,937 | 704,497 | 817,579 |
| 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 | (697,567) |
| Changes in assumptions | - | 4,170,435 | - | 1,012,254 | (490,245) | 1,158,057 | 9,063,948 | (1,254,623) | (9,046,939) |
| Benefit payments | (684,651) | (1,260,137) | (1,994,115) | (2,079,637) | (3,272,141) | (1,806,164) | (1,804,382) | (3,042,868) | (1,029,747) |
| Net change in total pension liability | 914,763 | 4,810,074 | (24,597) | 1,405,641 | (1,756,902) | 2,593,870 | 9,260,826 | 186,434 | (7,114,964) |
| Total pension liability - beginning | 13,072,730 | 13,987,493 | 18,797,567 | 18,772,970 | 20,178,611 | 18,421,709 | 21,015,579 | 30,276,405 | 30,462,839 |
| 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> | <u>\$ 23,347,875</u> |
| <i>Plan Fiduciary Net Position</i> | | | | | | | | | |
| 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 | \$ 2,230,010 |
| 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 | (3,518,729) |
| 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) | (1,029,747) |
| Administrative expense | (27,963) | (31,155) | (40,406) | (46,438) | (46,154) | (47,822) | (52,367) | (68,500) | (62,990) |
| Net change in fiduciary net position | 1,135,506 | 3,192,027 | \$ 1,280,812 | \$ 2,051,766 | \$ (1,586,258) | \$ 2,933,173 | \$ 3,855,939 | \$ 1,559,836 | \$ (2,381,456) |
| Plan fiduciary net position - beginning | 8,939,869 | 10,075,375 | 13,267,402 | 14,548,214 | 16,599,980 | 15,013,722 | 17,946,895 | 21,802,834 | 23,362,670 |
| 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> | <u>\$ 20,981,214</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> | <u>\$ 2,366,661</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% | 89.86% |
| Covered employee payroll | \$ 7,435,831 | \$ 7,470,137 | \$ 8,516,891 | \$ 8,900,803 | \$ 9,150,776 | \$ 9,686,532 | \$ 10,410,878 | \$ 10,686,874 | \$ 10,848,863 |
| 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% | 21.81% |

**DELAWARE COUNTY REGIONAL WATER
QUALITY CONTROL AUTHORITY**

REQUIRED SUPPLEMENTARY INFORMATION

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

| | 2014 | SCHEDULE OF INVESTMENT RETURNS | | | | | | | 2021 | 2022 |
|---|--------------|--------------------------------|----------------|--------------|--------------|----------------|--------------|----------------|---------------|---------------|
| | | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | | |
| 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% | | -15.19% |
| SCHEDULE OF CONTRIBUTIONS | | | | | | | | | | |
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| 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 | \$ 2,229,717 |
| Contributions in relation to the actuarially determined contribution | 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 | 2,230,010 |
| Contributions deficiency (excess) | \$ (557,043) | \$ (450,329) | \$ (3,619,999) | \$ (475,000) | \$ 1 | \$ (1,006,982) | \$ (1,586) | \$ (1,007,681) | \$ (4,147) | \$ (293) |
| 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 | \$ 10,848,863 |
| Contributions as a percentage of covered payroll employee payroll | 15.30% | 15.47% | 59.57% | 25.46% | 19.22% | 28.38% | 16.93% | 26.17% | 16.89% | 20.56% |

**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, 2021 | \$ 30,462,839 | \$ 23,362,670 | \$ 7,100,169 |
| Changes for the year: | | | |
| Service cost | 2,841,710 | - | 2,841,710 |
| Interest | 817,579 | - | 817,579 |
| Change in benefit terms | - | - | - |
| Changes of assumptions | (9,046,939) | - | (9,046,939) |
| Differences between expected and actual | (697,567) | - | (697,567) |
| Contributions - employer | - | 2,230,010 | (2,230,010) |
| Net investment income | - | (3,518,729) | 3,518,729 |
| Benefit payments | (1,029,747) | (1,029,747) | - |
| Administrative expense | - | (62,990) | 62,990 |
| Net changes | (7,114,964) | (2,381,456) | (4,733,508) |
| Balances at December 31, 2022 | \$ 23,347,875 | \$ 20,981,214 | \$ 2,366,661 |

SUPPLEMENTAL INFORMATION

SUPPLEMENTAL INFORMATION

DELAWARE COUNTY REGIONAL WATER QUALITY
CONTROL AUTHORITY

SCHEDULE OF REVENUES
ACTUAL VS BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2022

| | Actual 2022 | Budget 2022 | Variance Favorable / (Unfavorable) |
|--------------------------------------|----------------|----------------|--|
| WESTERN REGION | | | |
| Residential | \$ 10,927,364 | \$ 10,491,726 | \$ 435,638 |
| Major industry: | | | |
| Kinberly-Clark | 4,988,779 | 5,020,575 | (31,796) |
| Monroe Energy | 373,626 | 280,932 | 92,694 |
| Sun Refining and Marketing Co. | 4,349,076 | 4,333,473 | 15,603 |
| Total major industry | 9,711,481 | 9,634,980 | 76,501 |
| Municipal: | | | |
| Brookhaven | 1,025,956 | 1,049,730 | (23,774) |
| Eddystone | 402,702 | 516,840 | (114,138) |
| Lower Chichester | 711,181 | 710,655 | 526 |
| Middletown Authority | 2,524,061 | 2,607,743 | (83,682) |
| Nether Providence | 1,264,601 | 1,288,375 | (23,774) |
| South West Delaware County Authority | 3,312,487 | 3,735,045 | (422,558) |
| Southern Delaware County Authority | 2,310,004 | 2,778,015 | (468,011) |
| Total Municipal | 11,550,992 | 12,686,403 | (1,135,411) |
| Permit industries: | | | |
| Ace Linen | 174,131 | 119,980 | 54,151 |
| Boeing | 139,920 | 166,380 | (26,460) |
| Braskem | 183,166 | 314,400 | (131,234) |
| Congoileum | 31,172 | 34,280 | (3,108) |
| Delaware County Linen | 30,606 | 68,560 | (37,954) |
| Marcus Hook Energy FPL | 624,004 | 334,050 | 289,954 |
| Harrah's Casino | 15,505 | 74,340 | (58,835) |
| Dynegy | 318,101 | 228,333 | 89,768 |
| Exelon | 7,145 | 13,918 | (6,773) |
| The P.Q. Corporation | 133,569 | 183,201 | (49,632) |
| Other | 123,421 | 33,601 | 89,820 |
| Total permit industries | 1,780,740 | 1,571,043 | 209,697 |
| Contract operation fees | 551,853 | 500,000 | 51,853 |
| Total Western Region | 34,522,430 | 34,884,152 | (361,722) |
| EASTERN REGION | | | |
| Authority: | | | |
| Central Delaware County Authority | 11,237,212 | 12,533,188 | (1,295,976) |
| Darby Creek Joint Authority | 22,547,367 | 24,760,688 | (2,213,321) |
| Muckinlpates Authority | 4,965,915 | 5,502,375 | (536,460) |
| Total Eastern Region | 38,750,494 | 42,796,251 | (4,045,757) |
| OTHER REVENUES | | | |
| Interest Income | 1,294,078 | 50,000 | 1,244,078 |
| Other Income | 138,573 | 665,000 | (526,427) |
| Sludge disposal and processing | 6,190,959 | 5,750,000 | 440,959 |
| Total other revenues | 7,623,610 | 6,465,000 | 1,158,610 |
| Total revenues | \$ 80,896,534 | \$ 84,145,403 | \$ (3,248,869) |

SUPPLEMENTAL INFORMATION

**DELAWARE COUNTY REGIONAL WATER QUALITY
CONTROL AUTHORITY**

**SCHEDULE OF TOTAL EXPENSES
ACTUAL VS BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2022**

| | Actual 2022 | Budget 2022 | Variance Favorable / (Unfavorable) |
|---|-----------------------------|-----------------------------|---|
| Operating expenses | | | |
| Advertising and Office | \$ 194,487 | \$ 180,000 | \$ (14,487) |
| Consulting | 178,697 | 500,000 | 321,303 |
| Dues, conferences, education and training | 75,297 | 160,450 | 85,153 |
| Employee benefits | 4,208,994 | 4,825,005 | 616,011 |
| Engineering and tech services | 1,394,426 | 1,707,500 | 313,074 |
| Insurance | 963,276 | 950,859 | (12,417) |
| Minor equipment and supplies including chemicals | 3,006,594 | 1,620,400 | (1,386,194) |
| Other contracted services | 787,286 | 1,098,650 | 311,364 |
| Pension | 3,334,576 | 2,230,001 | (1,104,575) |
| Philadelphia Plant Treatment costs | 10,850,602 | 15,200,001 | 4,349,399 |
| Provision for doubtful accounts | 261,576 | 250,000 | (11,576) |
| Repairs and maintenance | 3,484,722 | 3,227,673 | (257,049) |
| Salaries and wages | 14,180,527 | 14,803,123 | 622,596 |
| Solicitor | 448,586 | 1,000,000 | 551,414 |
| Solids disposal | 1,483,194 | 1,375,000 | (108,194) |
| Utilities | 3,266,337 | 2,654,700 | (611,637) |
| Contingency | - | 700,000 | 700,000 |
| Subtotal operating expenses (net of depreciation) | <u>48,119,177</u> | <u>52,483,362</u> | <u>4,364,185</u> |
| Depreciation | <u>9,792,367</u> | <u>-</u> | <u>(9,792,367)</u> |
| Total operating expenses | <u>57,911,544</u> | <u>52,483,362</u> | <u>(5,428,182)</u> |
| Non-operating expenses | | | |
| Interest expense | <u>6,118,633</u> | <u>5,982,949</u> | <u>(135,684)</u> |
| Total non-operating expenses | <u>6,118,633</u> | <u>5,982,949</u> | <u>(135,684)</u> |
| Total expenses | <u><u>\$ 64,030,177</u></u> | <u><u>\$ 58,466,311</u></u> | <u><u>\$ (5,563,866)</u></u> |

SUPPLEMENTAL INFORMATION

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

FOR THE YEARS ENDED DECEMBER 31,

| | 2022 | 2021 | Variance Favorable / (Unfavorable) |
|------------------------------------|----------------------|----------------------|---|
| Advertising | \$ 23,038 | \$ 19,440 | \$ (3,598) |
| Consulting | 178,697 | 241,630 | 62,933 |
| Depreciation | 9,792,367 | 9,445,142 | (347,225) |
| Dues and conferences | 75,297 | 39,628 | (35,669) |
| Employee benefits | 4,208,994 | 4,580,360 | 371,366 |
| Engineering and tech services | 1,394,426 | 1,373,007 | (21,419) |
| Insurance | 963,276 | 966,518 | 3,242 |
| Minor equipment and supplies | 3,006,594 | 2,087,867 | (918,727) |
| Office | 171,449 | 147,601 | (23,848) |
| Other contracted services | 787,286 | 898,667 | 111,381 |
| Pension | 3,334,576 | 3,234,459 | (100,117) |
| Philadelphia Plant Treatment costs | 10,850,602 | 9,400,895 | (1,449,707) |
| Provision for doubtful accounts | 261,576 | 351,660 | 90,084 |
| Repairs and maintenance | 3,484,722 | 2,834,240 | (650,482) |
| Salaries and wages | 14,180,527 | 13,906,693 | (273,834) |
| Solicitor | 448,586 | 680,429 | 231,843 |
| Solids disposal | 1,483,194 | 1,097,441 | (385,753) |
| Utilities | 3,266,337 | 2,768,366 | (497,971) |
| Total operating expenses | <u>\$ 57,911,544</u> | <u>\$ 54,074,043</u> | <u>\$ (3,837,501)</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> |
|-------------------------------------|---------------|-------------------------------|-------------------|-------------------------------|
| 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>\$ 4,760,000</u> | <u>\$ 383,513</u> | <u>\$ 5,143,513</u> |

SUPPLEMENTAL INFORMATION

**DELAWARE COUNTY REGIONAL WATER QUALITY
CONTROL AUTHORITY**

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

| Year Ending December 31, | Coupon | Principal Maturity | Interest | Total Debt Service |
|-----------------------------|--------|-----------------------|----------------------|-----------------------|
| 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>\$ 35,370,000</u> | <u>\$ 21,277,536</u> | <u>\$ 56,647,536</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> |
|-------------------------------------|---------------|-------------------------------|----------------------|-------------------------------|
| 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>\$ 51,670,000</u> | <u>\$ 36,648,350</u> | <u>\$ 88,318,350</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> |
|------------------------------------|---------------|---------------------------|----------------------|-------------------------------|
| 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>\$ 31,310,000</u> | <u>\$ 10,456,250</u> | <u>\$ 41,766,250</u> |

SUPPLEMENTAL INFORMATION

**DELAWARE COUNTY REGIONAL WATER QUALITY
CONTROL AUTHORITY**

**SCHEDULE OF DEBT SERVICE
SEWER REVENUE BONDS, 2023 SERIES**

| <u>Year Ending December 31</u> | <u>Coupon</u> | <u>Principal Maturity</u> | <u>Interest</u> | <u>Total Debt Service</u> |
|------------------------------------|---------------|---------------------------|----------------------|-------------------------------|
| 2023 | 5.170% | \$ - | \$ 1,214,950 | \$ 1,214,950 |
| 2024 | 5.170% | - | 1,551,000 | 1,551,000 |
| 2025 | 5.170% | 997,000 | 1,525,228 | 2,522,228 |
| 2026 | 5.420% | 977,000 | 1,545,486 | 2,522,486 |
| 2027 | 5.420% | 1,032,000 | 1,491,042 | 2,523,042 |
| 2028 | 5.420% | 1,089,000 | 1,433,561 | 2,522,561 |
| 2029 | 5.420% | 1,150,000 | 1,372,885 | 2,522,885 |
| 2030 | 5.420% | 1,214,000 | 1,308,822 | 2,522,822 |
| 2031 | 5.420% | 1,282,000 | 1,241,180 | 2,523,180 |
| 2032 | 5.420% | 1,353,000 | 1,169,772 | 2,522,772 |
| 2033 | 5.420% | 1,428,000 | 1,094,407 | 2,522,407 |
| 2034 | 5.420% | 1,508,000 | 1,014,841 | 2,522,841 |
| 2035 | 5.420% | 1,592,000 | 930,831 | 2,522,831 |
| 2036 | 5.420% | 1,681,000 | 842,133 | 2,523,133 |
| 2037 | 5.420% | 1,774,000 | 748,502 | 2,522,502 |
| 2038 | 5.420% | 1,873,000 | 649,668 | 2,522,668 |
| 2039 | 5.420% | 1,977,000 | 545,333 | 2,522,333 |
| 2040 | 5.420% | 2,087,000 | 435,199 | 2,522,199 |
| 2041 | 5.420% | 2,204,000 | 318,913 | 2,522,913 |
| 2042 | 5.420% | 2,326,000 | 196,150 | 2,522,150 |
| 2043 | 5.420% | 2,456,000 | 66,558 | 2,522,558 |
| | | <u>\$ 30,000,000</u> | <u>\$ 20,696,461</u> | <u>\$ 50,696,461</u> |

Note: Estimate assuming full draw at settlement

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, 2022**

| | Renewal and Replacement Fund | Revenue Fund | Sewer Reserve Fund | Debt Service Fund | Debt Service Reserve Fund | Total |
|----------------------------------|------------------------------------|-----------------|--------------------------|-------------------------|---------------------------------|---------------|
| Balances - January 1, 2022 | \$ 2,712,336 | \$ 67,646,246 | \$ 3,114,716 | \$ 2,104,801 | \$ 11,648,746 | \$ 87,226,844 |
| Receipts: | | | | | | |
| Customer revenue | - | 88,195,114 | - | - | - | 88,195,114 |
| Transfers from other trust funds | 34,500,000 | - | - | 10,509,341 | - | 45,009,341 |
| Investment income | - | 793,383 | 43,849 | 30,513 | 92,104 | 959,849 |
| Total receipts | 34,500,000 | 88,988,497 | 43,849 | 10,539,854 | 92,104 | 134,164,304 |
| Disbursements: | | | | | | |
| Requisitions | - | 51,952,703 | - | - | - | 51,952,703 |
| Capital requisitions | 36,929,916 | - | - | - | - | 36,929,916 |
| Transfers to other trust funds | - | 45,009,341 | - | - | - | 45,009,341 |
| Transfers to operating funds | - | - | - | - | - | - |
| Debt service payments: | | | | | | |
| Principal | - | 500,725 | - | 4,410,000 | - | 4,910,725 |
| Interest | - | 51,852 | - | 6,101,088 | - | 6,152,940 |
| Total disbursements | 36,929,916 | 97,514,621 | - | 10,511,088 | - | 144,955,625 |
| Balances - December 31, 2022 | \$ 282,420 | \$ 59,120,122 | \$ 3,158,565 | \$ 2,133,567 | \$ 11,740,850 | \$ 76,435,523 |