

Delaware River Basin Commission

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT AND REPORTS
ON INTERNAL
CONTROL AND COMPLIANCE
YEAR ENDED JUNE 30, 2013**

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FINANCIAL SECTION



Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying statement of net position of the Delaware River Basin Commission (the "Commission") at June 30, 2013, and the related statements of revenues, expenses and changes in net activities and cash flows for the year then ended and 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 opinions 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission at June 30, 2013, and changes in its financial position and its cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters


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 supplementary sections and schedule of expenditures of state awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* 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 supplemental sections and schedule of expenditures of 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental sections 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2014 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "McCreary Brady Company, LLC".

Livingston, New Jersey
January 15, 2014

REQUIRED SUPPLEMENTARY INFORMATION – PART 1

Management's Discussion and Analysis

Delaware River Basin Commission Management's Discussion and Analysis For Fiscal Year Ending June 30, 2013

Who We Are

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

Overview

Our discussion and analysis provides an overview of the Commission's financial activities for the fiscal year ending June 30, 2013. Please read it in conjunction with the Commission's financial statements.

Financial Highlights

- The Commission's General Fund unrestricted net position is \$4,154,307 as of June 30, 2013, an increase of \$895,550 from June 30, 2012.
- The total costs of the Commission's governmental programs and projects was \$6,858,577.
- The Commission's Business-Type net position is \$15,119,738 as of June 30 2013, an increase of \$352,334 from June 30, 2012.
- The Commission's Business-Type activity revenues decreased \$102,231 or 3%. Operating expenses increased \$150,541 or 16.4%, primarily a result of charges for a water charging study.

Using This Annual Report

This annual report consists of a series of financial statements. The *Statement of Net Position* (p.13) and the *Statement of Activities* (p.14) 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 17. 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 current 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 current 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.

In the *Statement of Net Position* and the *Statement of Activities*, the Commission is required to separate the two kinds of activities: governmental and business-type.

- *Governmental activities* - Most of the Commission's basic services are reported here including general government and administration, planning and implementation, project review, basin operations, modeling and monitoring and special projects. The signatory parties, along with project-specific grants, finance most of these activities.
- *Business-type activities* - The Commission provides water storage in two Federal facilities, at Beltville 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 methods.

Governmental funds - The Commission's basic services are reported in Governmental funds, which focus on how money flows in and out of those funds and the balances remaining at year-end available for spending. These funds are reported using the *modified accrual method of 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 determine whether there are more or fewer financial resources that can be spent in the near future to finance the Commission's programs. The relationship or differences are described 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 charges a fee to 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 Position and Statement of Activities. The Commission's Proprietary fund is the same as the business-type activities reported 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, 2013, the net position of Governmental and Business-type activities are \$5,469,029 and \$15,119,738, respectively. For the year ended June 30, 2013, net position increased \$718,313 from Governmental activities and \$352,334 from Business-type activities.

Net position is comprised of unrestricted equity and equity invested in capital assets, net of related debt. For the year ended June 30, 2013, the Governmental activities' equity invested in capital assets increased by \$8,212. The increase in equity invested in capital assets is the difference between capitalized costs and depreciation charges.

Governmental Activities

For the year ended June 30, 2013, revenues, excluding inter-fund transfers, increased by \$1,106,106 or approximately 25%, from the prior fiscal year. For Special Projects, notable items are an increase of \$468,908 in revenues recognized from the EPA Water Pollution Control Grant, an increase of \$99,990 and \$73,830 from revenues earned on the OASIS Model and Delaware Estuary Mercury Study, respectively, and the recognition of a \$279,000 advance balance from the Comprehensive Plan Study. For the General Fund, increased Signatory Party contributions from the Commonwealth of Pennsylvania of \$455,350 were partially offset by decreased contributions from the State of New York of \$109,000 and decreased Project review fees of \$174,193 from the prior year.

The cost of all Governmental activities this year was \$6,858,577. The portion of this cost that was paid by Signatory Party contributions was \$2,534,350, with the balance of costs being subsidized by grants, fees, miscellaneous income and interfund transfers.

Business-Type Activities

For the year ended June 30, 2013, water sales revenues decreased \$102,231, approximately 3%, to \$3,314,826. Operating transfers out were \$2,104,975, up \$170,546 from the prior fiscal year. Non-operating revenues were \$209,830. This is \$143,775 lower than fiscal 2012, primarily due to unrealized investment losses of \$78,227. Operating expenses were up \$150,541 from fiscal 2012 due to increased operation and maintenance charges for the Beltzville and Blue Marsh reservoirs and are primarily responsible for net income of \$352,334 for the fiscal year ending June 30, 2013, \$567,093 less than fiscal 2012.

The Commission's Funds

For the year ended June 30, 2013 the Commission's governmental funds reported a combined total of \$4,993,259 in fund equity, an increase of \$575,602 from fiscal 2012. This increase of \$1,094,439 over fiscal 2012 results are primarily as a result of increases in revenue. Compared to 2012, Signatory contributions from the State of Pennsylvania increased by \$455,350 and special project revenue was \$2,124,298, up from fiscal 2012 by \$958,531. Notably, Special projects revenue from the 106 water pollution control grant was \$959,309, up by \$468,908.

General Fund Budgetary Highlights

The budget for the year ended June 30, 2013 has not been amended since its original adoption. For fiscal 2013, the Commission reported a net favorable variance of \$967,187.

Notable revenue variances include a \$280,282 favorable variance in project review fees and a \$100,000 favorable variance in revenue from the Commonwealth of Pennsylvania. These favorable revenue variances are substantially offset by an unfavorable variance of \$340,000 in investment income.

Notable expense variances include favorable personal services and fringe benefits variances of \$266,959 and \$131,218, respectively, due to increased charges to special projects and position vacancies, \$160,093 in special and contractual services due to lower than expected legal costs, and \$53,173 in maintenance and acquisition.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2013, the Commission reported \$6,908,862 in capital assets, net of depreciation. Capital assets include equipment, furniture, building, building improvements and the Commission's share of construction costs for two Federal water storage facilities: Beltzville Lake and Bluemarsh Lake.

Debt

As of June 30, 2013, the Commission had \$12,818,418 in long-term debt outstanding. This is broken down into three categories:

- \$11,810,071 for loans due to the Army Corps of Engineers for construction of water storage facilities,
- \$509,758 due to the State of New Jersey for the early retirement program that was adopted September 25, 1991, and
- \$498,589 for employees accrued leave time

A significant decrease in the Commission's long-term debt is the result of the elimination of \$838,987 for other post-employment benefits for the fiscal year ending June 30, 2013. A more detailed discussion can be found in Note 8 of the financial statements. There were no other significant increases to long-term debt.

Economic Conditions and Outlook

As of June 30, 2013, the Commission reported \$4,199,883 in unrestricted net assets. This represents the financial resources available to sustain the Commission's governmental activities after deducting reported liabilities and investment in capital assets. Significant factors that have had, and will continue to have, an impact on the financial resources available to the Commission are the level of Signatory Party contributions and the liability for other post employment benefits.

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

A major issue has been the elimination of the Federal contribution in 1997. Since then, the Federal government has provided a contribution to the Commission only for the Federal fiscal year ending September 30, 2009. As of June 30, 2013, the cumulative Federal shortfall totals \$10.7 million.

The Commission's fiscal 2013 operating budget, totaling \$5.82 million, did not include a federal fair share contribution of \$715,000.

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

Effective July 1, 2003 and revised July 1, 2005, the Commission revised the fee schedule for the review of projects. Fees were also instituted for docket transfers and emergency certificates. This action has resulted in increased revenues from project review activities in fiscal years 2004 through 2013.

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

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

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

Requests for Information

This financial report is designed to provide a general overview of the Delaware River Basin Commission's finances for all those with an interest in the Commission's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Administrative Officer, 25 State Police Drive, P.O. Box 7360, West Trenton, NJ 08628-0360.

BASIC FINANCIAL STATEMENTS

A. Commission-Wide Financial Statements

Delaware River Basin Commission
Statement of Net Position
June 30, 2013
(With Comparative Totals as of June 30, 2012)

	General Fund	Special Projects	Governmental Activities	Business-Type Activities	Totals (Memorandum Only)	
					June 30, 2013	June 30, 2012
Assets:						
Cash and Cash Equivalents	\$ 3,656,246	\$ 1,676,650	\$ 5,332,896	\$ 2,208,792	\$ 7,541,688	\$ 7,382,306
Investments				19,447,976	19,447,976	20,319,228
OPEB Asset	25,377		25,377		25,377	
Interest Receivable	1		1	137,852	137,853	151,813
Receivables (Net)						
Due From Other Governments	202,531	349,689	552,220		552,220	281,604
Interfund Receivable	1,440,000		1,440,000		1,440,000	480,000
Water Sales				825,000	825,000	841,258
Reimbursable Water Supply Storage Facility Costs				103,203	103,203	116,581
Prepaid Expenses	30,903	3,000	33,903		33,903	31,259
Capital Assets (Net)	891,653	352,116	1,243,769	5,665,093	6,908,862	7,327,098
Total Assets	\$ 6,246,711	\$ 2,381,455	\$ 8,628,166	\$ 28,387,916	\$ 37,016,082	\$ 36,931,147
Liabilities and Net Position:						
Accounts Payable	\$ 227,524	\$ 102,585	\$ 330,109	\$ 3,535	\$ 333,644	\$ 497,456
Interfund Payable		180,000	180,000	1,260,000	1,440,000	480,000
Accrued Interest				87,985	87,985	213,510
Employee Compensation and Benefits	33,012		33,012		33,012	77,963
Advances	26,839	1,687,417	1,714,256		1,714,256	1,745,742
Accrued Leave Time	475,162	13,761	488,923	9,666	498,589	497,719
Long-Term Liabilities:						
Early Retirement Program	412,837		412,837	96,921	509,758	553,244
Retirement Health Benefits						838,987
Due To US Army Corps of Engineers						
Due Within One Year				498,180	498,180	441,668
Due Beyond One Year				11,311,891	11,311,891	11,976,356
Total Liabilities	1,175,374	1,983,763	3,159,137	13,268,178	16,427,315	17,322,645
Net Position (Deficit):						
Invested in Capital Assets, Net of Related Debt	891,653	352,116	1,243,769	(6,144,978)	(4,901,209)	(5,090,926)
Restricted	25,377		25,377		25,377	
Unrestricted	4,154,307	45,576	4,199,883	21,264,716	25,464,599	24,699,428
Total Net Position	5,071,337	397,692	5,469,029	15,119,738	20,588,767	19,608,502
Total Liabilities and Net Position	\$ 6,246,711	\$ 2,381,455	\$ 8,628,166	\$ 28,387,916	\$ 37,016,082	\$ 36,931,147

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

Delaware River Basin Commission
Statement of Activities
Year Ended June 30, 2013
(With Summarized Financial Information
For The Year Ended June 30, 2012)

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Position (Totals - Memorandum Only)			
			Charges for Services/Usage	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	June 30, 2013	June 30, 2012
Primary government:								
General Government	\$ 2,737,337	\$ (1,649,653)	\$	\$	\$ (1,087,684)	\$	\$ (1,087,684)	\$ (1,285,162)
Planning and Information Technology	555,555	222,378			(777,933)		(777,933)	(756,713)
Modeling, Monitoring and Assessment	450,034	180,140			(630,174)		(630,174)	(922,095)
Water Resources Management	1,047,420	419,262	780,281		(686,401)		(686,401)	(624,637)
Special Projects	2,068,231	827,873		2,124,299	(771,805)		(771,805)	(1,019,158)
Total Governmental Activities	6,858,577		780,281	2,124,299	(3,953,997)		(3,953,997)	(4,607,765)
Business Type Activities:								
Water Supply Storage Facilities	1,493,536		3,314,826			1,821,290	1,821,290	2,079,372
Total Primary Government	\$ 8,352,113	\$	\$ 4,095,107	\$ 2,124,299	\$ (3,953,997)	\$ 1,821,290	\$ (2,132,707)	\$ (2,528,393)
General revenues:								
Grants and contributions not restricted to special programs					2,534,350		2,534,350	2,188,000
Investment earnings						636,019	636,019	775,893
Miscellaneous income					32,985		32,985	39,059
Transfers					2,104,975	(2,104,975)		
Total general revenues and transfers					4,672,310	(1,468,956)	3,203,354	3,002,952
Change in net assets					718,313	352,334	1,070,647	474,559
Net position - beginning of year					4,750,716	14,767,404	19,518,120	19,133,943
Net position - ending of year					\$ 5,469,029	\$ 15,119,738	\$ 20,588,767	\$ 19,608,502

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

B. Fund Financial Statements

Governmental Funds

Delaware River Basin Commission
Governmental Funds
Balance Sheet
June 30, 2013
(With Comparative Totals as of June 30, 2012)

	General Fund	Special Projects Funds	Totals (Memorandum Only)	
	<u> </u>	<u> </u>	June 30, 2013	June 30, 2012
Assets:				
Cash and Cash Equivalents	\$ 3,656,246	\$ 1,676,650	\$ 5,332,896	\$ 6,683,491
OPEB Asset	25,377		25,377	
Interest Receivable	1		1	
Accounts Receivable - Due From Other Governments	202,531	349,689	552,220	281,677
Interfund Receivable	1,440,000		1,440,000	480,000
Prepaid Expenses	30,903	3,000	33,903	31,260
Total Assets	<u>\$ 5,355,058</u>	<u>\$ 2,029,339</u>	<u>\$ 7,384,397</u>	<u>\$ 7,476,428</u>
Liabilities and Fund Balances:				
Accounts Payable	\$ 227,524	\$ 102,585	\$ 330,109	\$ 263,818
Interfund Payable		180,000	180,000	
Employee Compensation and Benefits	33,012		33,012	916,950
Advances	26,839	1,687,417	1,714,256	1,745,742
Accrued Vacation and Sick Time	120,000	13,761	133,761	132,260
Total Liabilities	<u>407,375</u>	<u>1,983,763</u>	<u>2,391,138</u>	<u>3,058,770</u>
Fund Balances:				
Committed:				
Early Retirement	300,000		300,000	300,000
Retirement Benefits Fund	25,377		25,377	401,728
Assigned:				
Designated for Vacation and Compensatory Time	175,000		175,000	175,000
Designated for Sick Pay Retirement	110,000		110,000	110,000
Designated for Completion of Special Projects	300,310		300,310	647,094
Unassigned	4,036,996	45,576	4,082,572	2,783,836
Total Fund Balances	<u>4,947,683</u>	<u>45,576</u>	<u>4,993,259</u>	<u>4,417,658</u>
Total Liabilities and Fund Balances	<u>\$ 5,355,058</u>	<u>\$ 2,029,339</u>		
Total net assets reported for governmental activities in the statement of net assets is different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			1,243,769	1,235,556
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			<u>(767,999)</u>	<u>(812,116)</u>
Total Net Assets of Governmental Activities			<u>\$ 5,469,029</u>	<u>\$ 4,841,098</u>

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

Delaware River Basin Commission
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For Year Ended June 30, 2013
(With Comparative Totals for Year Ended June 30, 2012)

	General Fund	Special Projects Funds	(Totals Memorandum Only)	
			June 30, 2013	June 30, 2012
Revenues:				
Signatory Party Contributions:				
State of Delaware	\$ 447,000	\$ 73,830	\$ 520,830	\$ 465,593
State of New Jersey	893,000		893,000	903,500
State of New York	246,000		246,000	365,500
Commonwealth of Pennsylvania	948,350	156,739	1,105,089	686,411
Federal Government United States		984,514	984,514	692,322
Sale of Publications	2,775		2,775	3,450
Project Review Fees	780,282		780,282	954,475
Investment Income		59	59	1,409
Fines, Assessments and Other Income	30,213	909,156	939,369	293,152
Total Revenues	3,347,620	2,124,298	5,471,918	4,365,812
Expenditures:				
Personal Services	2,594,141	591,060	3,185,201	3,254,446
Special and Contractual Services	228,557	1,096,252	1,324,809	1,176,378
Other Services	139,841		139,841	140,884
Supplies and Materials	45,503	19,254	64,757	55,422
Buildings and Grounds	163,709	87,016	250,725	186,302
Communications	20,462	3,293	23,755	20,134
Travel	26,765	5,764	32,529	46,018
Maintenance, Replacements				
Acquisitions and Rentals	71,827	28,856	100,683	139,677
Fringe Benefits and Other Contributions	1,465,882	322,734	1,788,616	1,709,443
Total Expenditures	4,756,687	2,154,229	6,910,916	6,728,704
Excess Expenditures Over Revenues	(1,409,067)	(29,931)	(1,438,998)	(2,362,892)
Other Financing Sources (Uses):				
Operating Transfers In	2,616,238	335,959	2,952,197	2,384,568
Operating Transfer (Out)	(239,984)	(607,238)	(847,222)	(450,138)
Total Other Financing Sources - Net	2,376,254	(271,279)	2,104,975	1,934,430
Net Change in Fund Balances	967,187	(301,210)	665,977	(428,462)
Fund Balance - Beginning of Year	3,980,496	346,786	4,327,282	4,846,119
Fund Balance - End of Year	\$ 4,947,683	\$ 45,576	\$ 4,993,259	\$ 4,417,657

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

Delaware River Basin Commission
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of the Governmental Funds to the
Statement of Activities
Year Ended June 30, 2013

	<u>2013</u>	<u>2012</u>
Net Change in Fund Balances - Governmental Funds (From B-2)	\$ 665,977	\$ (428,462)
The change in net position reported for the 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 all amortized over their estimated useful lives and reported as depreciation expense. This is the amount which capital outlays of \$158,000 exceeds depreciation of \$149,786 in the current period.	8,214	(41,790)
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.	636	(1,460)
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.	<u>43,486</u>	<u>26,844</u>
Change in Net Position of Governmental Activities	<u>\$ 718,313</u>	<u>\$ (444,868)</u>

Proprietary Funds

Delaware River Basin Commission
Proprietary Funds
Statement of Net Position
June 30, 2013
(With Comparative Totals as of June 30, 2012)

	Business-Type Activities	Totals	
	Enterprise Funds	(Memorandum Only)	
	Water Supply Storage Facilities	June 30, 2013	June 30, 2012
Assets:			
Current Assets:			
Cash and Cash Equivalents	\$ 2,208,792	\$ 2,208,792	\$ 1,939,531
Investments	19,447,976	19,447,976	19,078,512
Other Interest Receivables A-1	137,852	137,852	151,740
Water Sales Receivables (Net)	825,000	825,000	841,258
Reimbursable Water Supply Storage Facility Costs	103,203	103,203	116,581
Total Current Assets	<u>22,722,823</u>	<u>22,722,823</u>	<u>22,127,622</u>
Noncurrent Assets:			
Land, Building and Improvements (net)	5,572,873	5,572,873	5,994,359
Furniture and Equipment (net)	92,220	92,220	97,183
Total Noncurrent Assets	<u>5,665,093</u>	<u>5,665,093</u>	<u>6,091,542</u>
Total Assets	<u>\$ 28,387,916</u>	<u>\$ 28,387,916</u>	<u>\$ 28,219,164</u>
Liabilities and Net Position:			
Liabilities:			
Current Liabilities:			
Accounts Payable	\$ 3,535	\$ 3,535	\$ 233,639
Interfund Payable	1,260,000	1,260,000	480,000
Accrued Interest	87,985	87,985	213,510
Due to US Army Corps of Engineers	498,180	498,180	441,668
Total Current Liabilities	<u>1,849,700</u>	<u>1,849,700</u>	<u>1,368,817</u>
Noncurrent Liabilities:			
Accrued Leave Time A-1			
Accrued Vacation and Sick Time	9,666	9,666	9,666
Early Retirement Program	96,921	96,921	96,921
Due to US Army Corps of Engineers	11,311,891	11,311,891	11,976,356
Total Noncurrent Liabilities	<u>11,418,478</u>	<u>11,418,478</u>	<u>12,082,943</u>
Total Liabilities	<u>13,268,178</u>	<u>13,268,178</u>	<u>13,451,760</u>
Net Position (Deficit):			
Invested in Capital Assets, Net of Related Debt Unrestricted	(6,144,978)	(6,144,978)	(6,326,483)
	<u>21,264,716</u>	<u>21,264,716</u>	<u>21,093,887</u>
Total Net Position	<u>15,119,738</u>	<u>15,119,738</u>	<u>14,767,404</u>
Total Liabilities and Net Position	<u>\$ 28,387,916</u>	<u>\$ 28,387,916</u>	<u>\$ 28,219,164</u>

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

Delaware River Basin Commission
Proprietary Funds
Statement of Revenues, Expenditures and Changes in Net Position
Year Ended June 30, 2013
(With Comparative Totals for Year Ended June 30, 2012)

	Business-Type Activities	Totals	
	Enterprise Funds Water Supply Storage Facilities	(Memorandum Only) June 30, 2013	June 30, 2012
Operating Revenues:			
Charges for Services:			
Water Sales	\$ 3,314,826	\$ 3,314,826	\$ 3,417,057
Total Operating Revenue	<u>3,314,826</u>	<u>3,314,826</u>	<u>3,417,057</u>
Operating Expenses:			
Special and Contractual Services	624,727	624,727	490,346
Depreciation	442,620	442,620	426,460
Total Operating Expenses	<u>1,067,347</u>	<u>1,067,347</u>	<u>916,806</u>
Operating Income	<u>2,247,479</u>	<u>2,247,479</u>	<u>2,500,251</u>
Nonoperating Revenues (Expenses):			
Investment Income	598,132	598,132	699,425
Realized Gain (Loss) on Sale of Investments	116,114	116,114	303,191
Net Decrease in Fair Value of Investments	(78,227)	(78,227)	(228,132)
Interest Expense	(426,189)	(426,189)	(420,879)
Total Nonoperating Revenues	<u>209,830</u>	<u>209,830</u>	<u>353,605</u>
Net Income Before Operating Transfers	2,457,309	2,457,309	2,853,856
Operating Transfers (Out)	(2,104,975)	(2,104,975)	(1,934,429)
Change in Net Position	352,334	352,334	919,427
Total Net Position - Beginning of Year	<u>14,767,404</u>	<u>14,767,404</u>	<u>13,847,977</u>
Total Net Position - End of Year	<u>\$ 15,119,738</u>	<u>\$ 15,119,738</u>	<u>\$ 14,767,404</u>

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

Delaware River Basin Commission
Proprietary Funds
Statement of Cash Flows
For Year Ended June 30, 2013
(With Comparative Totals for Year Ended June 30, 2012)

	Business-Type Activities		Totals	
	Enterprise Funds	(Memorandum Only)		
	Water Supply Storage Facilities	June 30, 2013	June 30, 2012	
Cash Flows From Operating Activities:				
Cash Received from Water Users	\$ 3,331,084	\$ 3,331,084	\$ 3,355,799	
Payments to Vendors and Suppliers	(854,832)	(854,832)	(256,707)	
Net Cash Provided by Operating Activities	<u>2,476,252</u>	<u>2,476,252</u>	<u>3,099,092</u>	
Cash Flows From Financing Activities:				
Operating Transfers to Other Funds	(2,104,975)	(2,104,975)	(1,934,429)	
Net Cash Used In Noncapital and Related Financing Activities	<u>(2,104,975)</u>	<u>(2,104,975)</u>	<u>(1,934,429)</u>	
Cash Flows From Capital and Related Financing Activities:				
Acquisition of Capital Assets	(16,170)	(16,170)	(101,226)	
Interest Paid	(551,714)	(551,714)	(301,802)	
Principal Received	13,378	13,378	12,930	
Internal Balances	780,000	780,000	80,000	
Principal Paid	(607,953)	(607,953)	(260,814)	
Net Cash Used In Capital and Related Financing Activities	<u>(382,459)</u>	<u>(382,459)</u>	<u>(570,912)</u>	
Cash Flows From Investing Activities:				
Interest Received	612,020	612,020	640,088	
Sale (Purchase) of Investment, Gross	(331,577)	(331,577)	(760,135)	
Net Cash Provided by (Used In) Investing Activities	<u>280,443</u>	<u>280,443</u>	<u>(120,047)</u>	
Net Increase in Cash and Cash Equivalents	269,261	269,261	473,704	
Cash and Equivalents - Beginning of Year	<u>1,939,531</u>	<u>1,939,531</u>	<u>1,465,827</u>	
Cash and Equivalents - End of Year	<u>\$ 2,208,792</u>	<u>\$ 269,261</u>	<u>\$ 1,939,531</u>	
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income	\$ 2,247,479	2,247,479	\$ 2,500,251	
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation and Net Amortization	442,620	442,620	426,460	
Changes in Operating Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	16,258	16,258	(61,258)	
Increase (Decrease) in Accounts Payable	(230,105)	(230,105)	233,639	
Total Adjustments	<u>228,773</u>	<u>228,773</u>	<u>598,841</u>	
Net Cash Provided by Operating Activities	<u>\$ 2,476,252</u>	<u>\$ 2,476,252</u>	<u>\$ 3,099,092</u>	

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

NOTES TO FINANCIAL STATEMENTS

**DELAWARE RIVER BASIN COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 1. Reporting Entity Summary of Significant Accounting Policies

Nature of Entity

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

The accompanying financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") 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.

With the implementation of GASB Statement 34, the Commission has prepared required supplementary information titled *Management's Discussion and Analysis*, which precedes the basic financial statements.

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

In July 2004, the GASB issued Statement 45 *Accounting for Other Post-Employment Benefits*. The Commission has implemented this statement beginning in the fiscal year ending June 30, 2010.

The accompanying financial statements present the financial position and the results of operations and the various funds and fund types of the Commission and the cash flows of the proprietary funds. The financial statements are presented as of June 30, 2013 for the year then ended.

Reporting Entity:

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

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

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

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 inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by signatory and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

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

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

The Commission Reports the Following Major Governmental Funds:

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

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

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

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 non-exchange 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 – This 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, and then use restricted resources as they are needed for their intended purposes.

Assets, Liabilities and Net Position or Equity

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.

Inter-fund Receivables and Payables – Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “inter-fund receivable/payable”.

Investments – Investments are reported at fair value based on quoted market prices.

Capital Assets – Capital assets, which include property, plant and equipment and infrastructure assets, are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Property, plant and equipment and infrastructure with initial, individual costs that equal or exceed \$500 and estimated useful lives of over one year are recorded as capital assets. Capital assets are recorded at historical costs or estimated historic costs if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

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

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

Allowance for Doubtful Accounts – Accounts receivable has been reported net of allowance for doubtful accounts.

Revenue Recognition and Accounts Receivables

Revenues are recognized in the period program and program related services are provided and consist primarily of grant revenues from federal and state grants.

Accounts receivable are recorded at the net realizable value and do not bear interest. The allowance for doubtful accounts is management's best estimate of the amount of probable credit losses in existing receivables. The Commission determines the allowance based on historical write-off experience and reviews its allowance for doubtful accounts periodically. Past due balances are reviewed individually for collectability. At June 30, 2013 and 2012, there is no allowance for doubtful accounts as all amounts are deemed collectible.

Accrued Vacation and Sick Time – The Commission had a liability of \$498,589, representing vacation and sick time earned by employees as of June 30, 2013. Of this amount \$488,923 is reported as a liability of governmental activities and \$9,666 is shown as a liability of business-type activities. In the governmental funds – balance sheet, liabilities of \$120,000 and \$13,761 were reflected in the General Fund and Special Projects Fund, respectively. In the Proprietary Fund Type Statements of Net Position, a liability of \$9,666 is reflected for its portion of accrued vacation and sick time. As of June 30, 2013, it is anticipated that \$120,000 will be paid for compensated absences during the fiscal year 2014.

Long-Term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Position.

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

Advances – Advances reported in government-wide financial statements represent unearned revenues. The advances will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Advances reported in governmental fund financial statements represent unearned revenues or revenues, which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as deferred revenue. The Commission deems revenue received within 365 days of the year-end to be available.

Net Position/Fund Balances – The governmental-wide and business-type activities fund financial statements utilize a net position presentation.

Net position is categorized as investment in capital assets (net of related debt), restricted and unrestricted. The Commission has adopted GASB #63.

- **Investment in Capital Assets, Net of Related Debt** – This category groups all capital assets, including infrastructure, into one component of net position. 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 laws 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.

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

- **Committed Fund Balance**- amounts designated 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 designation. 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.

Inter-fund 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 inter-fund transactions, except quasi-external transactions and reimbursements, are recorded as transfers.

Accounting Estimates – The preparation of the financial statements in conformity with GAAP require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimated.

Adoption of Governmental Accounting Standards – The Commission adopted the provisions of GASB's Statement No. 23, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*, Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and Statement No. 38, *Certain Financial Statement Note Disclosures*; Statement 40 – *Deposit and Investment Risk Disclosures*; Statement 44 – *Economic Condition Reporting – The Statistical Section* and Statement 45 – *Accounting for Other Post-Employment Benefits*; Statement 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*.

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

Note 2. Budgets

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

Note 3. Cash, Cash Equivalents and Investments

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

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

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

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

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

The following table shows the cash and investments of the Commission as of 6/30/2013 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	498,058	32,960	6,685	537,703
Cash Equivalents-New Jersey Cash Management Fund	2,033,157	1,643,690	1,385,687	5,062,534
Cash Equivalents-US Bank	1,124,631			1,124,631
Cash Equivalents-Susquehanna Trust & Investment Company			602,641	602,641
Cash Equivalents-Wilmington Trust Company			213,780	213,780
Total Cash and Cash Equivalents	\$ 3,656,246	\$ 1,676,650	\$ 2,208,793	\$ 7,541,689
Investments:				
Federal Obligations-Susquehanna Trust & Investment Company	\$	\$	\$ 1,710,302	\$ 1,710,302
State Obligations-Susquehanna Trust & Investment Company			877,473	877,473
Corporate Obligations-Susquehanna Trust & Investment Company			3,880,517	3,880,517
Municipal Obligations-Susquehanna Trust & Investment Company			755,460	755,460
Equities-Susquehanna Trust & Investment Company			2,488,453	2,488,453
Subtotal Susquehanna Trust & Investment Company			9,712,205	9,712,205
Federal Obligations-Wilmington Trust Company			3,621,210	3,621,210
Corporate Obligations-Wilmington Trust Company			2,586,641	2,586,641
Equities-Wilmington Trust Company			3,665,772	3,665,772
Subtotal Wilmington Trust Company			9,873,623	9,873,623
Total Investments			19,585,828	19,585,828
Total Cash, Cash Equivalents and Investments	\$ 3,656,246	\$ 1,676,650	\$ 21,794,621	\$ 27,127,517

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

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

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

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

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

The following table displays the fair value of corporate obligations, by Standard & Poors rating as of June 30, 2013:

Corporate Obligations	
S&P Rating	Fair Value
A	\$ 1,411,504
A-	545,900
A+	913,943
AA	105,243
AA-	930,265
AA2	100,831
AA3	393,888
A3	300,583
BAA1	566,688
BAA2	605,660
BAA3	287,167
A2	172,122
A1	70,895
AA1	38,018
BAA22	24,452
Total	\$ 6,467,159

The following table shows the fair value of federal and corporate obligations held by maturity range as of June 30, 2013:

Maturity	Municipal Obligations	Corporate Obligations	State Obligations	Federal Obligations	Total
Less than 1 year	\$	\$ 208,540	\$	\$ 936,810	\$ 1,145,350.00
1 to 5 years	101,147	4,202,363	313,140	3,011,441	7,628,091
5 to 10 years	654,313	2,056,256	564,333	1,383,261	4,658,163
10 to 15 years					
Totals	\$ 755,460	\$ 6,467,159	\$ 877,473	\$ 5,331,512	\$ 13,431,604

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

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

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

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

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

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

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

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

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

As of June 30, 2013, the Commission does not have an investment in any one issuer that represents 5% or more of its net assets, excluding investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds, external investment pool and other pooled investments.

Note 4. Capital Assets:

Capital asset activity for the year ending June 30, 2013 was as follow:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 1	\$	\$	\$ 1
Total Capital Assets Not Being Depreciated:	\$ 1	\$	\$	\$ 1
Capital Assets Being Depreciated:				
Building and Improvements	\$ 2,021,892	\$ 87,017	\$	\$ 2,108,909
Furniture and Equipment	1,132,230	70,981		1,203,211
Total Capital Assets Being Depreciated:	\$ 3,154,122	\$ 157,998		\$ 3,312,120
Less: Accumulated Depreciation for:				
Building and Improvements	\$ (1,025,615)	\$ (45,359)	\$	\$ (1,070,974)
Furniture and Equipment	(892,950)	(104,427)		(997,377)
Total Accumulated Depreciation	(1,918,565)	(149,786)		(2,068,351)
Total Capital Assets Being Depreciated Net	1,235,557	8,212		1,243,769
Governmental Activities Capital Assets Net	\$ 1,235,557	\$ 8,212	\$	1,243,769
Water Supply Storage Facilities:				
Capital Assets Being Depreciated:				
Water Supply Storage Facilities	\$ 21,074,316	\$	\$	\$ 21,074,316
Furniture and Equipment	112,669	16,170		128,839
Total Capital Assets Being Depreciated	\$ 21,186,985	\$ 16,170	\$	\$ 21,203,155
Less: Accumulated Depreciation for:				
Water Supply Storage Facilities	\$ (15,079,957)	\$ (421,486)	\$	\$ (15,501,443)
Furniture and Equipment	(15,486)	(21,133)		(36,619)
Total Accumulated Depreciation	(15,095,443)	(442,619)		(15,538,062)
Business Type Capital Assets Being Depreciated Net	\$ 6,091,542	\$ (426,449)	\$	\$ 5,665,093

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
General Government	\$ 1,799,656	\$ 120,407	\$	\$ 1,920,063
Special Projects	118,909	29,379	-	148,288
Total Depreciation Expense- Governmental Activities	<u>\$ 1,918,565</u>	<u>\$ 149,786</u>	<u>\$</u>	<u>\$ 2,068,351</u>
Business-Type Activities:				
Water Supply Storage Facilities	\$ 15,095,443	\$ 442,620	\$	\$ 15,538,063
Total Depreciation Expense- Business-Type Activities	<u>\$ 15,095,443</u>	<u>\$ 442,620</u>	<u>\$</u>	<u>\$ 15,538,063</u>

Note 5. Reimbursable Water Supply Storage Facility Costs

The financial statements reflect a receivable from Western Berks Water Authority for construction costs financed by the Commission for a specific outlet pipe in the Blue Marsh Water Supply Storage Project. Principal and interest payments are due quarterly in the approximate amount of \$4,354, in January, April, July and October with interest calculated at 3.463%. Repayment terms as of June 30, 2013, require the following principal and interest payments:

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 13,841	\$ 3,574	\$ 17,415
2015	14,321	3,094	17,415
2016	14,816	2,599	17,415
2017	15,329	2,086	17,415
Thereafter	<u>44,896</u>	<u>2,997</u>	<u>47,893</u>
Total	<u>\$ 103,203</u>	<u>\$ 14,350</u>	<u>\$ 117,553</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 \$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, 2013 was \$426,189. Water sales revenue and interest income are used to pay operating expenses and debt service.

A summary of changes in long-term liability obligations for the year ended June 30, 2013 is as follow:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Other Liabilities:					
Other Post-Employment Benefits	\$ 838,987	\$	\$ (838,987)	\$	\$
Compensated Absences	488,053	870		488,923	120,000
Early Retirement	456,323		(43,486)	412,837	79,344
Total Other Liabilities	1,783,363	870	(882,473)	901,760	199,344
Governmental Activities Long-Term Liabilities	\$ 1,783,363	\$ 870	\$ (882,473)	\$ 901,760	\$ 199,344
Business-Type Activities:					
Bonds and Notes payable:					
Due to Army Corps of Engineers	\$ 12,418,024	\$	\$ (607,953)	\$ 11,810,071	\$ 498,180
Total Bonds and Notes Payable	12,418,024		(607,953)	11,810,071	498,180
Other Liabilities:					
Compensated Absences	9,666			9,666	
Early Retirement	96,921			96,921	
Total Other Liabilities	106,587			106,587	
Business-Type Activities Long-Term Liabilities	\$ 12,524,611	\$	\$ (607,953)	\$ 11,916,658	\$ 498,180

Debt service requirements of the amount due to the Army Corps of Engineers subsequent to June 30, 2013 are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total Debt Service
2014	\$ 456,734	\$ 404,408	\$ 861,142
2015	472,315	388,827	861,142
2016	488,428	372,714	861,142
2017	505,091	356,051	861,142
2018	522,324	338,818	861,142
2019-2023	2,891,446	1,414,265	4,305,711
2024-2028	3,419,675	886,014	4,305,689
2029-2033	1,658,454	394,133	2,052,587
2034-2038	1,395,604	149,986	1,545,590
Total	\$ 11,810,071	\$ 4,705,216	\$ 16,515,287

Note 7. Employee Retirement Plan

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

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

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

The contribution policy is set by *N.J.S.A.43:15A*, Chapter 62, P.L. 1994, and Chapter 115, P.L. 1997, and requires contributions by active members and contributing employers. Plan members and employer contributions may be amended State of New Jersey legislation. Members contribute at a uniform rate of 6.64% 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. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances and cost-of-living adjustments.

Employer contributions are actuarially determined by PERS. Employee contributions are calculated as a percentage of salary, which varies with the employee's age at the time of enrollment. The Commission's contribution requirements for the years ended June 30, 2013, 2012 and 2011 were \$352,749, \$337,528 and \$320,678.

Note 8. Retirement Health Care Benefits

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

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

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

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

The Commission provides eligible retirees with medical and prescription drug coverage paid by the employer and reimburses eligible retirees for Medicare Part B premiums. GASB 45 requires financial statement recognition of the cost of these benefits when earned by employees rather than when paid out. Employers are required to measure and disclose the annual OPEB cost based upon the employers annual required contribution (ARC). The ARC is the employer's periodic annual contribution calculated in accordance with GASB 45 parameters. The ARC includes the normal cost for the year plus amortization, not to exceed 30 years, of the total unfunded actuarial accrued liabilities.

The Commission's current actuarial report issued by Brown & Brown as of July 1, 2012 reflects the Commission's unfunded actuarial accrued liability is \$5,216,693 for a funded plan and \$7,176,680 for an unfunded plan. The resulting annual required contribution (ARC) required by the Commission is \$607,034 for a funded plan and \$748,337 for an unfunded plan. In 2009, the DRBC opted for a funded plan and, as required, established an irrevocable trust to receive contributions to fund actuarially determined liabilities.

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

	<u>Unfunded Basis</u>	<u>Funded Basis</u>
Normal Cost	\$ 307,750	\$ 207,553
Amortization Amount	<u>440,587</u>	<u>399,481</u>
Annual Required Contribution	<u>\$ 748,337</u>	<u>\$ 607,034</u>

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

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

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

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

Measurement Date- July 1, 2012.

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

Medical Trend- 9.0% and an ultimate rate of 5% beginning in 2020.

Mortality- RP 2000 Combined Healthy Mortality Table.

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

Participating Retirees- 100%

Demographic Data:

Number of Retirees and Surviving Spouses- 25

Average Age- 74.3 years

Active Employees- 42

Average Age- 49.3

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

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

An accounting change was made in FY13. Investment gains of \$90,383 that were recognized through FY 2012 were reversed and the Integral Part Trust and corresponding OPEB Liability were removed from the Commission's general fund accounts. This resulted in a net OPEB asset that is calculated as follows:

Balance in Trust Fund as of June 30, 2012	\$ 1,240,715
OPEB Liability Recorded as of June 30, 2012	(838,987)
Net Asset on Books as of June 30, 2012	401,728
Less Gains Recognized in Trust through FY12	<u>(90,383)</u>
Net OPEB Asset GY 12 (related)	311,345
FY13 OPEB Expenses less cash outlays	<u>(285,968)</u>
FY13 OPEB Asset	<u>\$ 25,377</u>

Note 9. Operating Transfers

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

	<u>Transfers from Other Funds</u>	<u>Transfers to Other Funds</u>
Governmental Funds:		
General Fund	\$ 2,616,238	\$ 239,984
Special Projects Fund	<u>335,959</u>	<u>607,238</u>
Total Governmental Funds	<u>2,952,197</u>	<u>847,222</u>
Proprietary Funds:		
Enterprise Funds:		
Water Supply Storage Facilities Fund		<u>2,104,975</u>
Total Proprietary Funds		2,104,975
Total	<u>\$ 2,952,197</u>	<u>\$ 2,952,197</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. 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 \$509,758 at June 30, 2013, of which \$412,837 has been recorded in the Governmental Activities and \$96,921 has been recorded in the Proprietary Fund. This additional liability is to be paid over a period of 26 years. Payments made for this program during the year ended June 30, 2013, were \$77,569.

Note 11. Federal Contribution

The Energy and Water Appropriations Bill (P.L. 104-206) eliminated federal funding for the Delaware River Basin Commission for the federal fiscal year 1997 (October 1, 1997 through September 30, 1998). Since the fiscal year ending 1997, the federal government has funded the Commission in only one year, 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 the 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, 2013 through the date of January 15, 2014, which is the date the financial statements were available to be issued. Based on this evaluation, the Commission has determined that no subsequent events have occurred which require disclosures in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION – PART 2

C. Budgetary Comparison Schedules

Delaware River Basin Commission
General Fund
Schedules of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (GAAP Basis)
Years Ended June 30, 2013 and 2012

	2013		2012		Variance Final To Actual Favorable (Unfavorable)
	Original Budget	Actual	Original Budget	Actual	
Revenues:					
Signatory Party Contributions:					
State of Delaware	\$ 447,000	\$ 447,000	\$ 447,000	\$ 447,000	\$
State of New Jersey	893,000	893,000	893,000	893,000	
State of New York	246,000	246,000	355,000	355,000	
Commonwealth of Pennsylvania	848,350	948,350	893,000	493,000	(400,000)
United States					
Sale of Publications	2,700	2,775	4,000	3,450	(550)
Project Review Fees	500,000	780,282	450,000	954,475	504,475
Investment Income	340,000		140,000	1,366	(138,634)
Fines, Assessments and Other Income	32,300	30,213	110,000	52,754	(57,246)
Total Revenues	3,309,350	3,347,620	3,292,000	3,200,045	(91,955)

Delaware River Basin Commission
General Fund
Schedules of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (GAAP Basis)
Years Ended June 30, 2013 and 2012

	2013		2012		Variance Final To Actual Favorable (Unfavorable)
	Original Budget	Actual	Original Budget	Actual	
Expenditures:					
Personal Services	\$ 2,861,100	\$ 2,594,141	\$ 2,855,000	\$ 2,821,471	\$ 33,529
Special and Contractual Services	388,650	228,557	228,000	339,828	(111,828)
Other Services	166,000	139,841	177,000	140,884	36,116
Supplies and Materials	72,000	45,503	72,000	42,520	29,480
Buildings and Grounds	191,000	163,709	190,700	186,302	4,398
Communications	23,500	20,462	22,000	19,193	2,807
Travel	37,000	26,765	43,000	43,975	(975)
Maintenance, Replacements Acquisitions and Rentals	125,000	71,827	257,000	130,390	126,610
Fringe Benefits and Other Contributions	1,597,100	1,465,882	1,453,200	1,478,428	(25,228)
Total Expenditures	5,461,350	4,756,687	5,297,900	5,202,991	94,909
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(2,152,000)	(1,409,067)	(2,005,900)	(2,002,946)	2,954
Other Financing Sources/(Uses):					
Operating Transfers (In)	2,515,000	2,616,238	1,958,000	1,935,459	(22,541)
Operating Transfer (Out)	(363,000)	(239,984)	(363,000)	(353,288)	9,712
Total Other Financing Sources and Uses	2,152,000	2,376,254	1,595,000	1,582,171	(12,829)
Net Change in Fund Balances					
Fund Balance - Beginning of Year	3,980,496	967,187	(410,900)	(420,775)	(9,875)
Fund Balance - End of Year	\$ 3,980,496	\$ 4,947,683	\$ 3,990,370	\$ 3,980,496	\$ (9,875)

STATISTICAL SECTION UNAUDITED

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

	Fiscal Year Ending June 30,					
	2013	2012	2011	2010	2009	2008
Governmental Activities						
Invested in Capital Assets,						
Net of Related Debt	\$ 1,243,769	\$ 1,235,557	\$ 1,277,349	\$ 1,375,737	\$ 1,436,465	\$ 1,463,117
Restricted	25,377					
Unrestricted	4,199,883	3,605,541	4,008,618	4,838,436	4,357,899	4,271,444
Total Governmental Activities Net Assets	<u>\$ 5,469,029</u>	<u>\$ 4,841,098</u>	<u>\$ 5,285,967</u>	<u>\$ 6,214,173</u>	<u>\$ 5,794,364</u>	<u>\$ 5,734,561</u>
Business-Type Activities						
Invested in Capital Assets,						
Net of Related Debt	\$ (6,144,978)	\$ (6,326,483)	\$ (6,262,062)	\$ (6,408,697)	\$ (6,230,944)	\$ (6,339,608)
Unrestricted	21,264,716	21,093,887	20,110,038	19,134,023	18,333,970	18,238,567
Total Business-Type Activities Net Assets	<u>\$ 15,119,738</u>	<u>\$ 14,767,404</u>	<u>\$ 13,847,976</u>	<u>\$ 12,725,326</u>	<u>\$ 12,103,026</u>	<u>\$ 11,898,959</u>
Commission-Wide						
Invested in Capital Assets,						
Net of Related Debt	\$ (4,901,209)	\$ (5,090,926)	\$ (4,984,713)	\$ (5,032,960)	\$ (4,794,479)	\$ (4,876,491)
Restricted	25,377					
Unrestricted	25,464,599	24,699,428	24,118,656	23,972,459	22,691,869	22,510,011
Total Commission Net Assets	<u>\$ 20,588,767</u>	<u>\$ 19,608,502</u>	<u>\$ 19,133,943</u>	<u>\$ 18,939,499</u>	<u>\$ 17,897,390</u>	<u>\$ 17,633,520</u>

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

	Fiscal Year Ended June 30,					
	2013	2012	2011	2010	2009	2008
Expenses:						
Primary Government: (from A-2)						
General Government	\$ 2,737,337	\$ 2,894,334	\$ 2,868,603	\$ 2,525,297	\$ 960,070	\$ 243,810
Planning and Implementation	555,555	532,990	695,950	452,905	433,338	465,935
Water Resources Management	1,047,420	1,112,246	1,065,528	1,035,190	1,003,843	1,250,085
Modeling and Monitoring	450,034	649,476	676,179	633,765	1,045,381	1,324,675
Special Projects	2,068,231	1,538,918	1,610,687	2,039,383	2,840,222	3,471,703
Total Government Activities	<u>6,858,577</u>	<u>6,727,964</u>	<u>6,916,947</u>	<u>6,686,540</u>	<u>6,282,854</u>	<u>6,756,208</u>
Business-Type Activities:						
Water Supply Storage Facilities (from A-2)	1,493,536	1,337,685	1,469,744	1,275,279	1,427,350	1,410,304
Total Business-Type Activities	<u>1,493,536</u>	<u>1,337,685</u>	<u>1,469,744</u>	<u>1,275,279</u>	<u>1,427,350</u>	<u>1,410,304</u>
Total Primary Government	<u>\$ 8,352,113</u>	<u>\$ 8,065,649</u>	<u>\$ 8,386,691</u>	<u>\$ 7,961,819</u>	<u>\$ 7,710,204</u>	<u>\$ 8,166,512</u>
Program Revenues:						
Government Activities:						
Charges for Services:						
Project Review Fees	\$ 780,281	\$ 954,476	\$ 448,296	\$ 876,021	\$ 366,912	\$ 282,293
Operating Grants and Contributions	2,124,299	1,165,723	1,358,461	1,583,973	1,602,338	2,274,450
Total Governmental Activities Program Revenue	<u>2,904,580</u>	<u>2,120,199</u>	<u>1,806,757</u>	<u>2,459,994</u>	<u>1,969,250</u>	<u>2,556,743</u>
Business-Type Activities:						
Charges for Services:						
Water Supply Storage Facilities	3,314,826	3,417,057	2,860,915	2,498,258	2,592,260	2,789,943
Total Business-Type Activities Program Revenue	<u>3,314,826</u>	<u>3,417,057</u>	<u>2,860,915</u>	<u>2,498,258</u>	<u>2,592,260</u>	<u>2,789,943</u>
Total Commission Program Revenues	<u>\$ 6,219,406</u>	<u>\$ 5,537,256</u>	<u>\$ 4,667,672</u>	<u>\$ 4,958,252</u>	<u>\$ 4,561,510</u>	<u>\$ 5,346,686</u>

See Independent Auditors' Report

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

	Fiscal Year Ended June 30,					
	2013	2012	2011	2010	2009	2008
Net (Expense)/Revenue:						
Governmental Activities	\$ (3,953,997)	\$ (4,607,765)	\$ (5,110,190)	\$ (4,226,546)	\$ (4,313,604)	\$ (4,199,465)
Business-type Activities	1,821,290	2,079,372	1,391,171	1,222,979	1,164,910	1,379,639
Total Commission-Wide Net Expense	<u>\$ (2,132,707)</u>	<u>\$ (2,528,393)</u>	<u>\$ (3,719,019)</u>	<u>\$ (3,003,567)</u>	<u>\$ (3,148,694)</u>	<u>\$ (2,819,826)</u>
General Revenues and Other Changes in Net Assets:						
Governmental Activities:						
Grants and Contributions Not Restricted to Special Programs	\$ 2,534,350	\$ 2,188,000	\$ 2,283,505	\$ 2,884,550	\$ 3,347,170	\$ 2,828,000
Investment Earnings		1,409	108,599	5,093	98,997	281,466
Miscellaneous Income	32,985	39,059	76,188	26,553	119,399	41,929
Transfers	2,104,975	1,934,429	1,713,692	1,730,159	807,841	1,002,330
Total Governmental Activities	<u>4,672,310</u>	<u>4,162,897</u>	<u>4,181,984</u>	<u>4,646,355</u>	<u>4,373,407</u>	<u>4,153,725</u>
Business-Type Activities:						
Investment Earnings	636,019	774,484	1,445,172	1,129,480	(153,002)	511,730
Transfers	(2,104,975)	(1,934,429)	(1,713,692)	(1,730,159)	(807,841)	(1,002,330)
Total Business-Type Activities	<u>(1,468,956)</u>	<u>(1,159,945)</u>	<u>(268,520)</u>	<u>(600,679)</u>	<u>(960,843)</u>	<u>(490,600)</u>
Total Commission-Wide	<u>\$ 3,203,354</u>	<u>\$ 3,002,952</u>	<u>\$ 3,913,464</u>	<u>\$ 4,045,676</u>	<u>\$ 3,412,564</u>	<u>\$ 3,663,125</u>
Changes in Net Assets:						
Governmental Activities	\$ 718,313	\$ (444,868)	\$ (928,206)	\$ 419,809	\$ 59,803	\$ (45,740)
Business-Type Activities	352,334	919,427	1,122,651	622,300	204,067	889,039
Total Commission	<u>\$ 1,070,647</u>	<u>\$ 474,559</u>	<u>\$ 194,445</u>	<u>\$ 1,042,109</u>	<u>\$ 263,870</u>	<u>\$ 843,299</u>

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

	Fiscal Year Ending June 30,					
	2013	2012	2011	2010	2009	2008
General Fund:						
Restricted	\$ 325,377	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000
Unreserved	4,622,306	3,770,871	4,191,649	4,880,803	4,309,531	4,143,531
Total General Fund	<u>\$ 4,947,683</u>	<u>\$ 4,070,871</u>	<u>\$ 4,491,649</u>	<u>\$ 5,180,803</u>	<u>\$ 4,609,531</u>	<u>\$ 4,443,531</u>
All other Governmental Funds:						
Unreserved, Reported in:						
Special Revenue Fund	\$ 45,576	\$ 346,785	\$ 354,472	\$ 396,121	\$ 478,708	\$ 507,128
Total All Other Governmental Funds	<u>\$ 45,576</u>	<u>\$ 346,785</u>	<u>\$ 354,472</u>	<u>\$ 396,121</u>	<u>\$ 478,708</u>	<u>\$ 507,128</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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Signatory Party Contributions:										
State of Delaware	\$ 520,830	\$ 465,593	\$ 127,000	\$ 447,000	\$ 496,995	\$ 491,331	\$ 438,067	\$ 471,494	\$ 574,675	\$ 593,271
State of New Jersey	893,000	903,500	893,000	893,000	941,305	1,043,702	989,879	940,476	960,209	938,263
State of New York	246,000	365,500	370,505	472,800	638,891	696,009	611,520	498,750	485,000	500,134
Commonwealth of Pennsylvania	1,105,089	686,411	1,075,016	1,194,567	1,396,978	1,389,812	1,255,610	1,326,777	1,417,592	1,356,926
United States	984,514	692,322	887,067	1,177,445	1,247,241	1,089,108	673,229	410,476	436,097	644,646
Water Pollution Control Grant			2,604	3,797	3,850	4,410	650,890	689,172	943,369	746,476
Sale of Publications	2,775	3,450	448,296	876,021	366,912	282,293	3,700	145	2,133	2,524
Project Review Fees	780,282	954,518					479,565	370,271	306,873	211,378
Overhead Reimbursement			108,599	4,989	98,997	281,466	350,683	80,000	80,000	80,000
Investment Income	59	1,366	362,961	306,574	343,646	430,010	504,913	232,101	107,045	36,936
Fines, Assessments and Other Income	939,369	293,152						540,461	620,289	557,504
Total Revenues	5,471,918	4,365,812	4,275,048	5,376,193	5,534,815	5,708,141	5,968,056	5,560,123	5,933,282	5,668,058
Expenditures:										
Personal Services	3,185,201	3,254,446	3,200,330	3,164,452	3,073,105	2,989,978	2,867,064	2,617,945	2,380,689	2,732,350
Special and Contractual Services	1,324,809	1,176,378	1,258,916	1,299,652	1,296,004	2,030,419	1,927,198	1,327,441	2,059,070	1,815,623
Other Services	139,841	140,884	169,136	135,232	142,164	146,511	155,277	145,772	132,827	130,831
Supplies and Materials	64,757	55,422	57,534	64,701	65,482	65,046	88,058	107,704	102,366	70,932
Buildings and Grounds	250,725	186,302	175,127	191,007	224,765	330,318	172,807	200,340	164,191	149,698
Communications	23,755	20,134	26,147	34,047	40,325	45,724	50,352	38,776	43,249	41,789
Travel	32,529	46,018	66,133	50,258	46,794	62,724	62,186	48,402	65,744	57,402
Maintenance, Replacements Acquisitions and Rentals	100,683	139,677	81,939	116,964	167,845	201,450	304,166	171,220	138,098	481,808
Fringe Benefits and Other Contributions	1,788,616	1,709,443	1,684,286	1,561,351	1,148,468	1,063,827	937,374	845,612	735,338	743,579
Total Expenditures	6,910,916	6,728,704	6,719,548	6,617,664	6,204,952	6,935,997	6,564,482	5,503,212	5,821,572	6,224,012
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(1,438,998)	(2,362,892)	(2,444,500)	(1,241,471)	(670,137)	(1,227,856)	(596,426)	56,911	111,710	(555,954)
Other Financing Sources/(Uses):										
Operating Transfers In	2,952,197	2,384,568	2,215,026	2,323,696	1,425,080	1,863,910	1,370,076	1,785,534	1,206,558	1,578,124
Operating Transfer (Out)	(847,222)	(450,138)	(501,334)	(593,537)	(617,240)	(861,580)	(441,954)	(1,173,257)	(572,070)	(820,837)
Total Other Financing Sources and Uses	2,104,975	1,934,430	1,713,692	1,730,159	807,840	1,002,330	928,122	612,277	634,488	757,287
Net Change in Fund Balances	\$ 665,977	\$ (428,462)	\$ (730,808)	\$ 488,688	\$ 137,703	\$ (225,526)	\$ 331,696	\$ 669,188	\$ 746,198	\$ 201,333

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

Fiscal Year Ended June 30,	Business- Type Activities <u>Due to U.S. Army Corps of Engineers</u>	Governmental Fund Type <u>Capital Lease</u>	Total
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
2006	14,612,104	21,836	14,633,940
2005	15,092,040	31,444	15,123,484
2004	15,299,098	6,355	15,305,453

Supplemental Schedules

Delaware River Basin Commission
Schedule of Active Special Projects - Unaudited
Through June 30, 2013

	Riverware Modeling 201	Neversink Monitoring 202	Didymo Nutrients 203	Vnly Chloride 204	FFMP Feasibility Study 282	USGS Monitors 310	Data Management 314	Data Tracking 314A	Groundwater Pennsylvania Protected Area 315	Port Jarvis Ice Flow Maintenance Project 320	HVAC System 324	Assessment of NG Impacts 326A	NG Software Tool and Process 326B	Page Total
Cumulative Expenditures From Date of Inception Through June 30, 2012	\$ 12,685	\$ 1,436	\$	\$	\$	\$ 3,131,263	\$ 150,000	\$	\$ 6,023,039	\$ 3,729	\$ (226,504)	\$ 16,930	\$ 34,598	\$ 9,147,176
Current Fiscal Year Expenditures and Encumbrances:														
Personal Services	2,013	12,071	5,510	2,663	21,015	298,465	64		71,910			6,034	26,312	147,592
Special and Contractual Services		7,791		3,179					800			48,400	2,500	357,835
Supplies, Materials and Equipment		72	823										4,195	4,195
Travel and Communications		15											498	513
Fringe Benefits	1,050	6,177	3,701	1,488	12,141		30		37,538			4,026	13,152	79,303
Transfers and Refunds	(628)	11,534	(5,474)	(7,330)	(33,156)	(95,975)	(94)		45,692		226,504	7,110	11,871	160,054
Total Current Fiscal Year Expenditures	2,435	37,660	4,560		202,490				155,940		226,504	65,570	54,333	749,492
Total Expenditures from date of Inception through June 30, 2013	15,120	39,096	4,560		3,333,753	150,000			6,176,979	3,729		82,500	86,931	9,896,668
Total Funding Awarded for Project	15,120	50,000	18,600		3,458,709	150,000	75,000		6,389,370	96,808		82,500	649,000	10,985,107
Capital Expenditures		693	2,492				9,512		12,720					25,417
Funding Available to Complete Project	\$	\$ 10,211	\$ 11,548	\$	\$	\$ 124,956	\$ 65,486	\$	\$ 197,671	\$ 93,079	\$	\$	\$ 560,069	\$ 1,063,022

Delaware River Basin Commission
Schedule of Active Special Projects - Unaudited
Through June 30, 2013

	Baseline Monitoring 326C	Exelon 59 Degree Lim. 329A	DuPont Chambers works Discharge 329B	Water Code 336B	Early Warming System 343	Natural Gas Monitoring 350	Natural Gas Monitoring 350A	PA Water Planning 353	Fly Ash 360	Page Total
Cumulative Expenditures From Date of Inception Through June 30, 2012	\$	\$ 17,688	\$ 63,388	\$	\$ 382,199	\$	\$ 17,184	\$ 931,842	\$	\$ 1,412,301
Current Fiscal Year Expenditures and Encumbrances:										
Personal Services	49	22,317	996	162	87,214	65	36,444		64	23,653
Special and Contractual Services		757						800		124,415
Supplies, Materials and Equipment		205					408			800
Travel and Communications	32	11,577	510	80		32			32	12,263
Fringe Benefits		(34,856)	(1,506)	(242)		(97)			(96)	(36,797)
Transfers and Refunds										
Total Current Fiscal Year Expenditures	81				87,214		36,852	800		124,947
Total Expenditures from date of Inception through June 30, 2013	81	17,688	63,388		469,413		54,036	932,642		1,537,248
Total Funding Awarded for Project	82,500	17,688	63,388	61,993	470,064		150,000	1,100,000		1,945,633
Capital Expenditures								5,799		5,799
Funding Available to Complete Project	\$ 82,419	\$	\$	\$ 61,993	\$ 651	\$	\$ 95,964	\$ 161,559	\$	\$ 402,586

Delaware River Basin Commission
Schedule of Active Special Projects - Unaudited
Through June 30, 2013

Schedule 1
 Sheet # 3

	Sec. 106 Water Pollution Control grant 362	Lower Delaware Model Point Discharge Study 364	Delaware Estuary Mercury Study 369	Courtyard 372A	Comprehensive Plan 374	Nutrient Expert panel 384	Ecological Flow Recommendations 386	Schedule Total
Cumulative Expenditures From Date of Inception Through June 30, 2012	\$ 1,810,085	\$ 46,684	\$ 15,093.00	\$ 106,598	\$ 718,008	\$	\$ 2,196	\$ 13,258,141
Current Fiscal Year Expenditures and Encumbrances:								
Personal Services	357,387							528,632
Special and Contractual Services	488,860	18,153	73,830		279,000	2,010	31,375	1,375,478
Supplies, Materials and Equipment	14,759							19,754
Travel and Communications	7,708							8,834
Fringe Benefits	195,740							287,306
Transfers and Refunds	(133,112)							(9,855)
Total Current Fiscal Year Expenditures	931,342	18,153	73,830		279,000	2,010	31,375	2,210,149
Total Expenditures from date of inception through June 30, 2013	2,741,427	64,837	88,923	106,598	997,008	2,010	33,571	15,468,290
Total Funding Awarded for Project	3,062,176	130,000	110,961	270,431	1,130,000	24,743	104,511	17,763,562
Capital Expenditures	30,475			87,017				148,708
Funding Available to Complete Project	\$ 290,274	\$ 65,163	\$ 22,038	\$ 76,816	\$ 132,992	\$ 22,733	\$ 70,940	\$ 2,146,564

Delaware River Basin Commission
General Fund Expenditures - By Category and Object - Unaudited
Years Ended June 30, 2013 and 2012
(With comparative Totals for June 30, 2012)

	<u>2013</u>	<u>2012</u>
Personnel Services	\$ 2,593,510	\$ 2,822,930
Special and Contractual Services:		
Auditing	15,785	15,785
Computer and Financial	15,785	15,885
All Other Special and Contractual Services	<u>196,987</u>	<u>308,158</u>
Total Special and Contractual Services	<u>228,557</u>	<u>339,828</u>
Other Services:		
Insurance	110,798	110,022
Advertising	6,408	5,351
Memberships	12,124	15,194
All Other	<u>10,511</u>	<u>10,417</u>
Total Other Services	<u>139,841</u>	<u>140,984</u>
Supplies and Materials:		
Vehicular	11,670	13,269
Office	30,313	24,943
Library	<u>3,520</u>	<u>4,308</u>
Total Supplies and Materials	<u>45,503</u>	<u>42,520</u>
Buildings and Grounds	<u>163,709</u>	<u>186,302</u>
Communications:		
Postage	6,163	4,128
Telephone and Other	<u>14,299</u>	<u>15,065</u>
Total Communications	<u>20,462</u>	<u>19,193</u>
Travel:		
Travel	19,176	26,742
Commission Meeting Expense	<u>7,585</u>	<u>17,237</u>
Total Travel	<u>26,761</u>	<u>43,979</u>
Maintenance, Replacements, Acquisitions and Rentals:		
Office Equipment	15,980	19,612
Vehicular Equipment	12,416	14,338
Computers	803	12,054
Office Equipment Rental		45
Depreciation	<u>120,408</u>	<u>95,781</u>
Total Maintenance, Replacements, Acquisitions and Rentals	<u>149,607</u>	<u>141,830</u>
Fringe Benefits and Other Contributions:		
Employees' Retirement	317,018	340,037
Social Security	186,500	198,648
Health and Dental Benefits	902,830	894,458
Unemployment Compensation	7,671	8,090
Long-term Disability	<u>8,378</u>	<u>10,352</u>
Total Fringe Benefits and Other Contributions	<u>1,422,397</u>	<u>1,451,585</u>
Total General Fund Expenditures	<u>\$ 4,790,347</u>	<u>\$ 5,189,151</u>

See Independent Auditors' Report

Delaware River Basin Commission
Changes in Special Projects
Advance/(Receivable) Balance - By Project - Unaudited
Year Ended June 30, 2013

Advances:	Project	Balance July 1, 2012	Cash Receipts	Transfers	Expenditures	Balance June 30, 2013
	201	\$ 2,435	\$	\$ 1,330	\$ (3,765)	\$
	310	116,356	211,090	95,975	(298,465)	124,956
	312A	5,592				5,592
	314A	75,000			(9,512)	65,488
	315	267,961	85,650	(45,692)	(110,248)	197,671
	320	93,020	59			93,079
	322	16,622				16,622
	326A	65,570		(7,110)	(58,460)	
	326B	183,202	431,200	(11,871)	(42,462)	560,069
	326C	Baseline Monitoring	82,500		(81)	82,419
	336	15,593				15,593
	343	2,337	85,529		(87,214)	652
	350A	132,816			(36,852)	95,964
	353	162,359			(800)	161,559
	372	6,000				6,000
	372A	31,145	100			31,245
	373	3,843				3,843
	374	411,992		(279,000)		132,992
	384	24,743			(2,010)	22,733
	386	102,315			(31,375)	70,940
	Total Advances	\$ 1,718,901	\$ 896,128	\$ (246,368)	\$ (681,244)	\$ 1,687,417
Accounts Receivable:						
	202	\$ (1,436)	\$ 35,129	\$ (11,534)	\$ (26,818)	\$ (4,659)
	203		929	5,474	(12,527)	(6,124)
	312A		56,335	(2,133)	(97,857)	(43,655)
	362	(280,169)	971,383	133,112	(1,092,420)	(268,094)
	369		46,673		(73,830)	(27,157)
	Total Accounts Receivable	\$ (281,605)	\$ 1,110,449	\$ 124,919	\$ (1,303,452)	\$ (349,689)

SINGLE AUDIT SCHEDULES



McENERNEY, BRADY & COMPANY, LLC
Certified Public Accountants

**Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance With *Government
Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Delaware River Basin Commission (the "Commission"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Commission's basic financial statements, and have issued our report thereon dated January 15, 2014.

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 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 charged with governance.

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

Compliance and Other Matters

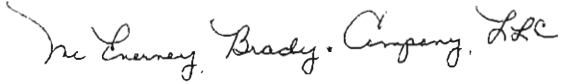
As part of obtaining reasonable assurance about whether the Commission's regulatory basis financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a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

293 Eisenhower Parkway, Livingston, NJ 07039
(973) 535-2880

832 McLean Avenue, Yonkers, NY 10704
(914) 237-3676

Purpose of this Report

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

A handwritten signature in cursive script that reads "McCreary, Brady, Company, LLC".

Livingston, New Jersey
January 15, 2014



**Report on Compliance For Each Major Program; Report on Internal Control Over Compliance; and
Report on the Schedule of Expenditures of State Awards Required by OMB Circular A-133 and
New Jersey OMB Circular 04-04**

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

Report on Compliance for Each Major Program

We have audited the Delaware River Basin Commission's (the "Commission") compliance with the types of compliance requirements described in the *OMB Circular A-133* 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, 2013. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and *New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Programs* (collectively, "OMB Circular A-133"). Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major program. However, our audit does not provide a legal determination of the Commission's compliance.

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 could have a direct and material effect on each of its major programs for the year ended June 30, 2013.

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Report on Internal Control Over Compliance

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 program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

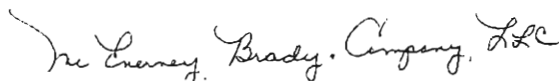
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 charged with governance.

Our consideration of 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 any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal and State Awards Required by NJ OMB Circular 04-04

We have audited the financial statements of the Commission as of and for the year ended June 30, 2013, and have issued our report thereon dated January 15, 2014, which contained an unqualified opinion on those financial statements on the basis of generally accepted accounting principles. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the regulatory basis financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the regulatory basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards is fairly stated in all material respects in relation to the financial statements as a whole



Livingston, New Jersey
January 15, 2014

Delaware River Basin Commission
Schedule of Expenditures of Federal and State Awards
Year Ending June 30, 2013

Federal Grantor/Program Title	Federal CFDA #	DRBC Project #	Grant Period	Award Amount	Cash Received	Expenditures	Cumulative Expenditures
Federal Awards:							
Direct Programs:							
U.S. Environmental Protection Agency: Water Pollution Control Grant	66.419	362	1/1/10-12/31/13	\$ 2,663,294	\$ 971,383	\$ 959,308	\$ 2,373,020
NPS-Lower Delaware Point Discharger Study	15.935	364	10/1/09-9/30/14	130,000	18,153	18,153	64,837
Total Direct Programs				<u>2,793,294</u>	<u>989,536</u>	<u>977,461</u>	<u>2,437,857</u>
Pass-Through Programs:							
NOAA Penn State Erie	11.417	203	11/1/12-12/31/13	18,600	929	7,053	7,053
Total Federal Awards				<u>\$ 2,811,894</u>	<u>\$ 990,465</u>	<u>\$ 984,514</u>	<u>\$ 2,444,910</u>

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

**DELAWARE RIVER BASIN COMMISSION
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2013**

1. GENERAL:

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

2. BASIS OF ACCOUNTING:

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

3. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS:

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

**DELAWARE RIVER BASIN COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

Section 1 - Summary of Auditor's Results

FINANCIAL STATEMENT SECTION

Type of auditor's reports issued:

Unqualified

Internal control over financial reporting:

1) Material weakness(es) identified?

___ Yes X No

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

___ Yes X None Reported

Noncompliance material to general purpose financial statements noted?

___ Yes X No

FEDERAL AWARDS SECTION

Internal Control over major programs:

1) Material weakness(es) identified?

___ Yes X No

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

___ Yes X None Reported

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

Unqualified

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

___ Yes X No

Identification of major federal programs:

CFDA #

Title

66.419

EPA Water Pollution Control Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?

X Yes ___ No

**DELAWARE RIVER BASIN COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

Section II - Schedule of Financial Statement Findings

NONE

Section III - Schedule of Federal Award Findings and Questioned Costs

NONE

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT
FINDINGS AS PREPARED BY MANAGEMENT**

This section identifies the status of prior year findings to the general-purpose financial statements and federal and state awards that are required to be reported in accordance the Chapter 6.12 of Government Auditing Standards, U.S. OMB Circular A-133 (Section .315(a)(b)).

STATUS OF PRIOR YEAR FINDINGS

There were no prior year audit findings for the year ended June 30, 2012.