



# **Delaware River Basin Commission**

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DELAWARE • NEW JERSEY  
PENNSYLVANIA • NEW YORK  
UNITED STATES OF AMERICA

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**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT  
AND REPORTS ON INTERNAL  
CONTROL AND COMPLIANCE**

**YEAR ENDED JUNE 30, 2016**

**ZELENKOF SKE AXELROD LLC  
Jamison, Pennsylvania**

DELAWARE RIVER BASIN COMMISSION  
YEAR ENDED JUNE 30, 2016

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DELAWARE RIVER BASIN COMMISSION  
YEAR ENDED JUNE 30, 2016

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# Zelenkofske Axelrod LLC

## INDEPENDENT AUDITORS' REPORT

To the Commissioners  
Delaware River Basin Commission

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Delaware River Basin Commission ("Commission") as of and for the year ended at June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Commission's statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of the Commission at June 30, 2016 and 2015, and the respective changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

# Zelenkofske Axelrod LLC

To the Commissioners  
Delaware River Basin Commission  
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## **Adoptions of Governmental Accounting Standards Board Pronouncements**

As described in Note 1 to the financial statements, for the year ended June 30, 2016 the Commission adopted the provisions of Governmental Accounting Standards No. 72, "*Fair Value Measurement and Application*," the provisions of Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*," the provisions of Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*," the provisions of Statement No. 79, "*Certain External Investment Pools and Pool Participants*". Our opinions are not modified with respect to these matters.

## **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of revenues, expenditures and changes in fund balances budget and actual, schedule of commission's contributions, and schedule of commission's proportionate share of net pension liability on pages 4 through 9, 43 through 44, 45, 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying required supplemental information and schedule of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and New Jersey State Office of Management and Budget Circular Letter 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The information included in the required supplemental information and schedule of expenditures of federal and state awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic

# Zelenkofske Axelrod LLC

To the Commissioners  
Delaware River Basin Commission  
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financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the required supplemental information and schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The statistical section and supplemental schedules are presented for the purposes of additional analysis and are not a required part of the financial statements.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2017 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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* in considering the Commission's internal control over financial reporting and compliance.

*Zelenkofske Axelrod LLC*  
ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania  
January 20, 2017

DELAWARE RIVER BASIN COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDING JUNE 30, 2016

## Who We Are

The Delaware River Basin Commission was formed in 1961 by compact 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 loss reduction and recreation.

## Overview

Our discussion and analysis provides an overview of the Commission's financial activities for the fiscal year ending June 30, 2016. Please read it in conjunction with the Commission's financial statements.

## Financial Highlights

- The Commission's general fund net position is a deficit of \$4,066,966 as of June 30, 2016, a decrease of \$57,034.
- The total cost of the Commission's governmental programs and projects was \$6,415,559.
- The Commission's business-type net position stands at \$17,988,859 as of June 30 2016, an increase of \$622,972.

## Using This Annual Report

This annual report consists of a series of financial statements. The *Statement of Net Position* (p. 10) and the *Statement of Activities* (p. 11) 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 12. These statements tell how governmental activities were financed in the short-term.

## Reporting the Commission as a Whole

The Statement of Net Position 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 Position* 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 position and changes in them. You can think of the Commission's net position - 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 position 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.

DELAWARE RIVER BASIN COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR FISCAL YEAR ENDING JUNE 30, 2016

All references to government-wide statements include both governmental activities and business-type activities. In the *Statement of Net Position* 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, Water Resource Management, Science and Water Quality Management, Water Resource Operations 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 Position 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 Position 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, 2016 the net positions of the governmental and business-type activities total (\$3,588,275) and \$17,988,859 respectively. A decrease of \$10,176 in net position resulted from governmental activities and an increase of \$622,972 in net position resulted from business activities for the fiscal year ending June 30, 2016.



DELAWARE RIVER BASIN COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR FISCAL YEAR ENDING JUNE 30, 2016

Net position is classified into three categories: unrestricted, restricted and invested in capital assets (net of related debt). For the year ending June 30, 2016 the government-wide investment in capital assets increased by \$71,693. The increase in invested in capital assets is the difference between capitalized costs and depreciation charges during the fiscal year.

### Governmental Activities

For the fiscal year ending June 30, 2016, revenues, excluding inter-fund transfers, increased by \$290,942 or approximately 7% from the prior fiscal year. General Fund revenues from the signatory parties were the same as the prior year. Project Review revenue was \$839,249, higher by \$240,620. Revenue from Special Projects was \$1,946 less than the prior fiscal year. Details of this decrease are presented in the table below:

Project Name	FY16	FY15	Change
310 USGS Monitoring	\$ 193,098	\$ 193,034	\$ 64
314A Date Tracking-Haas Trust	-	777	(777)
315 PA Protected Area	114,021	113,361	660
326B WPF-Software Tool, Planning Process	182,305	159,969	22,336
326C WPF-Exp Baseline Mon.	6,730	57,987	(51,257)
327A Nutrient Monitorg of Discharges	28,383	-	28,383
329A Consumptive Use Review	-	8,617	(8,617)
343 Early Warning System	62,532	78,249	(15,717)
350A NG Monitoring-Haas Trust	14,473	37	14,436
353 PA State Water Plan	299	2,419	(2,120)
361 PADEP-PPL Ash Spill	3,939	-	3,939
362 Base-106 Base Grant	869,793	834,375	35,418
364 LDM Point Discharger Study	-	25,086	(25,086)
375 NJ Flood Outreach	1,505	5,113	(3,608)
Grand Total	<u>\$ 1,477,078</u>	<u>\$ 1,479,024</u>	<u>\$ (1,946)</u>

The cost of all governmental activities this year was \$6,415,599. The portion of this cost that was paid by signatory contributions was \$1,933,500 with the balance of costs being funded by grants, fees, miscellaneous income and interfund transfers.

### Business-Type Activities

For the fiscal year ending June 30, 2016, water sales revenues decreased \$74,958, approximately 2%, to \$3,482,420. Operating expenses were \$1,350,951, up \$432,741 mainly due to increased contractual services and increased maintenance expenses for the Blue Marsh reservoir. Net operating transfers out were \$1,902,894, down \$23,576 from fiscal 2015. Non-operating revenues were \$394,397 up \$371,937 from fiscal 2015 due to investment gains and income. These items are responsible for net income of \$622,972 for the fiscal year ending June 30, 2016, \$112,186 less than fiscal 2015.

DELAWARE RIVER BASIN COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR FISCAL YEAR ENDING JUNE 30, 2016

### The Commission's Funds

For the fiscal year ending June 30, 2016 the Commission's governmental funds reported a combined total of \$4,458,314 in fund balance, a decrease of \$54,649 from fiscal 2015. This is \$186,014 better than fiscal 2015 results.

The unassigned fund balance at June 30, 2016 is \$3,746,921, an increase of \$81,281 over fiscal 2015. The following table compares the components of fund balance at June 30, 2016 and June 30, 2015:

	FY16	FY15	Change
Committed for Early Retirement	\$ 300,000	\$ 300,000	\$ -
Committed for Post-Employment Benefits	8,232	8,013	219
Assigned for Vacation and Compensatory Time	150,090	175,000	(24,910)
Assigned for Sick Pay	83,910	110,000	(26,090)
Assigned to Complete Special Projects	169,161	254,310	(85,149)
Unassigned	<u>3,746,921</u>	<u>3,665,640</u>	<u>81,281</u>
 Total Fund Balance	 <u>\$ 4,458,314</u>	 <u>\$ 4,512,963</u>	 <u>\$ (54,649)</u>

Special project revenues were \$1,477,078, \$1,946 less than fiscal 2015. The 106, water pollution control grant had revenues of \$869,793, \$35,418 better than fiscal 2015.

### General Fund Budgetary Highlights

The budget for the fiscal year ending June 30, 2016 has not been amended since its original adoption. For fiscal 2016 the Commission reported a total unfavorable variance of \$54,649.

Notable revenue variances include an unfavorable variance of \$715,000 in federal revenue, an unfavorable variance of \$316,000 in revenue from the Commonwealth of Pennsylvania, a \$439,249 favorable variance in revenue from project review fees and a favorable variance of \$100,281 in other income, due to an insurance settlement. Overall there is an unfavorable revenue variance of \$479,988 for fiscal 2016.

Notable expense variances include favorable personal services and fringe benefits variances of \$219,408 and \$168,523 due to a management reorganization, delays in filling vacancies and lower than anticipated post-employment benefit expenses. The favorable variance in special and contractual services is due to lower than expected legal fees, under budget by \$81,494 and lower than expected technical and scientific services, under budget by \$14,130. The favorable expense variance in building and grounds of \$150,799 is due to HVAC improvements that were not undertaken. Overall there is a favorable expense variance of \$630,547.

There is an unfavorable variance in transfers in of \$3,582. Transfers out were \$564,626, an unfavorable variance of \$201,626. In total net transfers were worse than budget by \$205,208.

### Capital Asset and Debt Administration

#### Capital Assets

As of June 30, 2016, the Commission reported \$5,666,150 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.

DELAWARE RIVER BASIN COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR FISCAL YEAR ENDING JUNE 30, 2016

**Debt**

As of June 30, 2016 the Commission had \$21,391,145 in long-term debt outstanding. This can be broken down into five categories:

- \$10,583,426 for loans due to the Army Corps of Engineers for construction of water storage facilities
- \$9,001,635 as a net pension liability plus \$924,360 in deferred inflows related to the pension liability (see footnote 7)
- \$388,099 due to the State of New Jersey for the early retirement program that was adopted September 25, 1991
- \$453,531 for employees accrued leave time
- \$40,094 for equipment leases

The Government Accounting Standards Board (GASB) has issued new statements that address accounting for other post-employment benefits (OPEB), such as retiree health insurance that will take effect June 30, 2017. When implemented, these statements may require the Commission to recognize the unfunded portion of its actuarially determined liability for retiree health insurance benefits. As of July 1, 2015, this liability was actuarially measured at \$4,798,519.

**Economic Conditions and Outlook**

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, the liability for pension benefits 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, 2016 the cumulative federal shortfall totals \$12.8 million. For the fiscal year ending June 30, 2016 the Commission did not receive a signatory contribution from the federal government.

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

On December 14, 2016 the Commission adopted a comprehensive revision of its regulatory program fees, including an automatic annual indexed inflation adjustment for most fees, and an annual automatic inflation adjustment for its water supply charging rates, applicable to consumptive and non-consumptive surface water withdrawals. The new program fees will be effective January 1, 2017 and will provide a predictable annual revenue stream.

For projects subject to regulatory review by both the DRBC and a basin state, the Commission has established a One Process/One Permit program to provide administrative agreement for the issuance of a single approval instrument, incorporating the applicable requirements of the two authorities.

To implement the One Process/One Permit program, the Commission entered into administrative agreements with the States of New Jersey and New York in March 2015 and March 2016, respectively.

The Commission had entered into administrative agreements with the State of Delaware and the Commonwealth of Pennsylvania in May 2013 and August 1976 respectively, that are not under the One Process/One Permit program.

DELAWARE RIVER BASIN COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR FISCAL YEAR ENDING JUNE 30, 2016

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.

**Contacting the Commission**

The financial report is designed to provide our customers, investors, and creditors with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Delaware River Basin Commission's Director of Finance and Administration, P.O. Box 7360, West Trenton, NJ 08628-0360.

DELAWARE RIVER BASIN COMMISSION  
STATEMENT OF NET POSITION  
JUNE 30, 2016  
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2015)

	General Fund	Special Projects	Governmental Activities	Business-type Activities	Totals (Memorandum Only)	
					June 30, 2016	June 30, 2015
<b>Assets:</b>						
Cash and Cash Equivalents	\$ 2,592,333	\$ 1,376,911	\$ 3,969,244	\$ 1,417,448	\$ 5,386,692	\$ 7,576,546
Investments	1,999,730	-	1,999,730	22,490,843	24,490,573	21,158,904
OPEB Asset	8,232	-	8,232	-	8,232	8,013
Interest Receivable	-	-	-	-	-	121,864
Receivables (Net)						
Due From Other Governments	173,250	338,782	512,032	-	512,032	177,989
Interfund Receivable	-	-	-	-	-	260,000
Interest	-	-	-	111,790	111,790	-
Other	-	-	-	-	-	-
Water Sales	-	-	-	839,000	839,000	838,640
Reimbursable Water Supply Storage Facility Costs	-	-	-	60,224	60,224	75,040
Prepaid Expenses	81,683	3,000	84,683	-	84,683	35,166
Capital Assets (net)	859,089	478,691	1,337,780	4,328,370	5,666,150	6,053,232
<b>Total Assets</b>	<b>\$ 5,714,317</b>	<b>\$ 2,197,384</b>	<b>\$ 7,911,701</b>	<b>\$ 29,247,675</b>	<b>\$ 37,159,376</b>	<b>\$ 36,305,394</b>
<b>Deferred Outflows of Resources</b>						
Differences between expected and actual experiences	214,747	-	214,747	-	214,747	-
Changes in pension assumptions	966,704	-	966,704	-	966,704	-
<b>Total Deferred Outflows of Resources</b>	<b>\$ 1,181,451</b>	<b>\$ -</b>	<b>\$ 1,181,451</b>	<b>\$ -</b>	<b>\$ 1,181,451</b>	<b>\$ -</b>
<b>Liabilities and Net Position:</b>						
Accounts Payable	\$ 91,195	\$ 101,347	\$ 192,542	\$ 391,402	\$ 583,944	\$ 398,434
Interfund Payable	-	-	-	-	-	260,000
Accrued Interest	-	-	-	177,401	177,401	186,694
Employee Compensation and Benefits	14,708	-	14,708	-	14,708	94,355
Advances	171,011	1,602,033	1,773,044	-	1,773,044	903,673
Accrued Leave Time	428,552	15,313	443,865	9,666	453,531	450,700
Long Term Liabilities:						
Early Retirement Program	291,178	-	291,178	96,921	388,099	439,251
Net Pension Liability	9,001,635	-	9,001,635	-	9,001,635	8,076,921
Lease Obligation	40,094	-	40,094	-	40,094	51,183
Due to US Army Corps of Engineers	-	-	-	-	-	-
Due within one year	-	-	-	498,409	498,409	481,971
Due in more than one year	-	-	-	10,085,017	10,085,017	10,583,426
<b>Total Liabilities</b>	<b>10,038,373</b>	<b>1,718,693</b>	<b>11,757,066</b>	<b>11,258,816</b>	<b>23,015,882</b>	<b>21,926,608</b>
<b>Deferred Inflows of Resources</b>						
Difference between projected and actual investment earnings	144,729	-	144,729	-	144,729	481,341
Changes in Pension Proportions	779,631	-	779,631	-	779,631	363,639
<b>Total Deferred Inflows of Resources</b>	<b>924,360</b>	<b>-</b>	<b>924,360</b>	<b>-</b>	<b>924,360</b>	<b>844,980</b>
<b>Net Position (Deficit)*</b>						
Invested in Capital Assets, Net of Related Debt	818,995	478,691	1,297,686	(6,255,056)	(4,957,370)	(5,063,348)
Restricted	8,232	-	8,232	-	8,232	8,013
Unrestricted	(4,894,193)	-	(4,894,193)	24,243,915	19,349,722	18,843,123
<b>Total Net Position</b>	<b>\$ (4,066,966)</b>	<b>\$ 478,691</b>	<b>\$ (3,588,275)</b>	<b>\$ 17,988,859</b>	<b>\$ 14,400,584</b>	<b>\$ 13,787,788</b>

DELAWARE RIVER BASIN COMMISSION  
STATEMENT OF ACTIVITIES  
JUNE 30, 2016  
(WITH SUMMARIZED FINANCIAL INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015)

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues		Net (Expense) Revenue and Change in Net Position			
			Charges for Services/Usage	Operating Grants and Contributions	Governmental Activities	Business-type Activities	June 30, 2016	June 30, 2015
Primary government:								
General government	\$ 2,585,242	\$ (1,748,171)	\$ -	\$ -	\$ (837,071)	\$ -	\$ (837,071)	\$ (843,104)
Water Resource Management	1,159,005	528,974	839,249	-	(848,730)	-	(848,730)	(897,400)
Science and Water Quality Management	462,150	210,927	-	-	(673,077)	-	(673,077)	(591,666)
Water Resource Operations	477,538	217,950	-	-	(695,488)	-	(695,488)	(912,419)
Special projects	1,731,624	790,320	-	1,477,078	(1,044,866)	-	(1,044,866)	(1,082,823)
Total Governmental Activities	6,415,559	-	839,249	1,477,078	(4,099,232)	-	(4,099,232)	(4,327,412)
Business-Type Activities:								
Water Supply Storage Facilities	1,720,829	-	3,482,420	-	-	1,761,591	1,761,591	2,253,327
Total Primary Government	\$ 8,136,388	\$ -	\$ 4,321,669	\$ 1,477,078	\$ (4,099,232)	\$ 1,761,591	\$ (2,337,641)	\$ (2,074,085)
General revenues:								
Grants and contributions not restricted to special programs					\$ 1,933,500	\$ -	\$ 1,933,500	\$ 1,933,500
Investment earnings					13,975	764,275	778,250	408,301
Miscellaneous income					238,687	-	238,687	186,306
Transfers					1,902,894	(1,902,894)	-	-
Total general revenues and transfers					4,089,056	(1,138,619)	2,950,437	2,528,107
Change in net assets					(10,176)	622,972	612,796	454,022
Net Position-Beginning of Year					(3,578,099)	17,365,887	13,787,788	22,009,093
Cumulative Change								(8,675,327)
Net Position-Ending of Year					\$ (3,588,275)	\$ 17,988,859	\$ 14,400,584	\$ 13,787,788

DELAWARE RIVER BASIN COMMISSION  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2016  
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2015)

	General Fund	Special Projects Fund	Totals (Memorandum Only)	
			June 30, 2016	June 30, 2015
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 2,592,333	\$ 1,376,911	\$ 3,969,244	\$ 5,722,484
Investments	1,999,730	-	1,999,730	-
OPEB Asset	8,232	-	8,232	8,013
Accounts Receivable	173,250	338,782	512,032	177,989
Interfund Receivable	-	-	-	260,000
Prepaid Expenses	81,683	3,000	84,683	35,167
Total Assets	<u>\$ 4,855,228</u>	<u>\$ 1,718,693</u>	<u>\$ 6,573,921</u>	<u>\$ 6,203,653</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 91,195	\$ 101,347	\$ 192,542	\$ 298,433
Interfund Payable	-	-	-	260,000
Employee Compensation and Benefits	14,708	-	14,708	94,355
Advances	171,011	1,602,033	1,773,044	903,673
Accrued Vacation and Sick Time	120,000	15,313	135,313	134,229
Total Liabilities	<u>396,914</u>	<u>1,718,693</u>	<u>2,115,607</u>	<u>1,690,690</u>
<b>Fund Balances:</b>				
<b>Committed:</b>				
Early Retirement	300,000	-	300,000	300,000
Retirement Benefits Fund	8,232	-	8,232	8,013
<b>Assigned:</b>				
Designated for Vacation and Compensatory Time	150,090	-	150,090	175,000
Designated for Sick Pay Retirement	83,910	-	83,910	110,000
Designated for Completion of Special Projects	169,161	-	169,161	254,310
Unassigned	<u>3,746,921</u>	<u>-</u>	<u>3,746,921</u>	<u>3,665,640</u>
Total Fund Balances	<u>4,458,314</u>	<u>-</u>	<u>4,458,314</u>	<u>4,512,963</u>
Total Liabilities and Fund Balances	<u>\$ 4,855,228</u>	<u>\$ 1,718,693</u>		
Total Net Position Reported for Governmental Activities in the Statement of Net Position is Different Because:				
Capital Assets used in Governmental Activities are Not Financial Resources and Therefore are Not Reported in the Funds.			1,337,780	1,277,176
Long-Term Liabilities are Not Due and Payable in the Current Period and Therefore are Not Reported in the Funds.			(639,825)	(700,319)
Change in Pension Assumptions			1,181,451	253,982
Net Pension Liability			(9,001,635)	(8,076,921)
Difference between projected and actual investment earnings			(144,729)	(481,341)
Change in Pension Proportions			<u>(779,631)</u>	<u>(363,639)</u>
Total Net Position of Governmental Activities			<u>\$ (3,588,275)</u>	<u>\$ (3,578,099)</u>

DELAWARE RIVER BASIN COMMISSION  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2016  
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2015)

	(Totals Memorandum Only)			
	General Fund	Special Projects Funds	June 30, 2016	June 30, 2015
Revenues				
Signatory Party Contributions:				
State of Delaware	\$ 447,000	\$ -	\$ 447,000	\$ 447,000
State of New Jersey	693,000	1,505	694,505	698,113
State of New York	359,500	-	359,500	359,500
Commonwealth of Pennsylvania	434,000	114,320	548,320	549,780
Federal Government United States	-	869,793	869,793	859,461
Sale of Publications	2,707	-	2,707	2,778
Project Review Fees	839,249	-	839,249	598,629
Investment Income	13,975	-	13,975	-
Fines, Assessments and Other Income	235,981	491,460	727,441	696,287
Total Revenues	<u>3,025,412</u>	<u>1,477,078</u>	<u>4,502,490</u>	<u>4,211,548</u>
Expenditures:				
Personnel Services	2,487,892	473,538	2,961,430	3,011,603
Special and Contractual Services	123,266	900,727	1,023,993	955,814
Other Services	168,158	190	168,348	165,871
Supplies and Materials	37,262	20,921	58,183	47,237
Buildings and Grounds	191,701	44,860	236,561	202,329
Communications	27,383	7,365	34,748	26,274
Travel	52,912	6,253	59,165	61,060
Maintenance, Replacements, Acquisitions and Rentals	153,302	46,391	199,693	145,549
Fringe Benefits and Other Contributions	1,439,677	278,235	1,717,912	1,762,944
Total Expenditures	<u>4,681,553</u>	<u>1,778,480</u>	<u>6,460,033</u>	<u>6,378,681</u>
Excess of Expenditures Over Revenues	<u>(1,656,141)</u>	<u>(301,402)</u>	<u>(1,957,543)</u>	<u>(2,167,133)</u>
Other Financing Sources (Uses):				
Operating Transfers In	2,166,118	627,873	2,793,991	2,262,609
Operating Transfers (Out)	<u>(564,626)</u>	<u>(326,471)</u>	<u>(891,097)</u>	<u>(336,139)</u>
Total Other Financing Sources - Net	<u>1,601,492</u>	<u>301,402</u>	<u>1,902,894</u>	<u>1,926,470</u>
Net Change in Fund Balances	(54,649)	-	(54,649)	(240,663)
Fund Balances-Beginning of Year	<u>4,512,963</u>	<u>-</u>	<u>4,512,963</u>	<u>4,753,626</u>
Fund Balances-End of Year	<u>\$ 4,458,314</u>	<u>\$ -</u>	<u>\$ 4,458,314</u>	<u>\$ 4,512,963</u>



DELAWARE RIVER BASIN COMMISSION  
GOVERNMENTAL FUNDS  
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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Net Change in Fund Balances - Governmental Funds	\$ (54,649)	\$ (240,663)
The change in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is amortized over their estimated useful lives and reported as depreciation expense. This is the amount by which capital assets of \$223,057 exceeds depreciation \$151,363 in the current period.	71,694	(56,407)
Repayment of compensated absences is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.	(1,748)	(21,531)
Loss on disposal of assets is reported in the statement of activities but excluded from governmental funds.	-	(14,091)
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 position and is not reported in the statement of activities.	51,152	44,148
Change in Pension Expense	<u>(76,625)</u>	<u>7,408</u>
Changes in Net Position of Governmental Activities	<u>\$ (10,176)</u>	<u>\$ (281,136)</u>

DELAWARE RIVER BASIN COMMISSION  
 PROPRIETARY FUND  
 STATEMENT OF NET POSITION  
 JUNE 30, 2016  
 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2015)

	Business-Type Activities		Totals	
	<u>Enterprise Funds</u>		(Memorandum Only)	
	Water Supply Storage Facilities	June 30, 2016	June 30, 2015	June 30, 2015
<b>Assets</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 1,417,448	\$ 1,417,448	\$ 1,854,062	
Investments	22,490,843	22,490,843	21,158,904	
Other Interest Receivables	111,790	111,790	121,864	
Water Sales Receivables (Net)	839,000	839,000	838,640	
Reimbursable Water Supply Storage Facility Costs	<u>60,224</u>	<u>60,224</u>	<u>75,040</u>	
Total Current Assets	<u>24,919,305</u>	<u>24,919,305</u>	<u>24,048,510</u>	
Non Current Assets:				
Land, Building and Improvements (Net)	4,308,414	4,308,414	4,729,900	
Furniture and Equipment (Net)	<u>19,956</u>	<u>19,956</u>	<u>46,156</u>	
Total Non Current Assets	<u>4,328,370</u>	<u>4,328,370</u>	<u>4,776,056</u>	
Total Assets	<u>\$ 29,247,675</u>	<u>\$ 29,247,675</u>	<u>\$ 28,824,566</u>	
<b>Liabilities and Net Position</b>				
Liabilities:				
Current Liabilities:				
Accounts Payable	\$ 391,402	\$ 391,402	\$ 100,001	
Interfund Payable	-	-	-	
Accrued Interest	177,401	177,401	186,694	
Due To US Army Corps of Engineers	<u>498,409</u>	<u>498,409</u>	<u>481,971</u>	
Total Current Liabilities	<u>1,067,212</u>	<u>1,067,212</u>	<u>768,666</u>	
Non Current Liabilities:				
Accrued Leave Time				
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	<u>10,085,017</u>	<u>10,085,017</u>	<u>10,583,426</u>	
Total Non Current Liabilities	<u>10,191,604</u>	<u>10,191,604</u>	<u>10,690,013</u>	
Total Liabilities	<u>11,258,816</u>	<u>11,258,816</u>	<u>11,458,679</u>	
Net Position				
Invested in Capital Assets, Net of Related Debt	(6,255,056)	(6,255,056)	(6,289,341)	
Unrestricted	<u>24,243,915</u>	<u>24,243,915</u>	<u>23,655,228</u>	
Total Net Position	<u>17,988,859</u>	<u>17,988,859</u>	<u>17,365,887</u>	
Total Liabilities and Net Position	<u>\$ 29,247,675</u>	<u>\$ 29,247,675</u>	<u>\$ 28,824,566</u>	

DELAWARE RIVER BASIN COMMISSION  
 PROPRIETARY FUND  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 YEAR ENDED JUNE 30, 2016  
 (WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2015)

	Business-Type Activities	Totals	
	<u>Enterprise Funds</u>	(Memorandum Only)	
	Water Supply Storage Facility	June 30, 2016	June 30, 2015
Operating Revenue:			
Charges for Services:			
Water Sales	\$ 3,482,420	\$ 3,482,420	\$ 3,557,378
Total Operating Revenue	<u>3,482,420</u>	<u>3,482,420</u>	<u>3,557,378</u>
Operating Expenses:			
Special and Contractual Services	903,265	903,265	447,871
Legal Expense	-	-	6,818
Depreciation	<u>447,686</u>	<u>447,686</u>	<u>463,521</u>
Total Operating Expenses	<u>1,350,951</u>	<u>1,350,951</u>	<u>918,210</u>
Operating Income:	<u>2,131,469</u>	<u>2,131,469</u>	<u>2,639,168</u>
Nonoperating Revenues (Expenses):			
Interest Income	532,767	532,767	562,024
Realized Gain on Sales of Investments	(205,290)	(205,290)	309,717
Net Increase in Fair Value of Investments	436,798	436,798	(463,440)
Interest Expense	<u>(369,878)</u>	<u>(369,878)</u>	<u>(385,841)</u>
Total Nonoperating Revenues	<u>394,397</u>	<u>394,397</u>	<u>22,460</u>
Net Income Before Operating Transfers	2,525,866	2,525,866	2,661,628
Net Operating Transfers (Out)	<u>(1,902,894)</u>	<u>(1,902,894)</u>	<u>(1,926,470)</u>
Change in Net Position	622,972	622,972	735,158
Total Net Position - Beginning of Year	<u>17,365,887</u>	<u>17,365,887</u>	<u>16,630,729</u>
Total Net Position - End of Year	<u>\$ 17,988,859</u>	<u>\$ 17,988,859</u>	<u>\$ 17,365,887</u>

DELAWARE RIVER BASIN COMMISSION  
 PROPRIETARY FUND  
 STATEMENT OF CASH FLOWS  
 FOR YEAR ENDED JUNE 30, 2016  
 (WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2015)

	Business-Type Activities	Totals	
	Enterprise Funds	(Memorandum Only)	
	Water Supply Storage Facilities	June 30, 2016	June 30, 2015
Cash Flows From Operating Activities:			
Cash Received from Water Users	\$ 3,482,070	\$ 3,482,070	\$ 3,548,987
Payments to Vendors and Suppliers	(606,350)	(606,350)	(371,330)
Net Cash Provided from Operations	<u>2,875,720</u>	<u>2,875,720</u>	<u>3,177,657</u>
Cash Flows From Financing Activities:			
Operating Transfers to Other Funds	(1,902,894)	(1,902,894)	(1,926,470)
Net Cash Used in Noncapital and Related Financing Activities	<u>(1,902,894)</u>	<u>(1,902,894)</u>	<u>(1,926,470)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	-	-	(730)
Interest Paid	(369,379)	(369,379)	(395,008)
Principal Received	-	-	14,321
Internal Balances	-	-	-
Principal Paid	(481,971)	(481,971)	(466,076)
Net Cash Used in Capital and Related Financing Activities	<u>(851,350)</u>	<u>(851,350)</u>	<u>(847,493)</u>
Cash Flows from Investing Activities:			
Interest Received	542,841	542,841	571,191
Sale (Purchase) of Investments, Net	(1,100,931)	(1,100,931)	(844,632)
Net Cash Used in Investing Activities	<u>(558,090)</u>	<u>(558,090)</u>	<u>(273,441)</u>
Net Increase/( Decrease) in Cash and Cash Equivalents	(436,614)	(436,614)	130,253
Cash and Cash Equivalents-Beginning of Year	<u>1,854,062</u>	<u>1,854,062</u>	<u>1,723,809</u>
Cash and Cash Equivalents-End of Year	<u>\$ 1,417,448</u>	<u>\$ 1,417,448</u>	<u>\$ 1,854,062</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income	\$ 2,131,469	\$ 2,131,469	\$ 2,639,168
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and Net Amortization	447,686	447,686	463,521
Changes in Operating Assets and Liabilities:			
Decrease (Increase) in Accounts Receivable	14,816	14,816	(8,391)
Increase in Water Sales Receivable	(360)	(360)	-
Increase in Accounts Payable	291,402	291,402	83,359
(Decrease) in Accounts Payable	(9,293)	(9,293)	-
Total Adjustments	<u>744,251</u>	<u>744,251</u>	<u>538,489</u>
Net Cash Provided by Operating Activities	<u>\$ 2,875,720</u>	<u>\$ 2,875,720</u>	<u>\$ 3,177,657</u>

DELAWARE RIVER BASIN COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1: NATURE OF ORGANIZATION AND 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, policies, 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.

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, 2016 for the year then ended.

A) Reporting Entity

Government accounting principles require the financial reporting entity to include the primary government, organizations for which the primary government is financially accountable and other organizations, for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on these criteria, the Commission has no component units and the reporting entity is composed solely of the primary government.

B) Government-Wide and Fund Financial Statements

The Government-wide financial statements (i.e., statement of net position, 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.

DELAWARE RIVER BASIN COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Entity (Continued)

B) Government-Wide and Fund Financial Statements (Continued)

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 an 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 as 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 except debt service and net pension liability, 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.

DELAWARE RIVER BASIN COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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 an other 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 governmental funds:

- The General Fund is the primary 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. Many of the basic activities of the Commission are accounted for in this fund, including the daily operations of the Commission.
- The Special Projects Fund 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.
- The Commission's Enterprise Fund 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.

DELAWARE RIVER BASIN COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(Continued)

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. Non-operating 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.



DELAWARE RIVER BASIN COMMISSION  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2016

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D) Assets, Liabilities, and Net Assets or Equity (Continued)

2. Receivables and Payables

• Interfund Receivables and Payables

Activity between funds that are 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 "inter-fund 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 historical 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 outlay of 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:

<u>Asset</u>	<u>Years</u>
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.

DELAWARE RIVER BASIN COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D) Assets, Liabilities, and Net Assets or Equity

6. Accrued Vacation and Sick Time

The Commission had a liability of \$453,531 representing vacation and sick time earned by employees as of June 30, 2016. Of this amount, \$443,865 is reported as a liability of Governmental activities and \$9,666 is shown as a liability of Business-type activities. In the government funds – balance sheet, liabilities of \$120,000 and \$15,313 were reflected in the General Fund and Special Projects Fund, respectively. There is also designated equity of \$234,000 for paid leave in the General Fund. 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.

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund type 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.

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 advances. The Commission deems revenue received within 365 days of the year end to be available.

9. Net Assets/Fund Balances

The government-wide and business-type activities fund financial statements utilize a net position presentation, classified as follows:

- *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 Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net assets of the Commission, not restricted for any project or other purpose.

DELAWARE RIVER BASIN COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D) Assets, Liabilities, and Net Assets or Equity (Continued)

9. Net Assets/Fund Balances (Continued)

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. Deferred Inflows/Outflows of Resources

The Statements of Net Position report separate sections for deferred outflows and deferred inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources (expense/revenue) until then. The Commission has one item that qualifies for reporting in these categories: deferred outflows and inflows related to pensions.

DELAWARE RIVER BASIN COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D) Assets, Liabilities, and Net Assets or Equity (Continued)

11. Deferred Inflows/Outflows of Resources (Continued)

Deferred outflows and inflows of resources related to pensions are described further in Note 7. The components of deferred outflows of resources are amortized into pension expense over a 6.44 year closed period, which reflects the weighted average remaining service life of all State of New Jersey Public Employees' Retirement System (PERS) members beginning the year in which the deferred amount occurs (current year). The components of deferred inflows, the annual difference between the projected and actual earnings on PERS investments, are amortized over a five-year closed period beginning the year in which the difference occurs (current year).

12. Pensions

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

13. 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.

14. Adoption of Governmental Accounting Standards Board (GASB) Statements

The Commission adopted the provisions of GASB's Statement No. 72, "Fair Value Measurement and Application." The adoption of this statement had no effect on previously reported amounts.

The Commission adopted the provisions of GASB's Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68." The adoption of this statement had no effect on previously reported amounts.

The Commission adopted the provisions of GASB's Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments." The adoption of this statement had no effect on previously reported amounts.

The Commission adopted the provisions of GASB's Statement No. 79, "Certain External Investment Pools and Pool Participants." The adoption of this statement had no effect on previously reported amounts.

DELAWARE RIVER BASIN COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D) Assets, Liabilities, and Net Assets or Equity (Continued)

15. Pending Governmental Accounting Standards Board (GASB) Statements

The Government Accounting Standards Board has issued GASB's Statement No. 74, "Financial Reporting for Postemployment Benefit Plans other than Pension Plans." This statement is required to be adopted by the Commission for the year ending June 30, 2017. The Commission has not determined the effect of GASB's Statement No. 74 on the financial statements.

The Government Accounting Standards Board has issued GASB's Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." This statement is required to be adopted by the Commission for the year ending June 30, 2018. The Commission has not determined the effect of GASB's Statement No. 75 on the financial statements.

The Government Accounting Standards Board has issued GASB's Statement No. 77, "Tax Abatement Disclosures." This statement is required to be adopted by the Commission for the year ending June 30, 2017. The Commission has not determined the effect of GASB's Statement No. 77 on the financial statements.

The Government Accounting Standards Board has issued GASB's Statement No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans" This statement is required to be adopted by the Commission for the year ending June 30, 2017. The Commission has not determined the effect of GASB's Statement No. 78 on the financial statements.

The Government Accounting Standards Board has issued GASB's Statement No. 80, "Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14" This statement is required to be adopted by the Commission for the year ending June 30, 2017. The Commission has not determined the effect of GASB's Statement No. 80 on the financial statements.

The Government Accounting Standards Board has issued GASB's Statement No. 81, "Irrevocable Split-Interest Agreements" This statement is required to be adopted by the Commission for the year ending June 30, 2018. The Commission has not determined the effect of GASB's Statement No. 81 on the financial statements.

The Government Accounting Standards Board has issued GASB's Statement No. 82, "Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73" This statement is required to be adopted by the Commission for the year ending June 30, 2018. The Commission has not determined the effect of GASB's Statement No. 82 on the financial statements.

DELAWARE RIVER BASIN COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016

NOTE 2: BUDGETS

The Commission's funds are 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 and Integral Part Trust (for OPEBs). 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 and Special Projects Funds the following authorized investments:

- A) U.S. government obligations, U.S. government agency obligations, and U.S. government instrumentality obligations, which 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 will be 30% (+/-5%) allocated to equities and 70% (+/-5%) to fixed income securities and money market investments and that the portfolio should be rebalanced to fall within the investment target at a minimum of every six (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 Sterling Advisors and Wilmington Trust Investment Management, LLC. These firms are currently managing the 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.

DELAWARE RIVER BASIN COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016

NOTE 3: CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

The following table shows the cash and investments of the Commission as of June 30, 2016 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	371,192	332,875	819,163	1,523,230
Cash Equivalents - New Jersey Cash Management Fund	2,220,741	1,044,036	6,268	3,271,045
Cash Equivalents - Susquehanna Trust & Investment Company	-	-	256,302	256,302
Cash Equivalents - Wilmington Trust Company	-	-	335,715	335,715
Total Cash and Cash Equivalents	<u>\$ 2,592,333</u>	<u>\$ 1,376,911</u>	<u>\$ 1,417,448</u>	<u>\$ 5,386,692</u>
Investments:				
Federal Obligations - Wells Fargo Investments	\$ 1,999,730	\$ -	\$ -	\$ 1,999,730
Federal Obligations - Branch Bank & Trust Company	-	-	207,514	207,514
Corporate Obligations - Branch Bank & Trust Company	-	-	6,226,613	6,226,613
Municipal Obligations - Branch Bank & Trust Company	-	-	1,357,802	1,357,802
Equities - Branch Bank & Trust Company	-	-	3,386,691	3,386,691
Subtotal Susquehanna Trust & Investment Company	-	-	11,178,620	11,178,620
Federal Obligations - Wilmington Trust Company	-	-	4,290,438	4,290,438
Corporate Obligations - Wilmington Trust Company	-	-	3,254,090	3,254,090
Equities - Wilmington Trust Company	-	-	3,767,695	3,767,695
Subtotal Wilmington Trust Company	-	-	11,312,223	11,312,223
Total Investments	<u>1,999,730</u>	<u>-</u>	<u>22,490,843</u>	<u>24,490,573</u>
Total Cash, Cash Equivalents and Investments	<u>\$ 4,592,063</u>	<u>\$ 1,376,911</u>	<u>\$ 23,908,291</u>	<u>\$ 29,877,265</u>

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.

Branch Bank & Trust 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.

DELAWARE RIVER BASIN COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016

## NOTE 3: CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

The following table shows the fair value of federal, state, municipal and corporate obligations held by maturity range of June 30, 2016:

Maturity:	Municipal Obligations	Corporate Obligations	Federal Obligations	Total
Less than 1 year	\$ -	\$ 363,945	\$ 1,049,485	\$ 1,413,430
1 to 5 years	1,035,764	5,515,761	3,997,995	10,549,520
5 to 10 years	322,038	3,382,564	1,450,202	5,154,804
10 to 15 years	-	218,433	-	218,433
Totals	<u>\$ 1,357,802</u>	<u>\$ 9,480,703</u>	<u>\$ 6,497,682</u>	<u>\$ 17,336,187</u>

The following table displays the fair value of corporate obligations, by Standard & Poor rating as of June 30, 2016:

<u>Corporate Obligations</u>	
A	\$ 2,348,452
A-	1,291,222
A+	997,110
A1	141,419
A2	259,926
A3	599,582
AA-	907,299
AA1	20,354
AA2	142,609
AA3	143,333
BAA1	826,474
BAA2	809,903
BAA3	260,307
BBB+	<u>732,713</u>
Totals	<u>\$ 9,480,703</u>

Equity Investments held by Branch Bank & Trust Company (for the Commission's account with Sterling Advisors), 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.



DELAWARE RIVER BASIN COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016

NOTE 3: CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

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 investments pools.

Custodial Credit Risk – Deposits are exposed to custodial credit risk if they are not covered by depository 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 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, 2016, 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.

DELAWARE RIVER BASIN COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016

## 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 & Improvements	\$ 2,225,421	\$ 53,415		\$ 2,278,836
Furniture & Equipment	1,309,357	158,552	-	1,467,909
Total Capital Assets Being Depreciated	3,534,778	211,967	-	3,746,745
Less: Accumulated Depreciation for:				
Building & Improvements	(1,178,835)	(58,840)	-	(1,237,675)
Furniture & Equipment	(1,078,768)	(92,523)	-	(1,171,291)
Total Accumulated Depreciation	<u>(2,257,603)</u>	<u>(151,363)</u>	<u>-</u>	<u>(2,408,966)</u>
Total Capital Assets Being Depreciated, Net	<u>1,277,175</u>	<u>60,604</u>	<u>-</u>	<u>1,337,779</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,277,176</u>	<u>\$ 60,604</u>	<u>\$ -</u>	<u>\$ 1,337,780</u>
Water Supply Storage Facilities:				
Capital Assets Being Depreciated:				
Water Supply Storage Facilities	\$ 21,074,316	\$ -	\$ -	\$ 21,074,316
Furniture & Equipment	147,868	-	-	147,868
Total Capital Assets Being Depreciated	21,222,184	-	-	21,222,184
Less: Accumulated Depreciation for:				
Water Supply Storage Facilities	(16,344,416)	(421,486)	-	(16,765,902)
Furniture & Equipment	(101,712)	(26,200)	-	(127,912)
Total Accumulated Depreciation	<u>(16,446,128)</u>	<u>(447,686)</u>	<u>-</u>	<u>(16,893,814)</u>
Business-Type Capital Assets Being Depreciated Net	<u>\$ 4,776,056</u>	<u>\$ (447,686)</u>	<u>\$ -</u>	<u>\$ 4,328,370</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
General Government	\$ 2,043,128	\$ 112,362	\$ -	\$ 2,155,490
Special Projects	214,475	39,001	-	253,476
Total Depreciation Expense - Governmental Activities	2,257,603	151,363	-	2,408,966
Business-Type Activities:				
Water Supply Storage Facilities	16,446,128	447,686	-	16,893,814
Total Depreciation Expense - Business-Type Activities	<u>\$ 16,446,128</u>	<u>\$ 447,686</u>	<u>\$ -</u>	<u>\$ 16,893,814</u>

DELAWARE RIVER BASIN COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016

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 amount of \$4,353.80 in January, April, July, and October at an interest rate of 3.463%. Repayment terms as of June 30, 2016, require the following principal and interest payments:

Fiscal Years Ending June 30	Principal	Interest	Total
2017	\$ 15,329	\$ 2,086	\$ 17,415
2018	15,861	1,554	17,415
2019	16,410	1,005	17,415
Thereafter	<u>12,624</u>	<u>438</u>	<u>13,062</u>
Total	<u>\$ 60,224</u>	<u>\$ 5,083</u>	<u>\$ 65,307</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 Water Supply Storage 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, 2016, was \$369,878. Water sales revenue and interest income are used to pay operating expenses and debt service.

DELAWARE RIVER BASIN COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016

## NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Other Liabilities					
Compensated Absences	\$ 441,034	\$ -	\$ 2,831	\$ 443,865	\$ 120,000
Early Retirement	<u>342,330</u>	<u>-</u>	<u>(51,152)</u>	<u>291,178</u>	<u>70,188</u>
Total Other Liabilities	<u>783,364</u>	<u>-</u>	<u>(48,321)</u>	<u>735,043</u>	<u>190,188</u>
Governmental Activities Long-Term Liabilities	<u>\$ 783,364</u>	<u>\$ -</u>	<u>\$ (48,321)</u>	<u>\$ 735,043</u>	<u>\$ 190,188</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Business-Type Activities:					
Bonds and Notes Payable:					
Due to Army Corps of Engineers	\$ 11,065,397	\$ -	\$ (481,971)	\$ 10,583,426	\$ 498,409
Total Bonds and Notes Payable	<u>11,065,397</u>	<u>-</u>	<u>(481,971)</u>	<u>10,583,426</u>	<u>498,409</u>
Other Liabilities:					
Compensated Absences	9,666	-	-	9,666	-
Early Retirement	<u>96,921</u>	<u>-</u>	<u>-</u>	<u>96,921</u>	<u>-</u>
Total Other Liabilities	<u>106,587</u>	<u>-</u>	<u>-</u>	<u>106,587</u>	<u>-</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 11,171,984</u>	<u>\$ -</u>	<u>\$ (481,971)</u>	<u>\$ 10,690,013</u>	<u>\$ 498,409</u>

An analysis of debt service requirements to maturity on these obligations follows (with the exception of compensated absences):

Fiscal Years Ending June 30	Principal Requirements	Interest Requirements	Total Debt Service Requirements
2017	\$ 498,409	\$ 362,734	\$ 861,143
2018	515,407	345,735	861,142
2019	532,987	328,155	861,142
2020	551,167	309,975	861,142
2021	569,968	291,174	861,142
2022 - 2026	3,155,123	1,150,588	4,305,711
2027 - 2031	2,870,391	584,748	3,455,139
2032 - 2036	1,302,761	242,828	1,545,589
2037 - 2038	<u>587,213</u>	<u>31,023</u>	<u>618,236</u>
	<u>\$ 10,583,426</u>	<u>\$ 3,646,960</u>	<u>\$ 14,230,386</u>

DELAWARE RIVER BASIN COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016

NOTE 7: EMPLOYEE RETIREMENT PLAN

**General Information about the Pension Plan**

The Commission participates in the State of New Jersey Public Employees' Retirement System (PERS), a cost-sharing, multi-employer, contributory, defined-benefit plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrprts.shtml](http://www.state.nj.us/treasury/pensions/annrprts.shtml).

Pension vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits described in note 8.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007.
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008.
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010.
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011.
5	Members who were eligible to enroll on or after June 28, 2011.

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 by State of New Jersey legislation.

During the fiscal year ending June 30, 2016, members contributed at a uniform rate of 7.06% of base salary; 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.

Employer contributions are actuarially determined by PERS. The Commission's contribution requirements for the years ended June 30, 2016, 2015, and 2014 were \$344,752, \$355,637 and \$342,020.

Contact information for PERS is as follows:

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

DELAWARE RIVER BASIN COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016

NOTE 7: EMPLOYEE RETIREMENT PLAN (CONTINUED)

**Benefits Provided**

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching the age of 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age of their respective tier.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the fiscal year ending June 30, 2015 the Commission implemented Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68). GASB 68 requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to member contributions. The employer allocation percentages are based on the ratio of the Commission's contributions as an individual employer to total contributions to the PERS during the measurement period July 1, 2014 through June 30, 2015.

At June 30, 2016, the Commission reported a liability of \$9,001,635 for its proportionate share of the net pension liability. The net liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on the ratio of the Commission's contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2015 and 2014. At June 30, 2015 the Commission's proportion was .0400999473%, which was a decrease of .003096963% from the previous year. At June 30, 2016, the Commission reported deferred outflows of pension resources of \$966,704 from changes in assumptions and \$214,747 of differences between expected and actual experience that will be amortized over 6.44 years. Deferred inflows of \$144,729 and \$779,631 were reported as the net difference between actual and projected investment earnings, and changes in proportion respectively, and will be amortized over 5 and 6.44 years respectively.

For the fiscal year ending June 30, 2016, the Commission recognized pension expense of \$421,365.

DELAWARE RIVER BASIN COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016

## NOTE 7: EMPLOYEE RETIREMENT PLAN (CONTINUED)

**Actuarial Assumptions**

The total pension liability for the June 30, 2016 measurement was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	3.04%
Salary increases:	
2012-2021	2.15-4.40% based on age
Thereafter	3.15-5.40% based on age
Investment rate of return	7.90%

Mortality rates were based on the RP-2000 Combined Health Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

**Long-Term Expected Rate of Return**

In accordance with the New Jersey State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the NJ Directors of the Division of Investments and NJ Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
US. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Countries	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

DELAWARE RIVER BASIN COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016

NOTE 7: EMPLOYEE RETIREMENT PLAN (CONTINUED)

**Discount Rate**

The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014 respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014 respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on these assumptions, the plan's fiduciary net position was projected to be available to make future benefit payments through 2033. Therefore the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate**

The following represents the Commission's pro-rata share of the net pension liability as of June 30, 2015 and 2014 respectively, calculated using the discount rate described above as well as what the pro-rata share of the net pension liability would be if it was calculated using a discount rate that is 1 percentage point lower, or 1 percentage point higher than the current rate:

	<u>At 1% decrease</u>	<u>At Current</u> <u>Discount Rate</u>	<u>At 1% Increase</u>
	<u>(3.90%)</u>	<u>(4.90%)</u>	<u>(5.90%)</u>
June 30, 2015	\$ 8,911,619	\$ 9,001,635	\$ 9,091,651
June 30, 2014	\$ 10,161,042	\$ 8,076,921	\$ 6,326,790

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 impacted subsequent years, requiring employees to fund a portion of their health insurance premiums.



DELAWARE RIVER BASIN COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016

NOTE 8: RETIREMENT HEALTH CARE BENEFITS (CONTINUED)

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 the first actuarial valuation for the Commission's retiree health benefits program.

In 2009, the Commission opted for a funded plan and, as required, established an irrevocable trust to receive contributions to fund actuarially determined liabilities.

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.

The following table shows the activity in the Trust since FY 2010:

Fiscal Year	Contribution	Outlays	ARC	Totals
2010	\$ 449,000	\$ 277,468	\$ (566,000)	\$ 160,468
2011	358,303	270,199	(566,000)	62,502
2012	343,029	307,741	(566,000)	84,770
2013	-	324,671	(607,034)	(282,363)
2014	280,569	309,245	(606,918)	(17,104)
2015	251,000	355,658	(606,918)	(260)
2016	205,000	362,025	(566,806)	219
				<u>8,232</u>
	OPEB Asset at 6/30/2016			<u>\$ 8,232</u>

On June 30, 2015 the Integral Part Trust had assets valued at \$2,155,371.

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.

DELAWARE RIVER BASIN COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016

NOTE 8: RETIREMENT HEALTH CARE BENEFITS (CONTINUED)

The Commission's current actuarial valuation, issued by Brown & Brown in September 2015, concludes that as of July 1, 2015 the Commission's unfunded actuarial accrued liability is \$4,798,519. The resulting annual required contribution (ARC) required by the Commission is \$566,806.

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

Normal Cost	\$	180,111
Amortization Amount		386,695
Annual Required Contribution	\$	566,806

**Actuarial Assumptions and Methods Used in the July 1, 2015 Valuation**

**Economic Assumptions:**

Discount Rate 7%

Health Care Cost Trend Rates

<u>Year</u>	<u>Pre-65 Medical and Prescription Drugs</u>	<u>Post-65 Medical and Prescription Drugs and Medicare Part B</u>
2015	7.50%	5.00%
2016	7.00%	5.00%
2017	6.50%	5.00%
2018	6.00%	5.00%
2019	5.50%	5.00%
2020 & Later	5.00%	5.00%

Salary Increases 3%

Social Security Taxable Wage Base 3%

Consumer Price Index (inflation) 3%

**Benefit Assumptions:**

Future retirees are assumed to remain in the same medical plan they were covered under while active. The Per Capita claims cost is based on retiree premiums in effect for the valuation year projected with a medical trend inflation rate of 3% to the valuation date.

DELAWARE RIVER BASIN COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016

NOTE 8: RETIREMENT HEALTH CARE BENEFITS (CONTINUED)

**Demographic Assumptions:**

Mortality: Sex-distinct RP-2014 Employees and Healthy Annuitant Tables (headcount-weighted) and projected with scale MP-2014.

Retirement Rates: Earlier of (i) age 65 with completion of 15 years of Commission service, or (ii) age 62 with completion of 10 years of Commission service with 25 years of PERS service.

Withdrawal: Turnover rates vary by age. Illustrative annual rates per 1000 are as follows:

<u>Years of Service</u>	<u>Rate</u>	
1	250	
2	200	
3	150	
4	100	
	<u>Age</u>	<u>Rate</u>
5 or more	25	52.7
5 or more	30	48.3
5 or more	35	44.7
5 or more	40	38.4
5 or more	45	32.1
5 or more	50	15.2
5 or more	55	0
5 or more	60	0

Participation Rate: 100% of future retirees.

Spousal/Dependent Coverage: Future retirees will have spousal/dependent coverage upon retirement as they currently have. Current retiree spousal/dependent coverage information and spousal dates of births were provided by the Commission.

Expenses: Administrative expenses for reinsurance and medical and prescription drug costs are included in the above claims costs.

Decrement Timing: Mid-year.

**Actuarial Cost Method:**

The Projected Unit Credit method was used to determine the plan's cost.

The unfunded actuarial accrued liability is amortized as a level dollar amount using an open period of 30 years

DELAWARE RIVER BASIN COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016

## 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	\$ 2,166,118	\$ 564,626
Special Projects Fund	<u>627,873</u>	<u>326,471</u>
Total Governmental Funds	2,793,991	891,097
Enterprise Funds:		
Water Supply Storage Facilities Fund	<u>-</u>	<u>1,902,894</u>
Total	<u>\$ 2,793,991</u>	<u>\$ 2,793,991</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, 2016, 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 \$388,099 at June 30, 2016, of which \$291,178 has been recorded in the General Fund, 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, 2016, were \$85,483.

## 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 1, 1998). The federal government has not provided a contribution since 2009. The Commission continues its efforts to restore federal funding.

## NOTE 12: LITIGATION

The Commission is subject to litigation and threats of litigation arising out of its activities. In June of 2013 the Commission received notice from landowners asserting that they have been financially harmed as a result of the Commission's imposition of a moratorium on its consideration of natural gas well projects in shale formations in the Basin. The moratorium continues pending completion of natural gas rulemaking. The Commission believes the landowners' assertions are without merit, and if litigation is commenced, the Commission will vigorously defend. The amount or range of reasonably possible loss resulting from such litigation, if and when it is commenced, cannot reasonably be estimated at this time.

## NOTE 13: SUBSEQUENT EVENTS

The Commission has evaluated subsequent events occurring after June 30, 2016 through the date of January 2, 2017, 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  
SUPPLEMENTAL  
INFORMATION

DELAWARE RIVER BASIN COMMISSION  
 GENERAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL (GAAP BASIS)  
 YEARS ENDED JUNE 30, 2016 AND 2015

	2016			2015		
	Original Budget	Actual	Variance Final To Actual Favorable (Unfavorable)	Original Budget	Actual	Variance Final To Actual Favorable (Unfavorable)
Revenues:						
Signatory Party Contributions:						
State of Delaware	\$ 447,000	\$ 447,000	\$ -	\$ 447,000	\$ 447,000	\$ -
State of New Jersey	693,000	693,000	-	693,000	693,000	-
State of New York	359,500	359,500	-	359,500	359,500	-
Commonwealth of Pennsylvania	750,000	434,000	(316,000)	434,000	434,000	-
United States	715,000	-	(715,000)	715,000	-	(715,000)
Sale of Publications	2,700	2,707	7	2,700	2,778	78
Project Review Fees	400,000	839,249	439,249	400,000	598,629	198,629
Interest Income	2,500	13,975	11,475	2,500	-	(2,500)
Fines, Assessments and Other Income	135,700	235,981	100,281	132,300	197,617	65,317
Total Revenues	<u>3,505,400</u>	<u>3,025,412</u>	<u>(479,988)</u>	<u>3,186,000</u>	<u>2,732,524</u>	<u>(453,476)</u>

DELAWARE RIVER BASIN COMMISSION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (GAAP BASIS)(CONTINUED)  
YEARS ENDED JUNE 30, 2016 AND 2015

	2016			2015		
	Original Budget	Actual	Variance Final To Actual Favorable (Unfavorable)	Original Budget	Actual	Variance Final To Actual Favorable (Unfavorable)
Expenditures						
Personal Services	\$ 2,707,300	\$ 2,487,892	\$ 219,408	\$ 2,711,400	\$ 2,464,300	\$ 247,100
Special and Contractual Services	219,200	123,266	95,934	219,200	137,938	81,262
Other Services	158,000	168,158	(10,158)	158,000	165,686	(7,686)
Supplies and Other Materials	70,000	37,262	32,738	70,000	32,191	37,809
Buildings and Grounds	342,500	191,701	150,799	176,500	202,315	(25,815)
Communications	24,000	27,383	(3,383)	24,000	24,590	(590)
Travel	42,000	52,912	(10,912)	42,000	56,413	(14,413)
Maintenance, Replacements, Acquisitions and Rentals	140,900	153,302	(12,402)	47,800	97,669	(49,869)
Fringe Benefits and Other Contributions	<u>1,608,200</u>	<u>1,439,677</u>	<u>168,523</u>	<u>1,645,600</u>	<u>1,452,802</u>	<u>192,798</u>
Total Expenditures	<u>5,312,100</u>	<u>4,681,553</u>	<u>630,547</u>	<u>5,094,500</u>	<u>4,633,904</u>	<u>460,596</u>
Excess of Revenues Over (Under) Expenditures	(1,806,700)	(1,656,141)	150,559	(1,908,500)	(1,901,380)	7,120
Other Financing Sources (Uses)						
Operating Transfers In	2,169,700	2,166,118	(3,582)	2,086,400	1,926,137	(160,263)
Operating Transfers Out	<u>(363,000)</u>	<u>(564,626)</u>	<u>(201,626)</u>	<u>(363,000)</u>	<u>(265,420)</u>	<u>97,580</u>
Total Other Financing Sources (Uses)	1,806,700	1,601,492	(205,208)	1,723,400	1,660,717	(62,683)
Net Change in Fund Balances	-	(54,649)	(54,649)	(185,100)	(240,663)	(55,563)
Fund Balances-Beginning of Year	<u>4,512,963</u>	<u>4,512,963</u>	-	<u>4,753,626</u>	<u>4,753,626</u>	-
Fund Balances-End of Year	<u>\$ 4,512,963</u>	<u>\$ 4,458,314</u>	<u>\$ (54,649)</u>	<u>\$ 4,568,526</u>	<u>\$ 4,512,963</u>	<u>\$ (55,563)</u>

DELAWARE RIVER BASIN COMMISSION  
 SCHEDULE OF COMMISSION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 STATE OF NEW JERSEY  
 PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Last 10 Fiscal Years\*  
*(Dollar Amounts in Thousands)*

	<u>2016</u>	<u>2015</u>
Commission's proportion of the net pension liability	0.0400999473%	0.0431396436%
Commission's proportionate share of the net pension liability	\$ 9,001,635	\$ 8,076,921
Commission's covered-employee payroll	\$ 2,809,302	\$ 2,918,162
Commission's proportionate share of the net pension liability as a percentage of its covered-employee payroll	320.42%	276.78%
Plan fiduciary net position as a percentage of the total pension liability	47.93%	52.08%

\* The amounts presented for the fiscal year were determined as of the calendar year-end (12/31) that occurred within the fiscal year. The Commission adopted GASB 68 on a prospective basis in fiscal year 2015; therefore only two year is presented in the above schedule. The above amounts were taken from the State of New Jersey Public Employees Retirement System Schedules of



DELAWARE RIVER BASIN COMMISSION  
 SCHEDULE OF COMMISSION'S CONTRIBUTIONS  
 STATE OF NEW JERSEY  
 PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Last 10 Fiscal Years\*  
*(Dollar Amounts in Thousands)*

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 344,752	\$ 355,637
Contributions in relation to the contractually required contribution	<u>(344,752)</u>	<u>(355,637)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Commission's covered-employee payroll	2,809,302	2,918,162
Contributions as a percentage of covered- employee payroll	12.27%	12.19%

\* The Commission adopted GASB 68 on a prospective basis in fiscal year 2015; therefore only two year is presented in the above schedule.

**STATISTICAL SECTION UNAUDITED**

DELAWARE RIVER BASIN COMMISSION  
NET POSITION (DEFICIT) BY COMPONENT  
LAST SIX YEARS ENDING JUNE 30  
(ACCRUAL BASIS OF ACCOUNTING)  
UNAUDITED

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Government-wide Activities						
Invested in Capital Assets, Net of Related Debt	\$ 1,297,686	\$ 1,225,993	\$ 1,296,488	\$ 1,243,769	\$ 1,235,557	\$ 1,277,349
Restricted	8,232	8,013	8,272	25,377	-	-
Unrestricted	<u>(4,894,193)</u>	<u>(4,812,105)</u>	<u>4,073,604</u>	<u>4,199,883</u>	<u>3,605,541</u>	<u>4,008,618</u>
Total Governmental Activities Net Position	<u>\$ (3,588,275)</u>	<u>\$ (3,578,099)</u>	<u>\$ 5,378,364</u>	<u>\$ 5,469,029</u>	<u>\$ 4,841,098</u>	<u>\$ 5,285,967</u>
Business-Type Activities						
Invested in Capital Assets, Net of Related Debt	\$ (6,255,056)	\$ (6,289,341)	\$ (6,292,626)	\$ (6,144,978)	\$ (6,326,483)	\$ (6,262,062)
Unrestricted	<u>24,243,915</u>	<u>23,655,228</u>	<u>22,923,355</u>	<u>21,264,716</u>	<u>21,093,887</u>	<u>20,110,038</u>
Total Business-Type Activities Net Position	<u>\$ 17,988,859</u>	<u>\$ 17,365,887</u>	<u>\$ 16,630,729</u>	<u>\$ 15,119,738</u>	<u>\$ 14,767,404</u>	<u>\$ 13,847,976</u>
Commission-Wide						
Invested in Capital Assets, Net of Related Debt	\$ (4,957,370)	\$ (5,063,348)	\$ (4,996,138)	\$ (4,901,209)	\$ (5,090,926)	\$ (4,984,713)
Restricted	8,232	8,013	8,272	25,377		
Unrestricted	<u>19,349,722</u>	<u>18,843,123</u>	<u>26,996,959</u>	<u>25,464,599</u>	<u>24,699,428</u>	<u>24,118,656</u>
Total Commission Net Position	<u>\$ 14,400,584</u>	<u>\$ 13,787,788</u>	<u>\$ 22,009,093</u>	<u>\$ 20,588,767</u>	<u>\$ 19,608,502</u>	<u>\$ 19,133,943</u>

DELAWARE RIVER BASIN COMMISSION  
 CHANGES IN NET POSITION (ACCRUAL BASIS OF ACCOUNTING)  
 LAST SIX FISCAL YEARS – UNAUDITED

	Fiscal Year Ended June 30,					
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Expenses:						
Primary Government:						
General Government	\$ 2,585,242	\$ 2,631,032	\$ 2,695,492	\$ 2,737,337	\$ 2,894,334	\$ 2,868,603
Water Resource Management	1,159,005	608,925	628,351	555,555	532,990	695,950
Water Resource Operations	477,538	1,025,312	894,246	1,047,420	1,112,246	1,065,528
Science and Water Quality Management	462,150	401,471	326,237	450,034	649,476	676,179
Special Projects	<u>1,731,624</u>	<u>1,738,325</u>	<u>1,987,066</u>	<u>2,068,231</u>	<u>1,538,918</u>	<u>1,610,687</u>
Total Government Activities	<u>6,415,559</u>	<u>6,405,065</u>	<u>6,531,392</u>	<u>6,858,577</u>	<u>6,727,964</u>	<u>6,916,947</u>
Business-Type Activities:						
Water Supply Storage Facilities	<u>1,720,829</u>	<u>1,304,051</u>	<u>1,441,325</u>	<u>1,493,536</u>	<u>1,337,685</u>	<u>1,469,744</u>
Total Business-Type Activities	<u>1,720,829</u>	<u>1,304,051</u>	<u>1,441,325</u>	<u>1,493,536</u>	<u>1,337,685</u>	<u>1,469,744</u>
Total Primary Government	<u>\$ 8,136,388</u>	<u>\$ 7,709,116</u>	<u>\$ 7,972,717</u>	<u>\$ 8,352,113</u>	<u>\$ 8,065,649</u>	<u>\$ 8,386,691</u>
Program Revenues:						
Government Activities:						
Charges for Services:						
Project Review Fees	\$ -	\$ 598,629	\$ 491,844	\$ 780,281	\$ 954,476	\$ 448,296
Operating Grants and Contributions	<u>1,477,078</u>	<u>1,479,024</u>	<u>1,595,706</u>	<u>2,124,299</u>	<u>1,165,723</u>	<u>1,358,461</u>
Total Government Activities Program Revenue	<u>1,477,078</u>	<u>2,077,653</u>	<u>2,087,550</u>	<u>2,904,580</u>	<u>2,120,199</u>	<u>1,806,757</u>
Business-Type Activities:						
Charges for Services:						
Water Supply Storage Facilities	<u>3,482,420</u>	<u>3,557,378</u>	<u>3,188,909</u>	<u>3,314,826</u>	<u>3,417,057</u>	<u>2,860,915</u>
Total Business-Type Activities Program Revenue	<u>3,482,420</u>	<u>3,557,378</u>	<u>3,188,909</u>	<u>3,314,826</u>	<u>3,417,057</u>	<u>2,860,915</u>
Total Commission Program Revenues	<u>\$ 4,959,498</u>	<u>\$ 5,635,031</u>	<u>\$ 5,276,459</u>	<u>\$ 6,219,406</u>	<u>\$ 5,537,256</u>	<u>\$ 4,667,672</u>

DELAWARE RIVER BASIN COMMISSION  
 CHANGES IN NET POSITION (ACCRUAL BASIS OF ACCOUNTING)(CONTINUED)  
 LAST SIX FISCAL YEARS – UNAUDITED

	Fiscal Year Ended June 30,					
	2016	2015	2014	2013	2012	2011
Net (Expense)/Revenue:						
Governmental Activities	\$ (4,099,232)	\$ (4,327,412)	\$ (4,443,842)	\$ (3,953,997)	\$ (4,607,765)	\$ (5,110,190)
Business-Type Activities	<u>1,761,591</u>	<u>2,253,327</u>	<u>1,747,584</u>	<u>1,821,290</u>	<u>2,079,372</u>	<u>1,391,171</u>
Total Commission-Wide Net Expense	\$ (2,337,641)	\$ (2,074,085)	\$ (2,696,258)	\$ (2,132,707)	\$ (2,528,393)	\$ (3,719,019)
General Revenues and Other Changes in Net Position:						
Governmental Activities:						
Grants and Contributions Net						
Restricted to Special Programs	1,933,500	1,933,500	2,384,350	2,534,350	2,188,000	2,283,505
Investment Earnings	13,975	-	-	-	1,409	108,599
Miscellaneous Income	238,687	186,306	102,893	32,985	39,059	76,188
Transfers	<u>1,902,894</u>	<u>1,926,470</u>	<u>1,865,934</u>	<u>2,104,975</u>	<u>1,934,429</u>	<u>1,713,692</u>
Total Governmental Activities	<u>4,089,056</u>	<u>4,046,276</u>	<u>4,353,177</u>	<u>4,672,310</u>	<u>4,162,897</u>	<u>4,181,984</u>
Business-Type Activities:						
Investment Earnings	764,275	408,301	1,629,341	636,019	774,484	1,445,172
Transfers	<u>(1,902,894)</u>	<u>(1,926,470)</u>	<u>(1,865,934)</u>	<u>(2,104,975)</u>	<u>(1,934,429)</u>	<u>(1,713,692)</u>
Total Business-Type Activities	<u>(1,138,619)</u>	<u>(1,518,169)</u>	<u>(236,593)</u>	<u>(1,468,956)</u>	<u>(1,159,945)</u>	<u>(268,520)</u>
Total Commission-Wide	<u>\$ 2,950,437</u>	<u>\$ 2,528,107</u>	<u>\$ 4,116,584</u>	<u>\$ 3,203,354</u>	<u>\$ 3,002,952</u>	<u>\$ 3,913,464</u>
Changes in Net Assets:						
Governmental Activities	\$ (10,176)	\$ (281,136)	\$ (90,665)	\$ 718,313	\$ (444,868)	\$ (928,206)
Cumulative Changes	-	<u>(8,675,327)</u>	-	-	-	-
Subtotal Governmental Activities	\$ (10,176)	\$ (8,956,463)	\$ (90,665)	\$ 718,313	\$ (444,868)	\$ (928,206)
Business-Type Activities	<u>622,972</u>	<u>735,158</u>	<u>1,510,991</u>	<u>352,334</u>	<u>919,427</u>	<u>1,122,651</u>
Total Commission	<u>\$ 612,796</u>	<u>\$ (8,221,305)</u>	<u>\$ 1,420,326</u>	<u>\$ 1,070,647</u>	<u>\$ 474,559</u>	<u>\$ 194,445</u>

DELAWARE RIVER BASIN COMMISSION  
 FUND BALANCES GOVERNMENTAL FUNDS  
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)  
 LAST SIX FISCAL YEARS – UNAUDITED

	Fiscal Year Ending June 30,					
	2016	2015	2014	2013	2012	2011
General Fund:						
Committed/Assigned	\$ 308,232	\$ 308,013	\$ 308,272	\$ 325,377	\$ 300,000	\$ 300,000
Unassigned	<u>4,150,082</u>	<u>4,204,950</u>	<u>4,445,354</u>	<u>4,622,306</u>	<u>3,770,871</u>	<u>4,191,649</u>
Total General Fund	<u>\$ 4,458,314</u>	<u>\$ 4,512,963</u>	<u>\$ 4,753,626</u>	<u>\$ 4,947,683</u>	<u>\$ 4,070,871</u>	<u>\$ 4,491,649</u>
All Other Governmental Funds:						
Unreserved, Reported In:						
Special Revenue Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,576</u>	<u>\$ 346,785</u>	<u>\$ 354,472</u>
Total All Other Governmental Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,576</u>	<u>\$ 346,785</u>	<u>\$ 354,472</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,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Revenues:</b>										
<b>Signatory Party Contributions:</b>										
State of Delaware	\$ 447,000	\$ 447,000	\$ 468,456	\$ 520,830	\$ 465,593	\$ 127,000	\$ 447,000	\$ 496,995	\$ 491,331	\$ 438,067
State Of New Jersey	694,505	698,113	704,926	893,000	903,500	893,000	893,000	941,305	1,043,702	999,879
State of New York	359,500	359,500	246,000	246,000	365,500	370,505	472,800	638,891	696,009	611,520
Commonwealth of Pennsylvania	548,320	549,780	1,141,837	1,105,089	686,411	1,075,016	1,194,567	1,396,978	1,389,812	1,255,610
United States	869,793	859,461	681,780	984,514	692,322	887,067	1,177,445	1,247,241	1,089,108	673,229
Water Pollution Control Grant	-	-	-	-	-	-	-	-	-	650,890
Sale of Publications	2,707	2,778	2,444	2,775	3,450	2,604	3,797	3,850	4,410	3,700
Project Review Fees	839,249	598,629	491,844	780,282	954,518	448,296	876,021	366,912	282,293	479,565
Overhead Reimbursement	-	-	-	-	-	-	-	-	-	-
Investment Income	13,975	-	-	59	1,366	108,599	4,989	98,997	281,456	350,683
Fines, Assessments and Other Income	727,441	696,287	837,510	939,369	293,152	362,961	306,574	343,646	430,010	504,913
<b>Total Revenues</b>	<b>4,502,490</b>	<b>4,211,548</b>	<b>4,574,797</b>	<b>5,471,918</b>	<b>4,365,812</b>	<b>4,275,048</b>	<b>5,376,193</b>	<b>5,534,815</b>	<b>5,708,131</b>	<b>5,968,056</b>
<b>Expenditures:</b>										
Personal Services	2,961,430	3,011,603	3,133,111	3,185,201	3,254,446	3,200,330	3,164,452	3,073,105	2,989,978	2,867,064
Special and contractual Services	1,023,993	955,814	1,087,400	1,324,809	1,176,378	1,258,916	1,299,652	1,296,004	2,030,419	1,927,198
Other Services	168,348	165,871	153,532	139,841	140,884	169,136	135,232	142,164	146,511	155,277
Supplies and Materials	58,183	47,237	67,254	64,757	55,422	57,534	64,701	65,482	65,046	88,058
Buildings and Grounds	236,561	202,329	271,377	250,725	186,302	175,127	191,007	224,765	330,318	172,807
Communications	34,748	26,274	27,439	23,755	20,134	26,147	34,047	40,325	45,724	50,352
Travel	59,165	61,060	62,849	32,529	46,018	66,133	50,258	46,794	62,724	62,186
Maintenance, Replacements										
Acquisitions and Rentals	199,693	145,549	109,320	100,683	139,677	81,939	116,964	167,845	201,450	304,166
Fringe Benefits and Other Contributions	1,717,912	1,762,944	1,768,082	1,788,616	1,709,443	1,684,286	1,561,351	1,148,468	1,063,827	937,374
<b>Total Expenditures</b>	<b>6,460,033</b>	<b>6,378,681</b>	<b>6,680,364</b>	<b>6,910,916</b>	<b>6,728,704</b>	<b>6,719,548</b>	<b>6,617,664</b>	<b>6,204,952</b>	<b>6,935,997</b>	<b>6,564,482</b>
<b>Excess/(Deficiency) of Revenues Over/(Under) Expenditures</b>	<b>(1,957,543)</b>	<b>(2,167,133)</b>	<b>(2,105,567)</b>	<b>(1,438,998)</b>	<b>(2,362,892)</b>	<b>(2,444,500)</b>	<b>(1,241,471)</b>	<b>(670,137)</b>	<b>(1,227,856)</b>	<b>(596,426)</b>
<b>Other Financing Sources/(Uses):</b>										
Operating Transfers In	2,793,991	2,262,609	2,619,017	2,952,197	2,384,568	2,215,026	2,323,696	1,425,080	1,863,910	1,370,076
Operating Transfer (Out)	(891,097)	(336,139)	(753,083)	(847,222)	(450,138)	(501,334)	(593,537)	(617,240)	(861,580)	(441,954)
<b>Total Other Financing Sources and Uses</b>	<b>1,902,894</b>	<b>1,926,470</b>	<b>1,865,934</b>	<b>2,104,975</b>	<b>1,934,430</b>	<b>1,713,692</b>	<b>1,730,159</b>	<b>807,840</b>	<b>1,002,330</b>	<b>928,122</b>
<b>Net Change in Fund Balances</b>	<b>\$ (54,649)</b>	<b>\$ (240,663)</b>	<b>\$ (239,633)</b>	<b>\$ 665,977</b>	<b>\$ (428,462)</b>	<b>\$ (730,808)</b>	<b>\$ 488,688</b>	<b>\$ 137,703</b>	<b>\$ (225,526)</b>	<b>\$ 331,696</b>

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>	Government Fund Type <u>Capital Lease</u>	<u>Total</u>
2016	\$ 10,583,426	\$ 40,094	\$ 10,623,520
2015	11,065,397	51,183	11,116,580
2014	11,531,473	-	11,531,473
2013	11,810,071	-	11,810,071
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



**SUPPLEMENTAL SCHEDULES**

DELAWARE RIVER BASIN COMMISSION  
 SCHEDULE OF ACTIVE PROJECTS – UNAUDITED  
 THROUGH JUNE 30, 2016

	FFMP Feasibility Study 282	USGS Monitors 310	OASIS Model 312A	Data Tracking 314A	Groundwater Pennsylvania Protected Area 315	Port Jarvis Ice Flow Maintenance Project 320	Building Improvements 324A	NG Software Tool and Process 326B	Baseline Monitoring 326C	Nutrient Monitoring of Discharges 327A	Page Total
Cumulative Expenditures from Date of Inception Through 6/30/2015	\$ -	\$ 3,786,988	\$ 135,582	\$ 954	\$ 6,400,357	\$ 3,729	\$ (28,131)	\$ 364,968	\$ 82,500	-	\$ 10,746,947
Current Fiscal Year											
Expenditures and Encumbrances:											
Personal Services	190	-	2,071	-	48,254	-	-	29,639	561	-	80,715
Special and Contractual Services	-	256,344	-	-	-	-	5,714	112,625	-	28,045	402,728
Supplies, Materials and Equipment	-	-	-	-	-	-	4,106	3,000	-	339	7,445
Travel and Communications	-	-	-	-	215	-	-	13	-	-	228
Fringe Benefits	112	-	1,220	-	27,779	-	-	17,455	330	-	46,896
Transfers and Refunds	(302)	(63,247)	(3,291)	-	37,773	-	(85,149)	19,573	(891)	-	(95,534)
Total Current Fiscal Year	-	193,097	-	-	114,021	-	(75,329)	182,305	-	28,384	442,478
Total Expenditures from Date of Inception Through June 30, 2016	-	3,980,085	135,582	954	6,514,378	3,729	(103,460)	547,273	82,500	28,384	11,189,425
Capital Expenditures	-	-	-	10,570	12,720	-	103,460	-	-	-	126,750
Total Funding Awarded for Project	-	4,040,528	135,582	75,000	6,536,020	97,155	-	649,000	82,500	44,390	11,660,175
Funding Available to Complete Project	\$ -	\$ 60,443	\$ -	\$ 63,476	\$ 8,922	\$ 93,426	\$ -	\$ 101,727	\$ -	\$ 16,006	\$ 344,000

DELAWARE RIVER BASIN COMMISSION  
 SCHEDULE OF ACTIVE PROJECTS – UNAUDITED  
 THROUGH JUNE 30, 2016  
 (CONTINUED)

	Exelon 59 Degree Lim. 329A	DuPont Edgemoor Discharge 329C	Early Warning System 343	Natural Gas Monitoring 350A	PA Water Planning 353	Fly Ash 360	PPL Ash Spill Settlement 361	Sec. 106 Water Pollution Control Grant 362	Lower Delaware Model Point Discharge Study 364	Flood Outreach 375	Totals
Cumulative Expenditures from Date of Inception Through 6/30/2015	\$ 26,305	\$ 8,110	\$ 630,307	\$ 56,789	\$ 935,061	\$ -	\$ -	\$ 1,135,447	\$ 130,000	\$ 17,034	\$ 13,686,000
Current Fiscal Year:											
Expenditures and Encumbrances:											
Personal Services	1,070	-	-	-	126	65	704	390,001	-	857	473,538
Special and Contractual Services	-	-	62,533	14,473	-	-	-	420,994	-	-	900,728
Supplies, Materials and Equipment	-	-	-	-	-	-	-	19,056	-	-	26,501
Travel and Communications	-	-	-	-	-	-	-	13,392	-	-	13,620
Fringe Benefits	630	-	-	-	74	39	415	229,677	-	505	278,236
Transfers and Refunds	(1,700)	-	-	-	99	(104)	2,820	(213,857)	-	143	(308,133)
Total Current Fiscal Year	-	-	62,533	14,473	299	-	3,939	859,263	-	1,505	1,384,490
Total Expenditures from Date of Inception Through June 30, 2016	26,305	8,110	692,840	71,262	935,360	-	3,939	1,994,710	130,000	18,539	15,070,490
Capital Expenditures	-	-	-	-	5,799	-	-	46,684	-	-	179,233
Total Funding Awarded for Project	26,305	8,110	703,291	150,000	1,100,000	-	952,150	2,356,613	130,000	39,995	17,126,639
Funding Available to Complete Project	\$ -	\$ -	\$ 10,451	\$ 78,738	\$ 158,841	\$ -	\$ 948,211	\$ 315,219	\$ -	\$ 21,456	\$ 1,876,916

DELAWARE RIVER BASIN COMMISSION  
GENERAL FUND EXPENDITURES –  
BY CATEGORY AND OBJECT UNAUDITED  
YEARS ENDED JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
Personnel Services	\$ 2,487,892	\$ 2,485,833
Special and Contractual Services:		
Auditing	15,725	16,180
Computer and Financial	15,964	17,412
All Other Special and Contractual Services	<u>91,577</u>	<u>104,346</u>
Total Special and Contractual Services	<u>123,266</u>	<u>137,938</u>
Other Services:		
Insurance	121,884	121,787
Advertising	17,878	16,028
Memberships	17,361	15,544
All Other	<u>11,035</u>	<u>12,327</u>
Total Other Services	<u>168,158</u>	<u>165,686</u>
Supplies and Materials:		
Vehicular	5,950	6,793
Office	29,763	22,436
Library	<u>1,549</u>	<u>2,962</u>
Total Supplies and Materials	<u>37,262</u>	<u>32,191</u>
Buildings and Grounds	<u>191,701</u>	<u>202,315</u>
Communications:		
Postage	3,742	4,677
Telephone and Other	<u>23,641</u>	<u>19,913</u>
Total Communications	<u>27,383</u>	<u>24,590</u>
Travel:		
Travel	20,544	27,132
Commission Meeting Expense	<u>32,368</u>	<u>29,281</u>
Total Travel	<u>52,912</u>	<u>56,413</u>
Maintenance, Replacements, Acquisitions and Rentals:		
Office Equipment	7,606	13,426
Vehicular Equipment	6,949	12,079
Computers	14,212	20,607
Office Equipment Rental	-	406
Other	12,173	-
Depreciation	<u>112,362</u>	<u>114,011</u>
Total Maintenance, Replacements, Acquisitions and Rentals	<u>153,302</u>	<u>160,529</u>
Fringe Benefits and Other Contributions:		
Employees' Retirement	383,369	316,264
Social Security	183,624	177,334
Health and Dental Benefits	855,145	890,855
Unemployment Compensation	7,162	7,661
Long-Term Disability	8,981	9,131
Other Fringes	<u>1,396</u>	<u>-</u>
Total Fringe Benefits and Other Contributions	<u>1,439,677</u>	<u>1,401,246</u>
Total General Fund Expenditures	<u>\$ 4,681,553</u>	<u>\$ 4,666,741</u>

DELAWARE RIVER BASIN COMMISSION  
 CHANGES IN SPECIAL PROJECTS  
 ADVANCE/(RECEIVABLE) BALANCE – BY PROJECT - UNAUDITED  
 YEAR ENDED JUNE 30, 2016

Advances:	Project	Balance July 1, 2015	Cash Receipts	Transfers	Expenditures	Balance June 30, 2016
310	USGS Monitors	\$ 60,045	\$ 193,495	\$ 63,247	\$ (256,344)	\$ 60,443
314A	Data Tracking - Haas Trust	63,476	-	-	-	63,476
315	Groundwater - PA	61,943	61,000	(37,773)	(76,248)	8,922
320	Upper Delaware Ice Jam	93,194	232	-	-	93,426
322	Flow and Temp. Modeling	16,622	-	-	-	16,622
326B	NG Software Tool, Planning	284,033	-	(19,573)	(162,732)	101,728
326C	Baselie Monitoring	-	-	892	(892)	-
327A	Nutrient Monitoring Of Discharges	-	44,390	-	(28,384)	16,006
336	Flexible Flow Management Plan	15,593	-	-	-	15,593
343	Early Warning System	-	72,984	-	(62,533)	10,451
350A	NG Monitoring Haas rust	93,211	-	-	(14,473)	78,738
353	PA Water Planning	159,140	-	(99)	(200)	158,841
361	PPL Ash Spill	-	952,150	(2,820)	(1,119)	948,211
372	William Penn Foundation	3,000	-	-	-	3,000
373	William Penn Fd. - PCBs	3,843	-	-	-	3,843
384	Nutrient Expert Panel	22,733	-	-	-	22,733
	Total Advances	<u>\$ 876,833</u>	<u>\$ 1,324,251</u>	<u>\$ 3,874</u>	<u>\$ (602,925)</u>	<u>\$ 1,602,033</u>
Accounts Receivable:						
362	Water Pollution Control	\$ (177,989)	\$ 709,000	\$ 213,857	\$ (1,083,650)	\$ (338,782)
	Total Accounts Receivable	<u>\$ (177,989)</u>	<u>\$ 709,000</u>	<u>\$ 213,857</u>	<u>\$ (1,083,650)</u>	<u>\$ (338,782)</u>

DELAWARE RIVER BASIN COMMISSION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 YEAR ENDING JUNE 30, 2016

Federal Grantor/Program Title	Federal CFDA #	DRBC Project #	Grant Period	Accrued (Deferred) Beginning of Year	Amount Received for Year	Expenditures	(Accrued) Deferred End of Year	Subrecipient Awards
Federal Awards:								
Direct Programs:								
U.S. Environmental Protection Agency: Water Pollution Control Grant	66.419	362-CY14	1/1/2014-12/31/2016	\$ 177,989	\$ 709,000	\$ 869,793	\$ 338,782	\$ - *
Total Direct Programs				<u>177,989</u>	<u>709,000</u>	<u>869,793</u>	<u>338,782</u>	<u>-</u>
Total Federal Awards				<u>\$ 177,989</u>	<u>\$ 709,000</u>	<u>\$ 869,793</u>	<u>\$ 338,782</u>	<u>\$ -</u>

\*Denotes program audited as major.

See accompanying notes to schedule of expenditures of Federal Awards.

DELAWARE RIVER BASIN COMMISSION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
JUNE 30, 2016

NOTE 1: GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of the Delaware River Basin Commission. The Delaware River Basin Commission's reporting entity 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 passed through other government agencies, are included on the Schedule of Expenditures of Federal and State Awards.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting.

NOTE 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.

# Zelenkofske Axelrod LLC

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## 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

To the Commissioners  
Delaware River Basin Commission

We have audited, 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, the financial statements of the Delaware River Basin Commission (the "Commission"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Commission's basic financial statements, and have issued our report thereon dated January 20, 2017.

### Internal Control Over Financial Reporting

In planning and performing our audit of the regulatory basis financial statements, we considered the Commission's internal control over financial reporting ("internal control") to determine the audit procedures for that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's regulatory basis 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



# Zelenkofske Axelrod LLC

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To the Commissioners  
Delaware River Basin Commission

such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results for that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Zelenkofske Axelrod LLC*  
ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania  
January 20, 2017

# Zelenkofske Axelrod LLC

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## REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR 04-04

To the Commissioners  
Delaware River Basin Commission

### Compliance

We have audited the compliance of Delaware River Basin Commission's (the "Commission") with the types of compliance requirements described in the *OMB Supplement* and *New Jersey OMB Circular 04-04 Compliance Supplements* that could have a direct and material effect on each of the Commission's major programs for the year ended June 30, 2016. The Commission's major programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Commission's major programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and *New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Programs*. Those standards and the Uniform Guidance 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.

### Opinion on Each Major Program

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that are applicable to its major federal program for the year ended June 30, 2016.

### Report on Internal Control Over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

# Zelenkofske Axelrod LLC

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To the Commissioners  
Delaware River Basin Commission

Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance 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 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 or state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those in charge with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify and deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This purpose of this on internal control over compliance is solely to describe the scope of our testing of internal over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Jamison, Pennsylvania  
January 20, 2017

*Zelenkofske Axelrod LLC*  
ZELENKOFSCHE AXELROD LLC

DELAWARE RIVER BASIN COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2016

Section I - Summary of Auditors' Results:

*Financial Statements*

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_ yes  X  no

Reportable condition(s) identified that are not considered to be material weaknesses?  
\_\_\_ yes  X  none reported

Noncompliance material to financial statements noted? \_\_\_ yes  X  no

*Federal Awards*

Internal control over major programs:

Material weakness(es) identified? \_\_\_ yes  X  no

Reportable condition(s) identified that are not considered to be material weakness(es)?  
\_\_\_ yes  X  none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?  
\_\_\_ yes  X  no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
66.419	Water Pollution Control – State and Interstate Program Support

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?  X  yes \_\_\_ no

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings or Questioned Costs

None.

DELAWARE RIVER BASIN COMMISSION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2015

<u>Prior Year Reference</u>	<u>Description</u>	<u>Current Year Status</u>
None		