



Delaware River Basin Commission

**INDEPENDENT AUDITORS' REPORT AND
REQUIRED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011**

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FINANCIAL SECTION





Independent Auditors' Report

Board of Commissioners of the
Delaware River Basin Commission
West Trenton, New Jersey

We have audited the accompanying financial statements of governmental activities, the business-type activities and each major fund of the Delaware River Basin Commission (the "Commission") as of and for the years ended June 30, 2012 and 2011. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Commission as of June 30, 2012 and 2011, and the respective changes in financial position and cash flows of its business-type activities, where applicable, and for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2012 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying required supplementary information, such as management discussion and analysis, partial budgetary comparison information and additional information on pages 39 through 53 are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying supplementary information identified in the previous paragraph are presented for additional analysis and are not part of the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations* and is not a required part of the basic financial statements of the Commission. The basic financial statements and the schedule of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statement taken as a whole. The accompanying required supplemental information, such as management's discussion and analysis, budgetary comparison information and additional information have not been subjected to the audit procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McEnerney, Brady & Company, LLC

McEnerney, Brady & Company, LLC
Certified Public Accountants
Livingston, New Jersey
December 28, 2012

REQUIRED SUPPLEMENTARY INFORMATION – PART 1

Management's Discussion and Analysis

DELAWARE RIVER BASIN COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL YEAR ENDING JUNE 30, 2012

Who We Are

The Delaware River Basin Commission was formed in 1961 by agreement among the United States Government and the States of Delaware, New Jersey, New York and the Commonwealth of Pennsylvania (signatory parties) for the purpose of developing and implementing plans, policies and projects relating to the water resources of the Delaware River Basin. Commission programs include water quality protection, water supply allocation, regulatory review, water conservation initiatives, watershed planning, drought management, flood control and recreation.

Overview

Our discussion and analysis provides an overview of the Commission's financial activities for the fiscal year ending June 30, 2012. Please read it in conjunction with the Commission's financial statements.

Financial Highlights

- The Commission's general fund unrestricted net assets stand at \$3,258,757 as of June 30, 2012, a decrease of \$395,390. This balance has been unfavorably impacted by decreases in Signatory revenues of \$95,505 from FY11.
- The total cost of the Commission's governmental programs and projects was \$6,727,964.
- The Commission's business-type net assets stand at \$14,767,404 as of June 30 2012, an increase of \$919,427.
- The Commission's business-type activity revenues increased \$556,142 or 19.4 percent because of a 33% water use rate increase that took effect January 1, 2011. Operating expenses decreased \$96,923 or 9.6 percent, primarily a result of reduced operation and maintenance charges.

Using This Annual Report

This annual report consists of a series of financial statements. The *Statement of Net Assets* (p. 11) and the *Statement of Activities* (p. 12) provide information about the activities of the Commission as a whole and present a long-term view of the Commission's finances.

Fund financial statements start on page 15. These statements tell how governmental activities were financed in the short-term.

Reporting the Commission as a Whole

The Statement of Net Assets and the Statement of Activities-

One of the most important questions asked about the Commission's finances is, "Is the Commission better off or worse as a result of the year's activities?" The *Statement of Net Assets* and the *Statement of Activities* report information about the Commission in a way that helps answer this question. These statements include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Commission's net assets and changes in them. You can think of the Commission's net assets - the difference between assets and liabilities - as one way to measure the Commission's financial health, or financial position. Over time the increases or decreases in the Commission's net assets are one indicator of whether its financial health is improving or deteriorating.

The reader should consider other nonfinancial factors, however, such as the funding commitments of the States and Federal Government who contribute a significant portion of the funding for the Commission's governmental activities.

In the *Statement of Net Assets* and the *Statement of Activities*, we divide the Commission into two kinds of activities: governmental and business-type.

- Governmental activities - Most of the Commission's basic services are reported here including general government and administration, planning and implementation, project review, basin operations, modeling and monitoring and special projects. The signatory parties along with project-specific grants finance most of these activities.
- Business-type activities - The Commission provides water storage in two federal facilities at Beltzville and Blue Marsh Lakes. The Commission has agreed to reimburse the federal government for the construction costs of these facilities. Costs associated with the operation, maintenance and debt service for these facilities as well as conservation, demand and administrative costs are reported here. The Commission has a fee structure that is applied to certain post-compact surface water users in the basin.

Reporting the Commission's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds-not the Commission as a whole. Some funds are required to be established by generally accepted accounting principles. However the Commission establishes some funds to help it control and manage money for particular purposes such as special projects or to show that it is meeting legal responsibilities for using certain grants and other money.

The Commission's two kinds of funds- governmental and proprietary- use different accounting approaches.

Governmental funds - the Commission's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Commission's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Commission's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation schedule at the bottom of the fund financial statements.

Proprietary funds - the Commission levies a fee on various entities in the basin for their consumptive and non-consumptive use of surface water. These revenues are reported in the proprietary fund. Costs associated with water storage facilities, water conservation and demand activities and related administrative activities are also reported in the proprietary fund. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and Statement of Activities. In fact the Commission's proprietary fund is the same as the business-type activities we report in the government-wide statements but provides more detail and additional information, such as cash flows.

The Commission as a Whole

As of June 30, 2012, the net assets of governmental and business-type activities total \$4,841,098 and \$14,767,404 respectively. A decrease of \$444,869 in net assets resulted from governmental activities and an increase of \$919,427 in net assets resulted from business activities for the fiscal year ending June 30, 2012.

Net assets are comprised of two components, unrestricted equity and equity invested in capital assets (net of related debt). For the year ending June 30, 2012, the governmental activities' equity invested in capital assets decreased by \$41,792. The decrease in equity invested in capital assets is the difference between capitalized costs and depreciation charges.

Governmental Activities

For the fiscal year ending June 30, 2012 revenues, excluding inter-fund transfers, increased by \$90,764 or approximately 2% from the prior fiscal year. Notable items are an increase of \$506,180 in project review revenue, and a decrease of \$170,190 in investment income. Revenue from signatory parties decreased by \$95,505 primarily due to a \$400,000 decrease in contributions from the State of Pennsylvania that was partially offset by an increase of \$320,000 from the State of Delaware.

The cost of all governmental activities this year was \$6,727,964. The portion of this cost that was paid by signatory contributions was \$2,188,000 with the balance of costs being subsidized by grants, fees, miscellaneous income and interfund transfers.

Business-Type Activities

For the fiscal year ending June 30, 2012, water sales revenues increased by \$556,142, approximately 19.4%, to \$3,417,057. Operating transfers out were \$1,934,429, up \$220,737 from fiscal 2011. Non-operating revenues were \$353,605. This is \$635,552 lower than fiscal 2011, mainly due to unrealized investment losses of \$228,132. Operating expenses were down \$96,923 from fiscal 2011 due to decreased operation and maintenance charges for the Beltzville and Blue Marsh reservoirs. These items are primarily responsible for net income of \$919,427 for the fiscal year ending June 30, 2012, \$203,224 less than fiscal 2011.

The Commission's Funds

For the fiscal year ending June 30, 2012 the Commission's governmental funds reported a combined total of \$4,417,658 in fund equity, a decrease of \$428,463 from fiscal 2011. This is \$302,346 better than fiscal 2011 results and mainly due to changes in revenue. Compared to 2011, signatory contributions from the states of Pennsylvania and New York decreased by \$400,000 and \$15,505. This was partially offset by an increase of \$320,000 over fiscal 2011 from the state of Delaware. Project review fees increased by \$506,179, and investment income decreased by \$107,190 from 2011.

General Fund Budgetary Highlights

The budget for the fiscal year ending June 30, 2012 has not been amended since its original adoption. For fiscal 2012 the Commission reported a total unfavorable variance of \$9,875.

Notable revenue variances include a \$400,000 signatory contribution shortfall from the Commonwealth of Pennsylvania, other income unfavorable by \$57,246 and investment income unfavorable by \$138,634. Unfavorable revenue variances were substantially offset by a favorable revenue variance of \$504,475 in project review fee revenue.

Notable expense variances include special and contractual services unfavorable by \$111,828 due to legal costs and a favorable variance in maintenance, replacements and acquisitions of \$126,610 due to work not undertaken related to a computer system upgrade.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2012, the Commission reported \$7,327,098 in capital assets net of depreciation. Capital assets include equipment, furniture, building, building improvements and the Commission's share of construction costs for two federal water storage facilities: Beltzville Lake and Bluemarsh Lake.

Debt

As of June 30, 2012 the Commission had \$14,307,974 in long-term debt outstanding. This can be broken down into four categories:

- \$12,418,024 for loans due to the Army Corps of Engineers for construction of water storage facilities
- \$553,244 due to the State of New Jersey for the early retirement program that was adopted September 25, 1991
- \$497,719 for employees accrued leave time
- \$838,987 for other post-employment benefits.

A significant increase in the Commission's long-term debt is the recognition of \$260,220 for other post-employment benefits for the fiscal year ending June 30, 2012 in compliance with Statement number 45 issued by the Government Accounting Standards Board. A more detailed discussion can be found in note 8 of the financial statements. There were no other significant increases to long-term debt.

Economic Conditions and Outlook

As of June 30, 2012 the Commission reported \$3,605,541 in unrestricted net assets. This represents the financial resources available to sustain the Commission's governmental activities after deducting reported liabilities and investment in capital assets. Significant factors that have had and will continue to have an impact on the financial resources available to the Commission are the level of signatory party contributions and the liability for other post employment benefits.

Signatory party contributions represent a major source of funding for the Commission's governmental activities. The 100-year compact stipulates that the five signatory parties agree to support the Commission's annual budget. The federal government adhered to this legislative obligation for 35 years, paying its fair share of the Commission's annual operating budget.

A major issue has been the elimination of the federal signatory contribution in 1997. Since then, the federal government has provided a signatory contribution to the Commission only for the federal fiscal year ending September 30 2009. As of June 30, 2012 the cumulative federal shortfall totals \$9.28 million.

The Commission's fiscal 2012 operating budget totaling \$5.66 million did not include a federal fair share contribution of \$715,000.

The Commission continues its efforts to restore and maintain federal funding.

Effective July 1, 2003 and July 1, 2005, the Commission revised the fee schedule for the review of projects. Fees were also instituted for docket transfers and emergency certificates. This action has resulted in increased revenues from project review activities in fiscal years 2004 through 2012.

The Commission has entered into administrative agreements with the State of New Jersey, effective December 18, 2009 and the State of Delaware, effective July 28, 2010. These agreements modified existing agreements and could limit the scope of the Commission's project review activities in New Jersey and Delaware. This may result in reduced revenue from project review activities in future years. The Commission is currently in discussions with the States of New York and Pennsylvania regarding similar agreements that could limit the scope of project review activities in New York and Pennsylvania.

The Commission has promulgated draft rules and regulations associated with the development of natural gas in the Basin which, if adopted, will result in additional expenditures and revenues in future years.

The factors outlined above will pose significant challenges to the Commission in future years.

BASIC FINANCIAL STATEMENTS

A. Commission-Wide Financial Statements

Delaware River Basin Commission
Statement of Net Assets (Deficit)
June 30, 2012
(With Comparative Totals as at June 30, 2011)

	Governmental Activities	Business-Type Activities	Totals (Memorandum Only)	
			June 30, 2012	June 30, 2011
Assets:				
Cash and Cash Equivalents	\$ 5,442,775	\$ 1,939,531	\$ 7,382,306	\$ 7,338,606
Investments	1,240,715	19,078,513	20,319,228	19,136,965
Interest Receivable	73	151,740	151,813	92,461
Receivables (net)				
Due From Other Governments	281,604	-	281,604	421,245
Interfund Receivable	480,000	-	480,000	400,000
Water Sales	-	841,258	841,258	780,000
Reimbursable Water Supply Storage Facility Costs	-	116,581	116,581	129,511
Prepaid Expenses	31,259	-	31,259	13,996
Capital Assets (Net)	1,235,557	6,091,541	7,327,098	7,694,124
Total Assets	\$ 8,711,983	\$ 28,219,164	\$ 36,931,147	\$ 36,006,908
Liabilities and Net Assets (Deficit):				
Accounts Payable	\$ 263,817	\$ 233,639	\$ 497,456	\$ 390,390
Interfund Payable	-	480,000	480,000	400,000
Accrued Interest	-	213,510	213,510	94,434
Employee Compensation and Benefits	77,963	-	77,963	91,509
Advances	1,745,742	-	1,745,742	1,565,261
Accrued Leave Time	488,053	9,666	497,719	493,678
Long-Term Liabilities:				
Early Retirement Program	456,323	96,921	553,244	580,088
Retirement Health Benefits	838,987	-	838,987	578,767
Due To US Army Corps of Engineers				
Due Within One Year	-	441,668	441,668	427,099
Due Beyond One Year	-	11,976,356	11,976,356	12,251,739
Total Liabilities	3,870,885	13,451,760	17,322,645	16,872,965
Net Assets (Deficit):				
Invested in Capital Assets, net of Related Debt	1,235,557	(6,326,483)	(5,090,926)	(4,984,713)
Unrestricted	3,605,541	21,093,887	24,699,428	24,118,656
Total Net Assets	4,841,098	14,767,404	19,608,502	19,133,943
Total Liabilities and Net Assets:	\$ 8,711,983	\$ 28,219,164	\$ 36,931,147	\$ 36,006,908

The accompanying Notes to Financial Statements are an integral part of this statement.

Delaware River Basin Commission
Statement of Activities
Year Ended June 30, 2012
With Summarizing Financial Information
For The Year Ended June 30, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Indirect Expenses Allocation	Operating Grants and Contributions	Charges for Services/Usage	Governmental Activities	Business-Type Activities	(Totals - Memorandum Only)
					June 30, 2012	June 30, 2011	
Primary government:							
General Government Planning and Information Technology	\$ 2,894,334	\$ (1,609,172)	\$ -	\$ -	\$ (1,285,162)	\$ (1,246,587)	
Modeling, Monitoring and Assessment	532,990	223,723	-	-	(756,713)	(974,791)	
Water Resources Management	649,476	272,619	-	-	(922,095)	(947,098)	
Special projects	1,112,246	466,867	-	954,476	(624,637)	(1,044,148)	
	1,538,918	645,963	1,165,723	-	(1,019,158)	(897,566)	
Total governmental activities	6,727,964	-	1,165,723	954,476	(4,607,765)	(5,110,190)	
Business-type activities:							
Water supply storage facilities	1,337,685	-	-	3,417,057	-	2,079,372	1,391,171
Total primary government	\$ 8,065,649	\$ -	\$ 1,165,723	\$ 4,371,533	\$ (4,607,765)	\$ (2,528,393)	\$ (3,719,019)
General revenues:							
Grants and contributions not restricted to special programs					2,188,000	2,188,000	2,283,505
Investment earnings					1,409	774,484	1,553,771
Miscellaneous income					39,059	-	76,188
Transfers					1,934,429	(1,934,429)	-
Total general revenues and transfers					4,162,897	(1,159,945)	3,913,464
Change in net assets					(444,868)	919,427	194,445
Net assets - beginning of year					5,285,966	13,847,977	18,939,498
Net assets - ending of year					\$ 4,841,098	\$ 14,767,404	\$ 19,133,943

The accompanying Notes to Financial Statements are an integral part of this statement.

Delaware River Basin Commission
Governmental Funds
Balance Sheet
June 30, 2012
(With Comparative Totals as at June 30, 2011)

	General Fund	Special Projects Funds	Totals (Memorandum Only)	
			June 30, 2012	June 30, 2011
Assets:				
Cash and Cash Equivalents	\$ 4,771,916	\$ 1,911,575	\$ 6,683,491	\$ 6,766,425
Accounts Receivable - Other	73	281,604	281,677	421,304
Interfund Receivable	480,000	-	480,000	400,000
Prepaid Expenses	31,260	-	31,260	13,996
Total Assets	<u>5,283,249</u>	<u>2,193,179</u>	<u>7,476,428</u>	<u>7,601,725</u>
Liabilities and Fund Balances:				
Accounts Payable	\$ 148,586	\$ 115,232	\$ 263,818	\$ 390,390
Employee Compensation and Benefits	916,950	-	916,950	670,276
Advances	26,839	1,718,903	1,745,742	1,565,261
Accrued Vacation and Sick Time	120,000	12,260	132,260	129,677
Total Liabilities	<u>1,212,375</u>	<u>1,846,395</u>	<u>3,058,770</u>	<u>2,755,604</u>
Fund Balances:				
Committed:				
Early Retirement	300,000	-	300,000	300,000
Retirement Benefits Fund	401,728	-	401,728	314,879
Assigned:				
Designated for Vacation and Compensatory Time	175,000	-	175,000	175,000
Designated for Sick Pay Retirement	110,000	-	110,000	110,000
Designated for Completion of Special Projects	300,310	346,784	647,094	654,782
Unassigned	2,783,836	-	2,783,836	3,291,460
Total Fund Balances	4,070,874	346,784	4,417,658	4,846,121
Total Liabilities and Fund Balances	<u>\$ 5,283,249</u>	<u>\$ 2,193,179</u>		
Total net assets reported for governmental activities in the statement of net assets is different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			1,235,556	1,277,349
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			(812,116)	(837,503)
Total Net Assets of Governmental Activities			<u>\$ 4,841,098</u>	<u>\$ 5,285,967</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

Governmental Funds

Delaware River Basin Commission
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For Year Ended June 30, 2012
(With Comparative Totals for Year June 30, 2011)

	General Fund	Special Projects Funds	(Totals Memorandum Only)	
			June 30, 2012	June 30, 2011
Revenues:				
Signatory Party Contributions:				
State of Delaware	\$ 447,000	\$ 18,593	\$ 465,593	\$ 127,000
State of New Jersey	893,000	10,500	903,500	893,000
State of New York	355,000	10,500	365,500	370,505
Commonwealth of Pennsylvania	493,000	193,411	686,411	1,075,016
United States	-	692,322	692,322	887,067
Sale of Publications	3,450	-	3,450	2,604
Project Review Fees	954,475	-	954,475	448,296
Investment Income	1,366	43	1,409	108,599
Fines, Assessments and Other Income	52,754	240,398	293,152	362,961
Total Revenues	3,200,045	1,165,767	4,365,812	4,275,048
Expenditures:				
Personal Services	2,821,471	432,975	3,254,446	3,200,330
Special and Contractual Services	339,828	836,550	1,176,378	1,258,916
Other Services	140,884	-	140,884	169,136
Supplies and Materials	42,520	12,902	55,422	57,534
Buildings and Grounds	186,302	-	186,302	175,127
Communications	19,193	941	20,134	26,147
Travel	43,975	2,043	46,018	66,133
Maintenance, Replacements				
Acquisitions and Rentals	130,390	9,287	139,677	81,939
Fringe Benefits and Other Contributions	1,478,428	231,015	1,709,443	1,684,286
Total Expenditures	5,202,991	1,525,713	6,728,704	6,719,548
Excess Expenditures Over Revenues	(2,002,946)	(359,946)	(2,362,892)	(2,444,500)
Other Financing Sources/(Uses):				
Operating Transfers In	1,935,459	449,109	2,384,568	2,215,026
Operating Transfer (Out)	(353,288)	(96,850)	(450,138)	(501,334)
Total Other Financing Sources - Net	1,582,171	352,259	1,934,430	1,713,692
Net Change in Fund Balances	(420,775)	(7,687)	(428,462)	(730,808)
Fund Balance - July 1, beginning of year	4,491,646	354,473	4,846,119	5,576,927
Fund Balance - June 30, end of year	\$ 4,070,871	\$ 346,786	\$ 4,417,657	\$ 4,846,119

The accompanying Notes to Financial Statements are an integral part of this statement.

Delaware River Basin Commission
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of the Governmental Funds to the
Statement of Activities
Year Ended June 30, 2012

	2012	2011
Net Change in Fund Balances - Governmental Funds (From B-2)	\$ (428,462)	\$ (730,808)
<p>The change in net assets reported for the governmental activities in the statement of activities is different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount which capital outlays \$64,972 exceeds depreciation \$106,762 in the current period.</p>	(41,790)	(98,389)
<p>Repayment of compensated absences is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.</p>	(1,460)	(121,154)
<p>Repayment of the liability for early retirement is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.</p>	<u>26,844</u>	<u>22,145</u>
Change in Net Assets of Governmental Activities	<u>\$ (444,868)</u>	<u>\$ (928,206)</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

Proprietary Funds

Delaware River Basin Commission
Proprietary Funds
Statement of Net Assets (Deficit)
June 30, 2012
(With Comparative Totals as at June 30, 2011)

	Business-Type Activities	Totals	
	Enterprise Funds Water Supply Storage Facilities	(Memorandum Only) June 30, 2012	June 30, 2011
Assets:			
Current Assets:			
Cash and Cash Equivalents	\$ 1,939,531	\$ 1,939,531	\$ 1,465,827
Investments	19,078,512	19,078,512	18,243,319
Other Receivables	151,740	151,740	92,403
Receivables Water Sales (net)	841,258	841,258	780,000
Reimbursable Water Supply Storage Facility Costs	116,581	116,581	129,511
Interfund Receivable	-	-	-
Total Current Assets	<u>22,127,622</u>	<u>22,127,622</u>	<u>20,711,060</u>
Noncurrent Assets:			
Reimbursable Water Supply Storage Facility Costs	-	-	-
Land, Building and Improvements (net)	5,994,359	5,994,359	6,415,845
Furniture and Equipment (net)	97,183	97,183	931
Total Noncurrent Assets	<u>6,091,542</u>	<u>6,091,542</u>	<u>6,416,776</u>
Total Assets	<u>\$ 28,219,164</u>	<u>\$ 28,219,164</u>	<u>\$ 27,127,836</u>
Liabilities and Net Assets (Deficit):			
Liabilities:			
Current Liabilities:			
Accounts Payable	\$ 233,639	\$ 233,639	\$ -
Interfund Payable	480,000	480,000	400,000
Accrued Interest	213,510	213,510	94,434
Due to US Army Corps of Engineers	441,668	441,668	427,099
Total Current Liabilities	<u>1,368,817</u>	<u>1,368,817</u>	<u>921,533</u>
Noncurrent Liabilities:			
Accrued Vacation and Sick Time	9,666	9,666	9,666
Early Retirement Program	96,921	96,921	96,921
Due to US Army Corps of Engineers	11,976,356	11,976,356	12,251,739
Total Noncurrent Liabilities	<u>12,082,943</u>	<u>12,082,943</u>	<u>12,358,326</u>
Total Liabilities	<u>13,451,760</u>	<u>13,451,760</u>	<u>13,279,859</u>
Net Assets (Deficit):			
Invested in Capital Assets, net of Related Debt	(6,326,483)	(6,326,483)	(6,262,062)
Unrestricted	21,093,887	21,093,887	20,110,039
Total Net Assets	<u>14,767,404</u>	<u>14,767,404</u>	<u>13,847,977</u>
Total Liabilities and Net Assets	<u>\$ 28,219,164</u>	<u>\$ 28,219,164</u>	<u>\$ 27,127,836</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

Delaware River Basin Commission
Proprietary Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2012
(With Comparative Totals for Year Ended June 30, 2011)

	Business-Type Activities	Totals	
	Enterprise Funds Water Supply Storage Facilities	(Memorandum Only) June 30, 2012	June 30, 2011
Operating Revenues:			
Charges for Services:			
Water Sales	\$ 3,417,057	\$ 3,417,057	\$ 2,860,915
Total Operating Revenue	<u>3,417,057</u>	<u>3,417,057</u>	<u>2,860,915</u>
Operating Expenses:			
Special and Contractual Services	490,346	490,346	592,130
Depreciation	426,460	426,460	421,599
Total Operating Expenses	<u>916,806</u>	<u>916,806</u>	<u>1,013,729</u>
Operating Income	<u>2,500,251</u>	<u>2,500,251</u>	<u>1,847,186</u>
Nonoperating Revenues/(Expenses):			
Investment Income	699,425	699,425	545,688
Realized Gain(Loss) on Sales of Investments	303,191	303,191	291,189
Net Decrease in Fair Value of Investments	(228,132)	(228,132)	608,295
Interest Expense	(420,879)	(420,879)	(456,015)
Total Nonoperating Revenues/(Expenses)	<u>353,605</u>	<u>353,605</u>	<u>989,157</u>
Net Income Before Operating Transfers	2,853,856	2,853,856	2,836,343
Operating Transfers (Out)	(1,934,429)	(1,934,429)	(1,713,692)
Change in Net Assets	919,427	919,427	1,122,651
Total Net Assets - July 1, beginning of year	<u>13,847,977</u>	<u>13,847,977</u>	<u>12,725,326</u>
Total Net Assets - June 30, end of year	<u>\$ 14,767,404</u>	<u>\$ 14,767,404</u>	<u>\$ 13,847,977</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

Delaware River Basin Commission
Proprietary Funds
Statement of Cash flows
For Year Ended June 30, 2012
(With Comparative Totals for Year Ended June 30, 2011)

	Business-Type Activities	Totals	
	Enterprise Funds Water Supply Storage Facilities	(Memorandum Only) June 30, 2012	June 30, 2011
Cash Flows From Operating Activities:			
Cash Received from Water Users	\$ 3,355,799	\$ 3,355,799	\$ 2,700,915
Payments to Vendors and Suppliers	(256,707)	(256,707)	(656,223)
Net Cash Provided by Operating Activities	<u>3,099,092</u>	<u>3,099,092</u>	<u>2,044,692</u>
Cash Flows From Noncapital and Related Financing Activities:			
Operating Transfers to Other Funds	(1,934,429)	(1,934,429)	(1,713,692)
Net Cash (Used In) by Noncapital and Related Financing Activities	<u>(1,934,429)</u>	<u>(1,934,429)</u>	<u>(1,713,692)</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition of Capital Assets	(101,226)	(101,226)	-
Interest Paid	(301,802)	(301,802)	(591,433)
Principal Received	12,930	12,930	12,497
Internal Balances	80,000	80,000	400,000
Principal Paid	(260,814)	(260,814)	(568,235)
Net Cash (Used In) by Capital and Related Financing Activities	<u>(570,912)</u>	<u>(570,912)</u>	<u>(747,171)</u>
Cash Flows From Investing Activities:			
Interest Received	640,088	640,088	611,290
Sale/(Purchase) of Investment, Net	(760,135)	(760,135)	(756,279)
Net Cash (Used In) by Investing Activities	<u>(120,047)</u>	<u>(120,047)</u>	<u>(144,989)</u>
Net (Decrease) in Cash and Cash Equivalents Balances - July 1, beginning of year	<u>473,704</u>	<u>473,704</u>	<u>(561,160)</u>
Balances - June 30, end of year	<u>\$ 1,939,531</u>	<u>\$ 1,939,531</u>	<u>\$ 1,465,827</u>
Reconciliation of Operating Income to Net Cash provided by (Used In) by Operating Activities:			
Operating Income	\$ 2,500,251	2,500,251	\$ 1,847,186
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and Net Amortization	426,460	426,460	421,599
Changes in Assets and Liabilities:			
(Increase)/Decrease in Accounts Receivable	(61,258)	(61,258)	(160,000)
(Increase)/Decrease in Accounts Payable	233,639	233,639	(64,093)
Total Adjustments	<u>598,841</u>	<u>598,841</u>	<u>197,506</u>
Net Cash Provided by Operating Activities	<u>\$ 3,099,092</u>	<u>\$ 3,099,092</u>	<u>\$ 2,044,692</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

**DELAWARE RIVER BASIN COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Note 1. Summary of Significant Accounting Policies

Nature of Entity

The Delaware River Basin Commission (the "Commission") was formed in 1961 by agreement among the U.S. Government and the States of Delaware, New Jersey, New York and the Commonwealth of Pennsylvania for the purpose of developing and implementing plans, polices and projects relating to the water resources of the Delaware River Basin.

The accompanying financial statements of the Delaware River Basin Commission have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). In June 1999 the GASB issued Statement 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement established new financial reporting requirements for state and local governmental entities throughout the United States. They require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in prior years is affected.

The Commission has implemented these standards for the fiscal year-ending June 30, 2004 and future periods. With the implementation of GASB Statement 34, the Commission has prepared required supplementary information titled *Management's Discussion and Analysis*, which precedes the basic financial statements.

Other GASB Statements are required to be implemented in conjunction with GASB Statement 34. Therefore, the Commission has implemented the following GASB Statements: Statement 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* and Statement 38 – *Certain Financial Statement Note Disclosures*; Statement 40 – *Deposit and Investment Risk Disclosures* and Statement 44 – *Economic Condition Reporting – The Statistical Section*.

In July 2004 the GASB issued Statement 45 *Accounting for Other Post-Employment Benefits*. The Commission has implemented this statement beginning in the fiscal year ending 2010.

The accompanying financial statements present the financial position of the Commission, the results of operations of the Commission and the various funds and fund types, and the cash flows of the proprietary funds. The financial statements are presented as of June 30, 2012 for the year then ended.

A. Reporting Entity:

The primary criterion for including activities within the Commission's reporting entity, as set forth in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, is whether:

- ◆ the organization is legally separate (can sue or be sued in their own name);
- ◆ the Commission holds the corporate powers of the organization;
- ◆ the Governor appoints a voting majority of the organization's board;
- ◆ the Commission is able to impose its will on the organization;
- ◆ the organization has the potential to impose a financial benefit/burden on the Commission;
- ◆ there is a fiscal dependency by the organization on the Commission.

Based on the aforementioned criteria, the Commission has no component units.

B. Government-Wide and Fund Financial Statements

The Government-Wide financial statements (i.e., statement of net assets and the statement of activities) report information on all the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by signatory and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are financed by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Signatory revenues and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and the proprietary fund. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than an expenditure.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within 365 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Signatory revenues, operating grants, capital grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when the Commission receives cash.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as another financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Commission Reports the Following Major Governmental Funds:

General Fund – It is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues of this fund are primarily derived from signatory revenues, state and federal grants, fees for services and investment income. Many of the basic activities of the Commission are accounted for in this fund, including the daily operations of the Commission.

Special Projects Fund – It is used to account for specific revenue sources related to the provisions imposed by outside agencies or the Commission for services that are restricted to expenditures for those specified purposes.

Enterprise Fund – This is a proprietary fund. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than an expense.

Private-sector standards of accounting and financial reporting issued prior to December 31, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Based on the accounting and reporting standards set forth in GASB statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Commission has opted to apply only the accounting and reporting pronouncements issued by the Financial Accounting Standards Board (FASB) on or before November 30, 1989 for business-type activities and enterprise funds.

The Commission Reports the Following Major Proprietary Fund:

The Water Supply Storage Facilities Fund - is used to account for the operations of the Water Storage Facility that is financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges and cost reimbursement plans.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use unrestricted resources first, then restricted resources as they are needed for their intended purposes.

D. Assets, Liabilities and Net Assets or Equity

1. **Cash and Cash Equivalents** - For purposes of the accompanying statement of cash flows, the Commission considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.
2. **Interfund Receivables and Payables** – Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “interfund receivable/payable”.
3. **Investments** – Investments are reported at fair value based on quoted market prices.
4. **Capital Assets** – Capital assets, which include property, plant and equipment and infrastructure assets, are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Property, plant and equipment and infrastructure with initial, individual costs that equal or exceed \$500 and estimated useful lives of over one year are recorded as capital assets. Capital assets are recorded at historical costs or estimated historic costs if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are completed. Interest incurred during the construction phase of the capital asset of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government are depreciated using the straight-line method over the following intended useful lives:

Asset	Years
Buildings and Improvements	40 to 60
Machinery and Equipment	3 to 20
Water Supply Storage Facilities	50

5. **Allowance for Doubtful Accounts** – Accounts receivable have been reported net of allowance for doubtful accounts.
6. **Accrued Vacation and Sick Time** – The Commission had a liability of \$497,719, representing vacation and sick time earned by employees as of June 30, 2012. Of this amount \$488,053 is reported as a liability of governmental activities and \$9,666 is shown as a liability of business-type activities. In the governmental funds – balance sheet, liabilities of \$120,000 and \$12,260 were reflected in the General Fund and Special Projects Fund, respectively. In the Proprietary Fund Type Statements of Net Assets, a liability of \$9,666 is reflected for its portion of accrued vacation and sick time. As of June 30, 2012, it is anticipated that \$120,000 will be paid for compensated absences during the fiscal year 2013.
7. **Long-Term Obligations** – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Assets.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

8. **Advances** – Advances reported in government-wide financial statements represent unearned revenues. The advances will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Advances reported in governmental fund financial statements represent unearned revenues or revenues, which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as deferred revenue. The Commission deems revenue received within 365 days of the year-end to be available.
9. **Net Assets/Fund Balances** – The governmental-wide and business-type activities fund financial statements utilize a net assets presentation.

Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- **Invested in Capital Assets, Net of Related Debt** – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- **Restricted Net Assets** – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by laws through constitutional provisions or enabling legislation.
- **Unrestricted Net Assets** – This category represents net assets of the Commission, not restricted for any project or other purpose.

The Commission has established a policy of classifying fund balances in accordance with GASB #54 as follows:

- **Committed Fund Balance**- amounts constrained to specific purposes by the Commission itself, using the highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the Commission takes the highest level action to remove or change the constraint. Presently amounts are committed for early retirement and post-employment health insurance that are actuarially determined.
- **Assigned Fund Balance**- amounts the Commission intends to use for a specific purpose. Presently amounts are assigned for sick and vacation compensation and for completion of special projects.
- **Unassigned Fund Balance**- amounts that are available for any purpose. These amounts are reported only in the general fund.

The management of the Commission has the authority to express intended use of resources of resources in the assignment of fund balance, whereas a Commission resolution is required to express intended use of resources that results in a commitment of fund balance.

10. **Interfund Transactions** – quasi-external transactions are accounted for as revenue, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are recorded as transfers.

11. **Accounting Estimates** – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimated.
12. **Adoption of Governmental Accounting Standards** – The Commission adopted the provisions of GASB's Statement No. 23, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*, Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and Statement No. 38, *Certain Financial Statement Note Disclosures*; Statement 40 – *Deposit and Investment Risk Disclosures*; Statement 44 – *Economic Condition Reporting – The Statistical Section* and Statement 45 – *Accounting for Other Post-Employment Benefits* .

The adoption of these statements resulted in a comprehensive modification of the financial reporting required for the Commission. The statements require the presentation of the Government-wide Financial Statements, which had not been previously reported. The Fund Level Financial Statements required by these statements are similar to the financial statements that have been previously issued by the Commission. The adoption of the statements does not affect the amounts that were previously reported by the Commission at the fund level.

Note 2. Budgets

The General Fund is under formal budgetary control as required by management of the Commission. The budget reflected in the financial statements was prepared generally on the same basis used to account for actual results and consists of those amounts contained in the formal budget, as approved and amended by the Delaware River Basin Board of Commissioners.

Note 3. Cash, Cash Equivalents and Investments

The Commission has a written investment policy for the General Fund, Special Projects Fund and the Water Supply Storage Facilities Fund. The policy provides guidance on the scope, general objectives, standards of care, safekeeping and custody, suitable and authorized investments, investment parameters, reporting and policy considerations, prohibited types of transactions and collateralization.

The policy provides for the General Fund and Special Projects Funds the following authorized investments:

- a) U.S. government obligations, U.S. government agency obligations, and U.S. government instrumentality obligations that have a liquid market with a readily determinable market value;
- b) Certificates of deposit and other evidences of deposit at financial institutions, bankers' acceptances, and commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1 or D-1);
- c) Investment grade obligations of the Compact Signatories;
- d) Local government investment pools, either state administered or administered through joint power statutes and other intergovernmental agreement legislation.

The policy provides for the Water Supply Storage Facilities Fund that the target asset allocation ratio will be 30% (+/-5%) allocated to equities and 70% (+/-5%) allocated to fixed income and money market investments and that the portfolio should be rebalanced to fall within the target ratio at least every 6 months.

Additionally the Commissioners have authorized the Executive Director to utilize the services of professional asset managers. The Commission has retained the firms of Valley Forge Asset Management and Wilmington Trust Investment Management, LLC. These firms are currently managing assets of the Water Supply Storage Facilities Fund that are in the Commission's name and in the custody of

Susquehanna Trust & Investment Company and Wilmington Trust Company respectively, consistent with the Commission's investment policy.

The following table shows the cash and investments of the Commission as of June 30, 2012 at fair market value:

	General Fund	Special Projects Fund	Water Supply Storage Facilities Fund	Totals
Cash and Cash Equivalents:				
Cash on Hand	\$ 400	\$ -	\$ -	\$ 400
Cash-Wells Fargo Bank	225,483	267,943	13,831	507,257
Cash Equivalents-New Jersey Cash Management Fund	2,180,906	1,643,631	1,384,825	5,209,362
Cash Equivalents-US Bank	1,124,485	-	-	1,124,485
Cash Equivalents-Susquehanna Trust & Investment Company	-	-	358,512	358,512
Cash Equivalents-Wilmington Trust Company	-	-	182,363	182,363
Cash Equivalents-ICMA RC	-	-	-	-
Total Cash and Cash Equivalents	\$ 3,531,274	\$ 1,911,574	\$ 1,939,531	\$ 7,382,379
Investments:				
Equities-ICMA RC	\$ 1,240,715	\$ -	\$ -	\$ 1,240,715
Federal Obligations-Susquehanna Trust & Investment Company	-	-	2,338,298	2,338,298.00
State Obligations-Susquehanna Trust & Investment Company	-	-	798,520	798,520.00
Corporate Obligations-Susquehanna Trust & Investment Company	-	-	4,230,419	4,230,419.00
Equities-Susquehanna Trust & Investment Company	-	-	2,477,510	2,477,510.00
Subtotal Susquehanna Trust & Investment Company	\$ -	\$ -	\$ 9,844,747	\$ 9,844,747
Federal Obligations-Wilmington Trust Company	-	-	3,216,980	3,216,980.00
Corporate Obligations-Wilmington Trust Company	-	-	2,997,571	2,997,571.00
Equities-Wilmington Trust Company	-	-	3,170,955	3,170,955.00
Subtotal Wilmington Trust Company	\$ -	\$ -	\$ 9,385,506	\$ 9,385,506
Total Investments	1,240,715	-	19,230,253	20,470,968
Total Cash, Cash Equivalents and Investments	\$ 4,771,989	\$ 1,911,574	\$ 21,169,784	\$ 27,853,347

Cash held at Wells Fargo Bank was in the name of the Commission and secured by a tri-party collateralization agreement. The collateral is held by the Bank of New York and is not in the Commission's name.

The New Jersey Cash Management Fund is a pooled fund managed by the State of New Jersey, and is neither insured by a third party or collateralized.

U.S. Bank cash equivalents are invested in a Government Obligations Fund. This fund invests exclusively in short-term U.S. government securities and repurchase agreements secured by U.S. government securities.

Susquehanna Trust & Investment Company cash equivalents are invested in a short-term Federal Government obligations fund.

Wilmington Trust Company cash equivalents are invested in a short-term fund comprised of both federal and corporate securities of the highest rating.

The following table shows the fair value of federal and corporate obligations held by maturity range as of June 30, 2012

Maturity	Corporate Obligations	State Obligations	Federal Obligations	Total
Less than 1 year	\$ 667,635	\$ -	\$ 589,015	\$ 1,256,650
1 to 5 years	3,927,147	213,836	3,894,017	8,035,000
5 to 10 years	2,612,711	584,684	1,072,246	4,269,641
10 to 15 years	20,497	-	-	20,497
Total	\$ 7,227,990	\$ 798,520	\$ 5,555,278	\$ 13,581,788

The following table displays the fair values of corporate obligations by their Standard & Poors rating as of June 30, 2012

Corporate Obligations	
S&P Rating	Fair Value
AAA	\$ 115,989
AA+	128,693
AA	223,003
AA-	1,198,807
A+	1,269,015
A	1,555,403
A-	1,106,059
BBB+	377,300
BBB	913,616
BBB-	309,680
BB+	30,425
Total	<u>\$ 7,227,990</u>

Equity investments held by Susquehanna Trust & Investment Company (for the Commission's account with Valley Forge Asset Management), Wilmington Trust Company (for the Commission's account with Wilmington Trust Investment Management Company, LLC) and ICMA RC are unsecured and subject to market risk.

Investment Interest Rate Risks - Interest rate risk is the risk that the value of the Commission's investments in debt obligations will decline due to changes in interest rates. The Commission's investment policy seeks to minimize interest rate risk by:

- a) Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- b) Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

Custodial Credit Risk- Deposits are exposed to custodial credit risk if they are not covered by depositary insurance and the deposits are uncollateralized. The Commission's investment policy seeks to minimize custodial credit risk by:

- a) Limiting investments to the safest types of securities
- b) Pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisers with which the Commission will do business
- c) Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

The Commission maintains several bank accounts at Wells Fargo Bank. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Additionally, these accounts are secured by a \$2,000,000 tri-party collateralization agreement. At no time during the year did the combined total of all bank accounts held at Wells Fargo Bank exceed the sum total of the FDIC insurance and required collateralization.

In addition, as noted above, deposits with Wells Fargo Bank are secured by a tri-party collateral agreement.

Concentration of Credit Risk-The Commission's investment policy seeks to limit the concentration of credit risk through diversification by:

- a) Limiting investments to avoid over-concentration in securities from a specific issuer (excluding U.S. Treasury securities)
- b) Limiting investment in securities that have high credit risks.

As of June 30, 2012, the Commission does not have an investment in any one issuer that represents 5% or more of its net assets, excluding investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds, external investment pool and other pooled investments.

Note 4. Capital Assets:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 1	\$ -	\$ -	\$ 1
Total Capital Assets Not Being Depreciated:	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>
Capital Assets Being Depreciated:				
Building and Improvements	\$ 2,021,892	\$ -	\$ -	\$ 2,021,892
Furniture and Equipment	1,067,258	64,972	-	1,132,230
Total Capital Assets Being Depreciated:	<u>\$ 3,089,150</u>	<u>\$ 64,972</u>	<u>\$ -</u>	<u>\$ 3,154,122</u>
Less: Accumulated Depreciation for:				
Building and Improvements	\$ (980,131)	\$ (45,484)	\$ -	\$ (1,025,615)
Furniture and Equipment	(831,672)	(61,278)	-	(892,950)
Total Accumulated Depreciation	<u>\$ (1,811,803)</u>	<u>\$ (106,762)</u>	<u>\$ -</u>	<u>\$ (1,918,565)</u>
Total Capital Assets Being Depreciated:				
Net	<u>1,277,347</u>	<u>(41,790)</u>	<u>-</u>	<u>1,235,557</u>
Governmental Activities Capital Assets Net	<u>\$ 1,277,347</u>	<u>\$ (41,790)</u>	<u>\$ -</u>	<u>1,235,557</u>
Water Supply Storage Facilities:				
Capital Assets Being Depreciated:				
Water Supply Storage Facilities	\$ 21,074,316	\$ -	\$ -	\$ 21,074,316
Furniture and Equipment	11,443	101,226	-	112,669
Total Accumulated Depreciation	<u>\$ 21,085,759</u>	<u>\$ 101,226</u>	<u>\$ -</u>	<u>\$ 21,186,985</u>
Total Capital Assets Being Depreciated				
Net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less: Accumulated Depreciation for:				
Water Supply Storage Facilities	\$ (14,658,471)	\$ (421,486)	\$ -	\$ (15,079,957)
Furniture and Equipment	(10,512)	(4,974)	-	(15,486)
Total Accumulated Depreciation	<u>(14,668,983)</u>	<u>(426,460)</u>	<u>-</u>	<u>(15,095,443)</u>
Business Type Capital Assets Being Depreciated				
Net	<u>\$ 6,416,776</u>	<u>\$ (325,234)</u>	<u>\$ -</u>	<u>\$ 6,091,542</u>

Depreciation expense was charged to functions/programs of the Commission as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
General Government	\$ 1,713,786	\$ 95,781	\$ (9,911)	\$ 1,799,656
Special Projects	98,017	20,892	-	118,909
Total Depreciation Expense- Governmental Activities	\$ 1,811,803	\$ 116,673	\$ (9,911)	\$ 1,918,565
Business-Type Activities:				
Water Supply Storage Facilities	\$ 14,668,983	\$ 426,460	\$ -	\$ 15,095,443
Total Depreciation Expense- Business-Type Activities	\$ 14,668,983	\$ 426,460	\$ -	\$ 15,095,443

Note 5. Reimbursable Water Supply Storage Facility Costs

The financial statements reflect a receivable from Western Berks Water Authority for construction costs financed by the Commission for a specific outlet pipe in the Blue Marsh Water Supply Storage Project. Principal and interest payments are due quarterly in the approximate amount of \$4,354 in January, April, July and October at an interest rate of 3.463%. Repayment terms as of June 30, 2012, require the following principal and interest payments:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 13,378	\$ 4,037	\$ 17,415
2014	13,841	3,574	17,415
2015	14,321	3,094	17,415
2016	14,816	2,599	17,415
Thereafter	<u>60,225</u>	<u>5,083</u>	<u>65,308</u>
Total	\$ <u>116,581</u>	\$ <u>18,387</u>	\$ <u>134,968</u>

Note 6. Long-Term Liabilities

Amount Due to U.S. Army Corps of Engineers

The Commission has agreed to reimburse the U.S. Army Corps of Engineers for costs related to the construction of the water supply storage facilities at the Beltzville and Blue Marsh Projects. Repayment of the Beltzville project's cost requires annual payments of \$253,499 continuing through 2030. Repayment of the Blue Marsh Project requires annual payments of \$607,643 through 2028, and thereafter \$309,118 annually through 2038. These payments include interest at an average rate of approximately 3%. Interest expense is recognized over the terms of the obligations. The Commission is responsible for a yearly pro rata share of operational maintenance and replacement costs of these projects. Interest expense for the year ended June 30, 2012 was \$420,879. Water sales revenue and interest income are used to pay operating expenses and debt service.

A summary of changes in the long-term liability is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Other Liabilities:					
Other Post-Employment Benefits	\$ 578,767	\$ 260,220	\$ -	\$ 838,987	\$ 566,000
Compensated Absences	484,012	4,041	-	488,053	120,000
Early Retirement	483,167	-	(26,844)	456,323	26,844
Total Other Liabilities	1,545,946	264,261	(26,844)	1,783,363	712,844
Governmental Activities Long-Term Liabilities	\$ 1,545,946	\$ 264,261	\$ (26,844)	\$ 1,783,363	\$ 712,844
Business-Type Activities:					
Bonds and Notes payable:					
Due to Army Corps of Engineers	\$ 12,678,838	\$ -	\$ (260,814)	\$ 12,418,024	\$ 441,668
Other Liabilities:					
Compensated Absences	9,666	-	-	9,666	-
Early Retirement	96,921	-	-	96,921	-
Total Other Liabilities	106,587	-	-	106,587	-
Business-Type Activities Long-Term Liabilities	\$ 12,785,425	\$ -	\$ (260,814)	\$ 12,524,611	\$ 441,668

An analysis of debt service requirements to maturity of the amount due to the Army Corps of Engineers follows:

Fiscal Years Ending June 30,	Principal Requirements	Interest Requirements	Total Debt Service Requirements
2013	\$ 607,952	\$ 551,714	\$ 1,159,666
2014	456,734	404,408	861,142
2015	472,315	388,827	861,142
2016	488,428	372,714	861,142
2017	505,091	356,051	861,142
2018-2022	2,796,035	1,509,676	4,305,711
2023-2027	3,306,829	998,882	4,305,711
2028-2032	2,137,597	466,992	2,604,589
2033-2037	1,348,384	197,205	1,545,589
2038	298,659	10,459	309,118
Total	\$ 12,418,024	\$ 5,256,928	\$ 17,674,952

Note 7. Employee Retirement Plan

The Commission participates in a contributory defined benefit retirement plan under the State of New Jersey's Public Employees' Retirement System (PERS), a cost-sharing multi-employer plan and covers all employees.

The vesting and benefit provisions are set by *N.J.S.A.43:15A* and *43:3B*. The System provides retirement, death and disability benefits, as well as medical benefits for certain qualified members. Information relating to the plan is included in the PERS of New Jersey Annual Report and may be obtained by contacting:

State of New Jersey
Department of the Treasury
Division of Pensions & Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
(609) 292-7524

The contribution policy is set by *N.J.S.A.43:15A*, Chapter 62, P.L. 1994, and Chapter 115, P.L. 1997, and requires contributions by active members and contributing employers. Plan members and employer contributions may be amended State of New Jersey legislation. Members contribute at a uniform rate of 6.5% of base salary; effective July 1, 2012, the rate will increase to 6.64%. Member contributions will continue to increase each year on July 1 until the final increase on July 1, 2018 when a contribution rate of 7.5% is reached. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances and cost-of-living adjustments.

Employer contributions are actuarially determined by PERS. Employee contributions are calculated as a percentage of salary, which varies with the employee's age at the time of enrollment. The Commission's contribution requirements for the years ended June 30, 2012, 2011 and 2010 were \$337,528, \$320,678 and \$250,966.

Note 8. Retirement Health Care Benefits

In addition to the pension benefits described in Note 7, the Commission provides retirement health care benefits in accordance with its policies and procedures to all employees with 25 or more years of service in PERS who retire from the Commission, employees who attain the age of 62 with 15 years of service and employees who retire on disability pensions.. On July 20, 2005, the Commission adopted provisions of *N.J.S.A.52:14-17.38* (Resolution 2005-14) under which public employers may agree to pay for State Health Benefit Programs coverage of certain retirees. Consistent with this provision, the Commission established classes of employees whose benefits will vary based on date of hire and years of credited service in PERS, as well as with the Commission. The adoption of these new provisions will have no impact on the benefits provided to retirees currently receiving said benefits or employees who earned benefits as provided for under the former rules prior to January 1, 2006.

On June 28, 2011, New Jersey Chapter 78, P.L. 2011 became effective. The law had no material effect on retirement health care benefits in the current year but will impact subsequent years. Present Commission policy requires a contribution greater than what is required by Chapter 78. If the currently established rate remains unchanged, Chapter 78 requirements will be become effective.

In August 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45 (GASB 45) requiring full disclosure of present and future costs relating to other post employment benefits (OPEB) in the Commission's financial statements starting with the fiscal year ending June 30, 2010. The retirement health care benefits the Commission provides are within the scope of GASB 45.

In July 2008 the Commission adopted a resolution for the minutes authorizing the procurement of actuarial services for the purpose of evaluating the cost of retirement health benefits of present and future retirees. Brown & Brown Consulting was hired to perform these services and in September 2008, issued a management report for the Commission's retiree health program. The findings are summarized below.

The Commission provides eligible retirees with medical and prescription drug coverage paid by the employer and reimburses eligible retirees for Medicare Part B premiums. GASB 45 requires financial statement recognition of the cost of these benefits when earned by employees rather than when paid out. Employers are required to measure and disclose the annual OPEB cost based upon the employers annual required contribution (ARC). The ARC is the employer's periodic annual contribution calculated in accordance with GASB 45 parameters. The ARC includes the normal cost for the year plus amortization,

not to exceed 30 years, of the total unfunded actuarial accrued liabilities. The actuarial report issued by Brown & Brown concludes that as of July 1, 2009 the Commission's actuarial accrued liability is \$5,525,377 for a funded plan and \$7,187,091 for an unfunded plan. The resulting annual OPEB expense and ARC required by the Commission is \$566,000 for a funded plan and \$661,000 for an unfunded plan. A funded plan is one in which the DRBC establishes an irrevocable trust to receive contributions for the plan that exceed the premiums for retiree benefits. In an unfunded plan no trust is established.

The calculated ARC contains normal cost and amortization amounts as follows:

	<u>Unfunded Basis</u>	<u>Funded Basis</u>
Normal Cost	\$ 219,624	\$ 142,538
Amortization Amount	<u>441,227</u>	<u>423,119</u>
Annual Required Contribution	<u>\$ 660,851</u>	<u>\$ 565,657</u>

The actuarial method and assumptions used to derive the above liability and expense amounts are as follows:

Actuarial Method- Projected unit credit cost method as described under GASB 45.

Service Cost- Determined for each active employee as the Actuarial Present Value of benefits allocated to the valuation year. The benefit allocated to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan's benefit formula.

Accumulated Postretirement Benefit Obligation Assumptions- (the actuarial present value of benefits allocated to all periods prior to the valuation year):

Measurement Date- July 1, 2009.

Discount Rate- 4.50% unfunded basis; 6.50% funded basis.

Medical Trend- 9.5% for 2008 grading down to 4.5% by 2013 and remaining at 4.5% thereafter.

Mortality- RP 2000 Combined Healthy Mortality Table.

Retirement Age- Earlier of age 65 with completion of 15 years of service, or age 62 with 25 years of service.

Participating Retirees- 100%

Demographic Data:

Number of Retirees and Surviving Spouses- 25

Average Age- 70.2 years

Active Employees- 41

Average Age- 44.05

The Commission subsequently opted for a funded plan. On October 22, 2009 the Commission adopted resolution 2009-9, authorizing the creation of an IRC Section 115 integral part trust and the utilization of an employer savings and investment program offered by ICMA Retirement Corporation. Also on October 22, 2009 the Commission adopted resolution 2009-10 to amend the Commission's investment policy to allow investment in an integral part trust for the exclusive purpose of funding post employment health benefits.

On November 30, 2009 The Delaware River Basin Commission Integral Part Trust was established with ICMA Retirement Corporation.

On 7/20/2011, the Commission transferred \$343,029 into the integral part trust calculated as follows:

Annual required contribution FY10	\$ 566,000
Annual required contribution FY11	566,000
Annual required contribution FY12	566,000
Total Annual Required Contributions	<u>\$ 1,698,000</u>
Less: cash outlays for FY10 and FY11	(406,376)
Subtotal	<u>\$ 1,291,624</u>
Less: Contributions in FY10 and FY11	<u>(948,595)</u>
FY12 Payment to Trust	\$ 343,029
Plus: FY12 Investment Gains	4,040
Trust Balance at June 30, 2011	<u>893,646</u>
Value of Trust, June 30, 2012	<u><u>\$ 1,240,715</u></u>

During FY2012, the Commission made cash outlays for OPEB of \$305,780 and recognized expenses for OPEB of \$566,000 consistent with GASB 45. The GASB 45 liability recognized as of June 30, 2012 is \$838,987 calculated as follows:

June 30, 2011 Balance	\$ 578,767
Annual Required Contribution	566,000
Cash outlays	<u>(305,780)</u>
June 30, 2012 Balance	<u><u>\$ 838,987</u></u>

Note 9. Operating Transfers

Interfund transfers are executed as a result of the requirements for the General Fund to match a portion of the expenses of the other funds. Interfund operating transfers are as follows:

	<u>Transfers from Other Funds</u>	<u>Transfers to Other Funds</u>
Governmental Funds:		
General Fund	\$ 1,935,459	\$ 353,288
Special Projects Fund	<u>449,109</u>	<u>96,850</u>
Total Governmental Funds	<u>\$ 2,384,568</u>	<u>\$ 450,138</u>
Proprietary Funds:		
Enterprise Funds:		
Water Supply Storage Facilities Fund		<u>1,934,430</u>
Total Proprietary Funds		<u>1,934,430</u>
Total	<u><u>\$ 2,384,568</u></u>	<u><u>\$ 2,384,568</u></u>

Note 10. Early Retirement Program

On September 25, 1991, the Delaware River Basin Commission adopted Resolution 91-7. This resolution authorized the Commission to participate in the State of New Jersey Early Retirement Incentive Program. As of June 30, 2012, certain employees have exercised their option to retire utilizing the Early Retirement Incentive Program. Based on information provided to the Commission, the present value of the estimated additional pension liability for these employees' totals \$553,244 at June 30, 2012, of which \$456,323 has been recorded in the Governmental Activities and \$96,921 has been recorded in the Proprietary Fund. This additional liability is to be paid over a period of 26 years. Payments made for this program during the year ended June 30, 2012, were \$73,358.

Note 11. Federal Contribution

The Energy and Water Appropriations Bill (P.L. 104-206) eliminated federal funding for the Delaware River Basin Commission for the federal fiscal year 1997 (October 1, 1997 through September 30, 1998). For fiscal year 2009, the budget was adopted with a Federal contribution of \$715,000. The federal government provided a contribution to the Commission for the federal fiscal year ending September 30, 2009. Of this contribution \$536,250 was recognized as revenue for the Commission's fiscal year ending June 30, 2009 and \$178,750 has been recognized as revenue for the Commission's fiscal year ending June 30, 2010. The federal government has not provided a contribution since then. The Commission continues its efforts to restore federal funding.

Note 12. Subsequent Events

The Commission has evaluated subsequent events occurring after June 30, 2012 through the date of December 28, 2012, which is the date the financial statements were available to be issued. Based on this evaluation, the Commission has determined that no subsequent events have occurred which require disclosures in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION – PART 2

C. Budgetary Comparison Schedules

**Delaware River Basin Commission
General Fund
Schedules of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (GAAP Basis)
Years Ended June 30, 2012 and 2011**

	2012		2011		Variance Final To Actual Favorable (Unfavorable)
	Original Budget	Actual	Original Budget	Actual	
Revenues:					
Signatory Party Contributions:					
State of Delaware	\$ 447,000	\$ 447,000	\$ -	\$ 127,000	\$ (320,000)
State of New Jersey	893,000	893,000	-	893,000	-
State of New York	355,000	355,000	-	370,505	(255,495)
Commonwealth of Pennsylvania	893,000	493,000	(400,000)	893,000	-
United States	-	-	-	715,000	(715,000)
Sale of Publications	4,000	3,450	(550)	2,604	(1,396)
Project Review Fees	450,000	954,475	504,475	448,296	(1,704)
Investment Income	140,000	1,366	(138,634)	108,410	(41,590)
Fines, Assessments and Other Income	110,000	52,754	(57,246)	73,583	(56,417)
Total Revenues	3,292,000	3,200,045	(91,955)	2,916,398	(1,391,602)

Delaware River Basin Commission
General Fund
Schedules of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (GAAP Basis)
Years Ended June 30, 2012 and 2011

	2012		2011		Variance Final To Actual Favorable (Unfavorable)
	Original Budget	Actual	Original Budget	Actual	
Expenditures:					
Personal Services	2,855,000	2,821,471	2,918,000	2,776,101	141,899
Special and Contractual Services	228,000	339,828	268,800	338,909	(70,109)
Other Services	177,000	140,884	160,000	167,482	(7,482)
Supplies and Materials	72,000	42,520	60,000	44,854	15,146
Buildings and Grounds	190,700	186,302	903,600	175,109	728,491
Communications	22,000	19,193	40,000	22,054	17,946
Travel	43,000	43,975	33,000	56,023	(23,023)
Maintenance, Replacements Acquisitions and Rentals	257,000	130,390	109,000	77,202	31,798
Fringe Benefits and Other Contributions	1,453,200	1,478,428	1,375,600	1,469,113	(93,513)
Total Expenditures	5,297,900	5,202,991	5,868,000	5,126,847	741,153
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(2,005,900)	(2,002,946)	(1,560,000)	(2,210,449)	(650,449)
Other Financing Sources/(Uses):					
Operating Transfers In	1,958,000	1,935,459	1,923,000	1,820,226	(102,774)
Operating Transfer (Out)	(363,000)	(353,288)	(363,000)	(298,934)	64,066
Total Other Financing Sources and Uses	1,595,000	1,582,171	1,560,000	1,521,292	(38,708)
Net Change in Fund Balances	(410,900)	(420,775)	-	(689,157)	(689,157)
Fund Balance - July 1, beginning of year	4,491,646	4,491,646	5,180,805	5,180,805	-
Fund Balance - June 30, end of year	\$ 4,080,746	\$ 4,070,871	\$ 5,180,805	\$ 4,491,648	\$ (689,157)

STATISTICAL SECTION UNAUDITED

**Delaware River Basin Commission
Net Assets (Deficit) By Component
Last Six Years
(Accrual Basis of Accounting) - Unaudited**

	Fiscal Year Ending June 30,					
	2012	2011	2010	2009	2008	2007
Governmental Activities						
Invested in Capital Assets,						
Net of Related Debt	\$ 1,235,557	\$ 1,277,349	\$ 1,375,737	\$ 1,436,465	\$ 1,463,117	\$ 1,306,500
Unrestricted	<u>3,605,541</u>	<u>4,008,618</u>	<u>4,838,436</u>	<u>4,357,899</u>	<u>4,271,444</u>	<u>4,473,801</u>
Total Governmental Activities						
Net Assets	<u>\$ 4,841,098</u>	<u>\$ 5,285,967</u>	<u>\$ 6,214,173</u>	<u>\$ 5,794,364</u>	<u>\$ 5,734,561</u>	<u>\$ 5,780,301</u>
Business-Type Activities						
Invested in Capital Assets,						
Net of Related Debt	\$ (6,326,483)	\$ (6,262,062)	\$ (6,408,697)	\$ (6,230,944)	\$ (6,339,608)	\$ (6,145,148)
Unrestricted	<u>21,093,887</u>	<u>20,110,038</u>	<u>19,134,023</u>	<u>18,333,970</u>	<u>18,238,567</u>	<u>17,155,068</u>
Total Business-Type Activities						
Net Assets	<u>\$ 14,767,404</u>	<u>\$ 13,847,976</u>	<u>\$ 12,725,326</u>	<u>\$ 12,103,026</u>	<u>\$ 11,898,959</u>	<u>\$ 11,009,920</u>
Commission-Wide						
Invested in Capital Assets,						
Net of Related Debt	\$ (5,090,926)	\$ (4,984,713)	\$ (5,032,960)	\$ (4,794,479)	\$ (4,876,491)	\$ (4,838,648)
Unrestricted	<u>24,699,428</u>	<u>24,118,656</u>	<u>23,972,459</u>	<u>22,691,869</u>	<u>22,510,011</u>	<u>21,628,869</u>
Total Commission Net Assets						
	<u>\$ 19,608,502</u>	<u>\$ 19,133,943</u>	<u>\$ 18,939,499</u>	<u>\$ 17,897,390</u>	<u>\$ 17,633,520</u>	<u>\$ 16,790,221</u>

Delaware River Basin Commission
Changes in Net Assets - (Accrual Basis of Accounting)
Last Six Fiscal Years - Unaudited

	Fiscal Year Ended June 30,					
	2012	2011	2010	2009	2008	2007
Expenses:						
Primary Government:						
General Government	\$ 2,894,334	\$ 2,868,603	\$ 2,525,297	\$ 960,070	\$ 243,810	\$ 193,765
Planning and Implementation	532,990	695,950	452,905	433,338	465,935	994,632
Project Review						674,919
Water Resources Management	1,112,246	1,065,528	1,035,190	1,003,843	1,250,085	-
Basin Operations						427,862
Modeling and Monitoring	649,476	676,179	633,765	1,045,381	1,324,675	1,728,017
Special Projects	1,538,918	1,610,687	2,039,383	2,840,222	3,471,703	2,455,470
Total Government Activities	<u>6,727,964</u>	<u>6,916,947</u>	<u>6,686,540</u>	<u>6,282,854</u>	<u>6,756,208</u>	<u>6,474,665</u>
Business-Type Activities:						
Water Supply Storage Facilities	1,337,685	1,469,744	1,275,279	1,427,350	1,410,304	1,352,662
Total Business-Type Activities	<u>1,337,685</u>	<u>1,469,744</u>	<u>1,275,279</u>	<u>1,427,350</u>	<u>1,410,304</u>	<u>1,352,662</u>
Total Primary Government	<u>\$ 8,065,649</u>	<u>\$ 8,386,691</u>	<u>\$ 7,961,819</u>	<u>\$ 7,710,204</u>	<u>\$ 8,166,512</u>	<u>\$ 7,827,327</u>
Program Revenues:						
Government Activities:						
Charges for Services:						
Project Review Fees	\$ 954,476	\$ 448,296	\$ 876,021	\$ 366,912	\$ 282,293	\$ 479,565
Operating Grants and Contributions	1,165,723	1,358,461	1,583,973	1,602,338	2,274,450	2,361,212
Total Governmental Activities Program Revenue	<u>2,120,199</u>	<u>1,806,757</u>	<u>2,459,994</u>	<u>1,969,250</u>	<u>2,556,743</u>	<u>2,840,777</u>
Business-Type Activities:						
Charges for Services:						
Water Supply Storage Facilities	3,417,057	2,860,915	2,498,258	2,592,260	2,789,943	2,553,975
Total Business-Type Activities Program Revenue	<u>3,417,057</u>	<u>2,860,915</u>	<u>2,498,258</u>	<u>2,592,260</u>	<u>2,789,943</u>	<u>2,553,975</u>
Total Commission Program Revenues	<u>\$ 5,537,256</u>	<u>\$ 4,667,672</u>	<u>\$ 4,958,252</u>	<u>\$ 4,561,510</u>	<u>\$ 5,346,686</u>	<u>\$ 5,394,752</u>

Delaware River Basin Commission
Changes in Net Assets - (Accrual Basis of Accounting)
Last Six Fiscal Years Unaudited

	Fiscal Year Ended June 30,					
	2012	2011	2010	2009	2008	2007
Net (Expense)/Revenue:						
Governmental Activities	\$ (4,607,765)	\$ (5,110,190)	\$ (4,226,546)	\$ (4,313,604)	\$ (4,199,465)	\$ (3,633,888)
Business-type Activities	2,079,372	1,391,171	1,222,979	1,164,910	1,379,639	1,201,313
Total Commission-Wide Net Expense	<u>\$ (2,528,393)</u>	<u>\$ (3,719,019)</u>	<u>\$ (3,003,567)</u>	<u>\$ (3,148,694)</u>	<u>\$ (2,819,826)</u>	<u>\$ (2,432,575)</u>
General Revenues and Other Changes in Net Assets:						
Governmental Activities:						
Grants and Contributions Not Restricted to Special Programs	\$ 2,188,000	\$ 2,283,505	\$ 2,884,550	\$ 3,347,170	\$ 2,828,000	\$ 2,766,000
Investment Earnings	1,409	108,599	5,093	98,997	281,466	350,683
Miscellaneous Income (Loss)	39,059	76,188	26,553	119,399	41,929	(14,022)
Transfers	1,934,429	1,713,692	1,730,159	807,841	1,002,330	928,122
Total Governmental Activities	<u>4,162,897</u>	<u>4,181,984</u>	<u>4,646,355</u>	<u>4,373,407</u>	<u>4,153,725</u>	<u>4,030,783</u>
Business-Type Activities:						
Investment Earnings	774,484	1,445,172	1,129,480	(153,002)	511,730	1,256,858
Transfers	(1,934,429)	(1,713,692)	(1,730,159)	(807,841)	(1,002,330)	(928,122)
Total Business-Type Activities	<u>(1,159,945)</u>	<u>(268,520)</u>	<u>(600,679)</u>	<u>(960,843)</u>	<u>(490,600)</u>	<u>328,736</u>
Total Commission-Wide	<u>\$ 3,002,952</u>	<u>\$ 3,913,464</u>	<u>\$ 4,045,676</u>	<u>\$ 3,412,564</u>	<u>\$ 3,663,125</u>	<u>\$ 4,359,519</u>
Changes in Net Assets:						
Governmental Activities	\$ (444,868)	\$ (928,206)	\$ 419,809	\$ 59,803	\$ (45,740)	\$ 396,895
Business-Type Activities	919,427	1,122,651	622,300	204,067	889,039	1,530,049
Total Commission	<u>\$ 474,559</u>	<u>\$ 194,445</u>	<u>\$ 1,042,109</u>	<u>\$ 263,870</u>	<u>\$ 843,299</u>	<u>\$ 1,926,944</u>

**Delaware River Basin Commission
Fund Balances and Governmental Funds
(Modified Accrual Basis of Accounting)
Last Six Years - Unaudited**

	Fiscal Year Ending June 30,					
	2012	2011	2010	2009	2008	2007
General Fund:						
Restricted	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000
Unreserved	<u>3,770,871</u>	<u>4,191,649</u>	<u>4,880,803</u>	<u>4,309,531</u>	<u>4,143,531</u>	<u>4,235,780</u>
Total General Fund	<u>\$ 4,070,871</u>	<u>\$ 4,491,649</u>	<u>\$ 5,180,803</u>	<u>\$ 4,609,531</u>	<u>\$ 4,443,531</u>	<u>\$ 4,535,780</u>
All other Governmental Funds:						
Unreserved, Reported in:						
Special Revenue Fund	<u>\$ 346,785</u>	<u>\$ 354,472</u>	<u>\$ 396,121</u>	<u>\$ 478,708</u>	<u>\$ 507,128</u>	<u>\$ 640,282</u>
Total All Other Governmental Funds	<u>\$ 346,785</u>	<u>\$ 354,472</u>	<u>\$ 396,121</u>	<u>\$ 478,708</u>	<u>\$ 507,128</u>	<u>\$ 640,282</u>

Delaware River Basin Commission
Changes in Fund Balances - Governmental Funds
(Modified Accrual Basis of Accounting)
Last Ten Years - Unaudited

	Fiscal Year Ended June 30									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues:										
Signatory Party Contributions:										
State of Delaware	\$ 465,593	\$ 127,000	\$ 447,000	\$ 496,995	\$ 491,331	\$ 438,067	\$ 471,494	\$ 574,675	\$ 593,271	\$ 732,902
State of New Jersey	903,500	893,000	893,000	941,305	1,043,702	999,879	940,476	960,209	938,263	972,815
State of New York	365,500	370,505	472,800	638,891	696,009	611,520	498,750	485,000	500,134	507,424
Commonwealth of Pennsylvania	686,411	1,075,016	1,194,567	1,396,978	1,389,812	1,255,610	1,326,777	1,417,592	1,356,926	1,332,976
United States	692,322	887,067	1,177,445	1,247,241	1,089,108	673,229	410,476	436,097	644,646	459,701
Water Pollution Control Grant	-	-	-	-	-	650,890	689,172	943,369	746,476	625,793
Sale of Publications	3,450	2,604	3,797	3,850	4,410	3,700	145	2,133	2,524	3,724
Project Review Fees	954,518	448,296	876,021	366,912	282,293	479,565	370,271	306,873	211,378	27,757
Overhead Reimbursement	-	-	-	-	-	-	80,000	80,000	80,000	80,000
Investment Income	1,366	108,599	4,989	98,997	281,466	350,683	232,101	107,045	36,936	101,672
Fines, Assessments and Other Income	293,152	362,961	306,574	343,646	430,010	504,913	540,461	620,289	557,504	146,546
Total Revenues	4,365,812	4,275,048	5,376,193	5,534,815	5,708,141	5,968,056	5,560,123	5,933,282	5,668,058	4,991,310
Expenditures:										
Personal Services	3,254,446	3,200,330	3,164,452	3,073,105	2,989,978	2,867,064	2,617,945	2,380,689	2,732,350	2,854,463
Special and Contractual Services	1,176,378	1,258,916	1,299,652	1,296,004	2,030,419	1,927,198	1,327,441	2,059,070	1,815,623	2,065,858
Other Services	140,884	169,136	135,232	142,164	146,511	155,277	145,772	132,827	130,831	139,891
Supplies and Materials	55,422	57,534	64,701	65,482	65,046	88,058	107,704	102,366	70,932	110,055
Buildings and Grounds	186,302	175,127	191,007	224,765	330,318	172,807	200,340	164,191	149,698	157,632
Communications	20,134	26,147	34,047	40,325	45,724	50,352	38,776	43,249	41,789	56,407
Travel	46,018	66,133	50,258	46,794	62,724	62,186	48,402	65,744	57,402	67,110
Maintenance, Replacements Acquisitions and Rentals	139,677	81,939	116,964	167,845	201,450	304,166	171,220	138,098	481,808	107,227
Fringe Benefits and Other Contributions	1,709,443	1,684,286	1,561,351	1,148,468	1,063,827	937,374	845,612	735,338	743,579	784,016
Total Expenditures	6,728,704	6,719,548	6,617,664	6,204,952	6,935,997	6,564,482	5,503,212	5,821,572	6,224,012	6,342,659
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(2,362,892)	(2,444,500)	(1,241,471)	(670,137)	(1,227,856)	(596,426)	56,911	111,710	(555,954)	(1,351,349)
Other Financing Sources/(Uses):										
Operating Transfers In	2,384,568	2,215,026	2,323,696	1,425,080	1,863,910	1,370,076	1,785,534	1,206,558	1,578,124	2,126,164
Operating Transfer (Out)	(450,138)	(501,334)	(593,537)	(617,240)	(861,580)	(441,954)	(1,173,257)	(572,070)	(820,837)	(1,257,854)
Total Other Financing Sources and Uses	1,934,430	1,713,692	1,730,159	807,840	1,002,330	928,122	612,277	634,488	757,287	868,310
Net Change in Fund Balances	\$ (428,462)	\$ (730,808)	\$ 488,688	\$ 137,703	\$ (225,526)	\$ 331,696	\$ 669,188	\$ 746,198	\$ 201,333	\$ (483,039)

Delaware River Basin Commission
Outstanding Debt By Type
Last Ten Years - Unaudited

Fiscal Year Ended June 30,	Business- Type Activities <u>Due to U.S. Army Corps of Engineers</u>	Governmental Fund Type <u>Capital Lease</u>	Total
2012	\$ 12,418,024	\$ -	\$ 12,418,024
2011	12,678,838	-	12,678,838
2010	13,247,073	-	13,247,073
2009	13,491,240	12,456	13,503,696
2008	14,022,355	22,513	14,044,868
2007	14,250,939	46,591	14,297,530
2006	14,612,104	21,836	14,633,940
2005	15,092,040	31,444	15,123,484
2004	15,299,098	6,355	15,305,453
2003	15,747,688	13,447	15,761,135

D. Supplemental Schedules

Delaware River Basin Commission
Schedule of Active Special Projects - Unaudited
Through June 30, 2012

Schedule 1
 Sheet # 1

	Riverware Modeling 201	Neversink Monitoring 202	FFMP Feasibility Study 282	USGS Monitors 310	Website Improvements 313	Data Management System 314	Data Tracking 314A	Groundwater Pennsylvania Protected Area 315	Port Jarvis Ice Flow Maintenance Project 320	HVAC System 324	Assessment of NG Impacts 326A	NG Software Tool and Process 328B	Page Total
Cumulative Expenditures From Date of Inception Through June 30, 2011	\$ -	\$ -	\$ -	\$ 3,035,853	\$ -	\$ 150,000	\$ -	\$ 5,840,984	\$ 3,729	\$ (226,504)	\$ -	\$ -	\$ 8,804,062
Current Fiscal Year Expenditures and Encumbrances:													
Personal Services	5,619	636	1,483	-	19,660	9,576	-	84,336	-	-	10,063	19,990	151,363
Special and Contractual Services	-	-	-	191,231	12,169	-	-	-	-	-	-	-	203,400
Supplies, Materials and Equipment	-	-	-	-	-	-	-	800	-	-	-	-	800
Travel and Communications	-	-	-	-	12	-	-	12	-	-	391	-	415
Fringe Benefits	3,495	396	922	-	11,927	2,725	-	43,320	-	-	4,937	11,463	79,185
Transfers and Refunds	3,571	404	(2,405)	(95,821)	(43,768)	(12,301)	-	53,587	-	-	1,539	3,145	(92,049)
Total Current Fiscal Year Expenditures	12,685	1,436	-	95,410	-	-	-	182,055	-	-	16,930	34,598	343,114
Total Expenditures from date of Inception through June 30, 2012	12,685	1,436	-	3,131,263	-	150,000	-	6,023,039	3,729	(226,504)	16,930	34,598	9,147,176
Total Funding Awarded for Project	15,120	50,000	-	3,343,440	-	150,000	75,000	6,291,000	96,749	-	82,500	649,000	10,752,809
Capital Expenditures	-	-	-	-	-	-	5,385	-	-	-	-	-	5,385
Funding Available to Complete Project	\$ 2,435	\$ 48,564	\$ -	\$ 212,177	\$ -	\$ -	\$ 69,615	\$ 267,961	\$ 93,020	\$ 226,504	\$ 65,570	\$ 614,402	\$ 1,605,633

Delaware River Basin Commission
Schedule of Active Special Projects - Unaudited
Through June 30, 2012

Schedule 1
 Sheet # 2

	Exelon 59 Degree Lim. 329A	Dupont Chambers works Discharge 329B	FFMP 336	Early Warning System 343	Natural Gas Monitoring 350A	PA Water Planning 353	Page Total
Cumulative Expenditures From Date of Inception Through June 30, 2011	\$ 17,688	\$ 63,388	\$ 41,072	\$ 318,119	\$ 9,408	\$ 930,988	\$ 1,380,663
Current Fiscal Year Expenditures and Encumbrances:							
Personal Services	17,175	-	-	-	3,351	24	20,550
Special and Contractual Services	-	-	5,328	64,080	-	-	69,408
Supplies, Materials and Equipment	-	-	-	-	1,223	800	2,023
Travel and Communications	116	-	-	-	75	-	191
Fringe Benefits	10,192	-	-	-	1,048	15	11,255
Transfers and Refunds	(27,483)	-	-	-	2,079	15	(25,389)
Total Current Fiscal Year Expenditures	-	-	5,328	64,080	7,776	854	78,038
Total Expenditures from date of Inception through June 30, 2012	17,688	63,388	46,400	382,199	17,184	931,842	1,458,701
Total Funding Awarded for Project	17,688	63,388	61,993	384,536	150,000	1,100,000	1,777,605
Capital Expenditures	-	-	-	-	-	5,799	5,799
Funding Available to Complete Project	\$ -	\$ -	\$ 15,593	\$ 2,337	\$ 132,816	\$ 162,359	\$ 313,105

Delaware River Basin Commission
Schedule of Active Special Projects - Unaudited
Through June 30, 2012

Schedule 1
 Sheet # 3

	Sec. 106 Water Pollution Control grant 362	USGS Boat Run Expansion 362U	Flood Impact Mitigation 363	Lower Delaware Model Point Discharge Study 364	Delaware Estuary Mercury Study 369	Enhanced Floodplain Management 385	Ecological Flow Recommendations 386	Schedule Total
Cumulative Expenditures From Date of Inception Through June 30, 2011	\$ 1,319,683	\$ -	\$ 465,000	\$ 37,561	\$ -	\$ 291,462	\$ -	\$ 12,298,431
Current Fiscal Year Expenditures and Encumbrances:								
Personal Services	251,233	-	1,570	-	-	8,258	-	432,974
Special and Contractual Services	355,542	18,453	35,000	9,123	15,093	128,334	2,196	836,549
Supplies, Materials and Equipment	11,679	-	-	-	-	-	-	14,502
Travel and Communications	2,379	-	-	-	-	-	-	2,985
Fringe Benefits	134,543	-	747	-	-	5,283	-	231,013
Transfers and Refunds	(264,974)	31,243	(2,317)	-	-	1,228	-	(352,258)
Total Current Fiscal Year Expenditures	490,402	49,696	35,000	9,123	15,093	143,103	2,196	1,165,765
Total Expenditures from date of Inception through June 30, 2012	1,810,085	49,696	500,000	46,684	15,093	434,565	2,196	13,464,196
Total Funding Awarded for Project	2,053,294	49,696	500,000	130,000	110,961	434,565	104,511	15,913,441
Capital Expenditures	15,067	-	-	-	-	-	-	26,251
Funding Available to Complete Project	\$ 228,142	\$ -	\$ -	\$ 83,316	\$ 95,868	\$ -	\$ 102,315	\$ 2,422,994

Delaware River Basin Commission
General Fund Expenditures - By Category and Object - Unaudited
Year Ended June 30, 2012
(With comparative Totals for June 30, 2011)

	2012	2011
Personnel Services	\$ 2,822,930	\$ 2,897,255
Special and Contractual Services:		
Auditing	15,785	15,785
Computer and Financial	15,885	14,559
All other Special and Contractual Services	<u>308,158</u>	<u>308,565</u>
Total Special and Contractual Services	<u>339,828</u>	<u>338,909</u>
Other Services:		
Insurance	110,022	111,058
Advertising	5,351	21,097
Memberships	15,194	20,940
All Other	<u>10,417</u>	<u>14,387</u>
Total Other Services	<u>140,984</u>	<u>167,482</u>
Supplies and Materials:		
Vehicular	13,269	12,181
Office	24,943	25,722
Printing	-	925
Library	<u>4,308</u>	<u>6,025</u>
Total Supplies and Materials	42,520	44,853
Buildings and Grounds	186,302	175,109
Communications:		
Postage	4,128	6,584
Telephone and Other	<u>15,065</u>	<u>15,470</u>
Total Communications	<u>19,193</u>	<u>22,054</u>
Travel:		
Travel	26,742	29,310
Commission Meeting Expense	<u>17,237</u>	<u>26,713</u>
Total Travel	43,979	56,023
Maintenance, Replacements, Acquisitions and Rentals:		
Office Equipment	19,612	21,437
Vehicular Equipment	14,338	11,599
Computers	12,054	17,037
Office Equipment Rental	45	509
Depreciation	<u>95,781</u>	<u>107,023</u>
Total Maintenance, Replacements, Acquisitions and Rentals	<u>141,830</u>	<u>157,605</u>
Fringe Benefits and Other Contributions:		
Employees' Retirement	340,037	321,294
Social Security	198,648	199,368
Health and Dental Benefits	894,458	906,523
Unemployment Compensation	8,090	8,004
Long-term Disability	10,352	11,280
Other Fringes	<u>-</u>	<u>501</u>
Total Fringe Benefits and Other Contributions	<u>1,451,585</u>	<u>1,446,970</u>
Total General Fund Expenditures	<u>\$ 5,189,151</u>	<u>\$ 5,306,260</u>

Delaware River Basin Commission
Changes in Special Projects
Advance/(Receivable) Balance - By Project - Unaudited
Year Ended June 30, 2012

Advances:	Project	Balance July 1, 2011	Cash Receipts	Transfers	Expenditures	Balance June 30, 2012
	201 Riverware Modeling	\$ -	\$ 15,120	\$ (3,571)	\$ (9,114)	\$ 2,435
	310 USGS Monitors	51,176	160,590	95,821	(191,231)	116,356
	312A Oasis Motel	5,592	-	-	-	5,592
	314A Data Tracking - Haas Trust	75,000	-	-	-	75,000
	315 Groundwater - PA	360,017	90,000	(53,587)	(128,469)	267,961
	320 Upper Delaware Ice Jam	92,978	42	-	-	93,020
	322 Flow and Temp. Modeling	16,622	-	-	-	16,622
	326A Assessment of NG Impacts	-	82,500	(1,539)	(15,391)	65,570
	326B NG Software Tool, Planning	-	217,800	(3,145)	(31,453)	183,202
	336 Flexible Flow Mgmt. Plan	20,921	-	-	(5,328)	15,593
	343 Early Warning System	-	66,417	-	(64,080)	2,337
	350A NG Monitoring Haas Trust	140,593	-	(2,079)	(5,698)	132,816
	353 PA Water Planning	213,214	(50,000)	(15)	(840)	162,359
	362U USGS Funded Boat Runs	-	49,696	(18,453)	(31,243)	-
	363 Flood Impact Mitigation	35,000	-	2,318	(37,318)	-
	372 William Penn Foundation	6,000	-	-	-	6,000
	372A Courtyard Project	26,220	4,925	-	-	31,145
	373 William Penn Fd. - PCBs	3,843	-	-	-	3,843
	374 William Penn Comp. Plan	466,503	(54,511)	-	-	411,992
	384 Nutrient Expert Panel	24,743	-	-	-	24,743
	386 Ecological Flow Recommendations	-	104,511	-	(2,196)	102,315
	Total Advances	\$ 1,538,422	\$ 687,090	\$ 15,750	\$ (522,361)	\$ 1,718,901
Accounts Receivable:						
	202 Neversink Water Quality Monitoring	\$ -	\$ -	\$ (404)	\$ (1,032)	\$ (1,436)
	310 USGS Monitors	(30,370)	30,370	-	-	-
	315 PA Protected Area	(4,750)	4,750	-	-	-
	329B DuPont Chamber Works	(63,388)	63,388	-	-	-
	362 Water Pollution Control	(84,535)	294,768	264,974	(755,376)	(280,169)
	385 Enhanced Flood Warning System	(14,952)	14,952	-	-	-
	Total Accounts Receivable	\$ (197,995)	\$ 408,228	\$ 264,570	\$ (756,408)	\$ (281,605)

SINGLE AUDIT SCHEDULES



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners of the
Delaware River Basin Commission
West Trenton, New Jersey

We have audited the financial statements of the government activities, the business-type activities and each major fund of the Delaware River Basin Commission (the "Commission"), as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated December 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Local Government Services, State of New Jersey.

Internal Control Over Financial Reporting

Management of the Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, detected and corrected on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of the management and Commissioner's of the Delaware River Basin Commission, the U.S. Environmental Protection Agency and other awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McEnerney, Brady & Company, LLC

McEnerney, Brady & Company, LLC
Certified Public Accountants
Livingston, New Jersey
December 28, 2012



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners of the
Delaware River Basin Commission
West Trenton, New Jersey

Compliance

We have audited the Delaware River Basin Commission's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect each of the Commission's major federal programs for the year ended June 30, 2012. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United State of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Commission's compliance with those requirements.

In our opinion, the Commission, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, the Delaware River Basin Commission, the U.S. Environmental Protection Agency and other awarding pass-through entities and is not to be and should not be used by anyone other than these specified parties.

McEnerney, Brady & Company, LLC

McEnerney, Brady & Company, LLC
Certified Public Accountants
Livingston, New Jersey
December 28, 2012

Delaware River Basin Commission
 Schedule of Federal and State Awards
 Year Ending June 30, 2012

Federal Grantor/Program Title	Federal CFDA #	DRBC Project #	Grant Period	Award Amount	Cash Received	Expenditures	Cumulative Expenditures
Federal Awards:							
U.S. Environmental Protection Agency:							
Water Pollution Control Grant	66.419	362	1/1/10-12/31/12	\$ 2,053,294	\$ 294,768	\$ 490,402	\$ 1,413,712
Department of the Interior - Water Monitoring	15.63	362U	4/1/10-10/31/11	49,696	49,696	49,696	49,696
NPS-Lower Delaware Point Discharger Study	15.935	364	10/1/09-9/30/14	130,000	9,123	9,123	46,684
NOAA-Enhanced Flood Warning System	11.467	385	8/1/09-3/31/12	434,565	158,054	143,102	434,565
Total Direct Programs				<u>2,667,555</u>	<u>511,641</u>	<u>692,323</u>	<u>1,944,657</u>
Total Federal Awards				<u>\$ 2,667,555</u>	<u>\$ 511,641</u>	<u>\$ 692,323</u>	<u>\$ 1,944,657</u>

The Accompanying Notes to the Schedule of Federal and State Awards are an integral part of this schedule.

**DELAWARE RIVER BASIN COMMISSION
NOTES TO SCHEDULES OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2012**

1. GENERAL:

The accompanying Schedule of Expenditures of Federal and State awards present the activity of all awards of the Delaware River Basin Commission. The Delaware River Basin Commission is defined in Note 1 to the Commission's financial statements. All federal and state awards received directly from federal agencies, as well as, federal awards and financial assistance passed through other government agencies, is included on the Schedule of Expenditures of Federal and State Awards.

2. BASIS OF ACCOUNTING:

The accompanying Schedule of Expenditures of Federal and State Awards are presented using the accrual basis of accounting.

3. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS:

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

**DELAWARE RIVER BASIN COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

Section 1 - Summary of Auditor's Results

FINANCIAL STATEMENT SECTION

Type of auditor's reports issued:

Unqualified

Internal control over financial reporting:

1) Material weakness(es) identified?

___ Yes X No

2) Were significant deficiencies identified that were not considered to be material weaknesses?

___ Yes X None Reported

Noncompliance material to general purpose financial statements noted?

___ Yes X No

FEDERAL AWARDS SECTION

Internal Control over major programs:

1) Material weakness(es) identified?

___ Yes X No

2) Were significant deficiencies identified that were not considered to be material weaknesses?

___ Yes X None Reported

Type of auditor's report issued on compliance for major programs

Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section 510(a))?

___ Yes X No

Identification of major federal programs:

Title

CFDA #

EPA Water Pollution Control Grant

66.419

