



**DELAWARE VALLEY REGIONAL  
FINANCE AUTHORITY**

---

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2019  
&  
INDEPENDENT AUDITORS' REPORT  
&  
ADDITIONAL INFORMATION

## TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED).....	1
Introduction .....	1
Loan Portfolio.....	4
Summaries of Financial Statements .....	9
Economics of the Loan Program .....	14
Covenant Agreement .....	16
Financing Activities.....	18
Investments.....	23
Interest Rate Swap Agreements.....	24
Stress Tests .....	26
Outlook .....	30
Exhibit I: Loans Outstanding as of December 31, 2019 .....	31
INDEPENDENT AUDITORS' REPORT .....	34
BALANCE SHEET .....	36
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION .....	37
STATEMENT OF CASH FLOWS .....	38
NOTES TO FINANCIAL STATEMENTS .....	39
1. Nature of Operations and Summary of Significant Accounting Policies.....	39
2. Cash, Cash Equivalents, Investments, Restricted Cash Equivalents, and Restricted Investments ..	41
3. Loans to Local Governments.....	45
4. Bonds Payable .....	47
5. Credit Facilities .....	55
6. Derivative Financial Instruments .....	56
7. Fair Value of Investments and Restricted Investments .....	64
8. Direct Borrowings and Direct Placements .....	65
9. Pending Accounting Principles .....	66
INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION .....	67
COMBINING BALANCE SHEET INFORMATION.....	68
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION INFORMATION ....	69
COMBINING STATEMENT OF CASH FLOWS INFORMATION.....	70

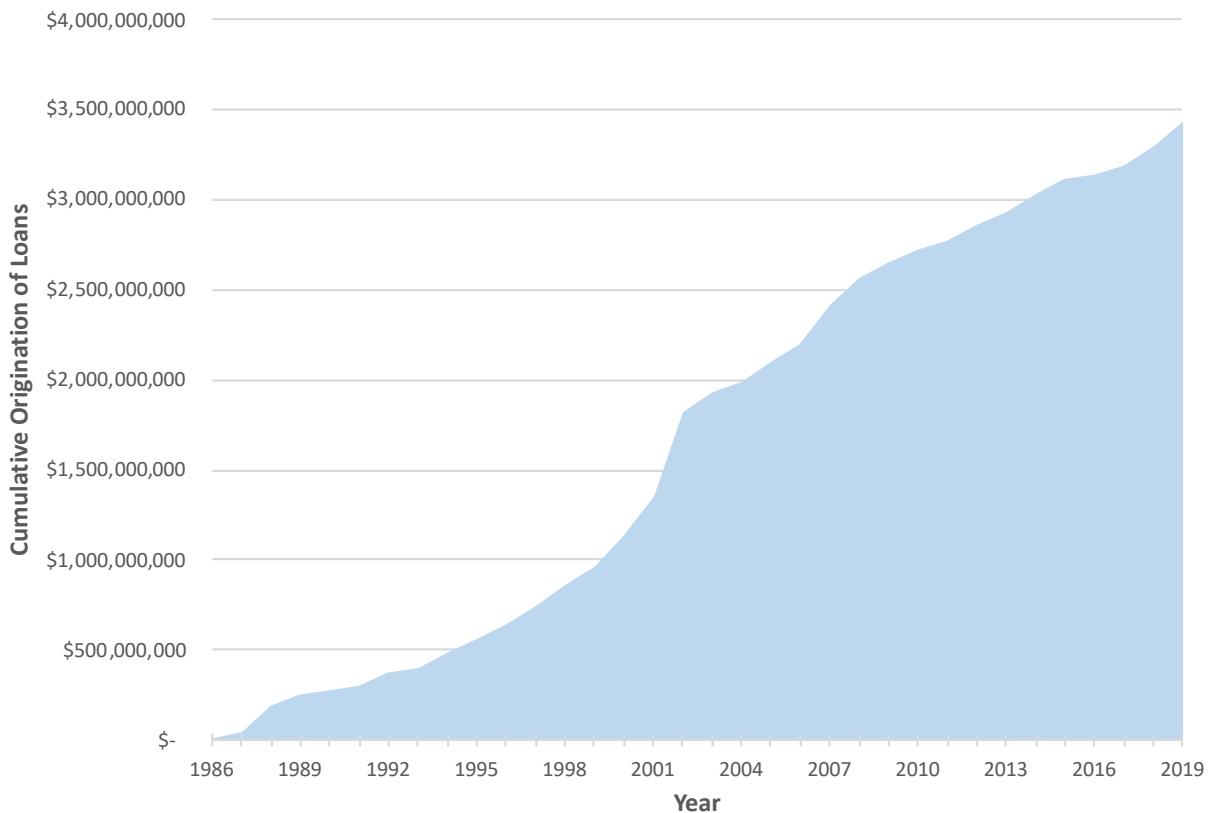


## DELAWARE VALLEY REGIONAL FINANCE AUTHORITY MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

### INTRODUCTION

Bucks, Chester, Delaware, and Montgomery Counties, Pennsylvania (the “Counties”) formed the Delaware Valley Regional Finance Authority (“DelVal”) under the provisions of the Pennsylvania *Municipality Authorities Act* (the “*Authorities Act*”) on December 23, 1985. The Counties created DelVal to provide loans for capital projects (the “Loan Program”) to townships, boroughs, school districts, counties, and authorities located in the Commonwealth of Pennsylvania. DelVal has originated 544 loans (each a “Loan”) with an aggregate principal amount of approximately \$3.4 billion to 203 different local governments (each a “Participant”) in 16 counties in Pennsylvania since its creation in 1985. Each Loan is secured by the pledge of the full faith, credit, and taxing power, or the equivalent contractual obligation, of the Participant or its guarantor (each a “Guarantor”) if the Participant is an authority. DelVal has never experienced a default on a Loan repayment.

**Cumulative Loans Originated since 1985**



Source: Calhoun Baker Inc.

The governing body of DelVal consists of a Board of Directors (the “Board”) of five members appointed by the Counties. Each year, one of the Counties appoints a member to a five-year term. The Board meets monthly.

### Members of the Board of Directors in 2019

<u>Member</u>	<u>Office</u>	<u>Appointed by:</u>	<u>Term Expires</u>
Joseph E. Brion, Esq.	Chairman	Chester County	2024
James H. Shacklett, III	Vice Chairman	Montgomery County	2021
Patricia K. Poprik	Secretary	Bucks County	2022
John P. McBlain, Esq.	Treasurer	Delaware County	2023
Michelle H. Kichline, Esq.	Secretary/Treasurer	Chester County	2020

*Source: Calhoun Baker Inc.*

The Board oversees the operations of DelVal and appoints the Program Administrator, the Solicitor, the Bond Counsel, and the trustees of the DelVal bond issues, TD Bank, N.A. and Wells Fargo Bank, N.A. (collectively, the “Trustees”) to conduct the Loan Program. The Program Administrator, Calhoun Baker Inc., is responsible for the credit review and approval of Loan applications, the investment of DelVal’s funds, the calculation of the Loan rates, and the execution of interest rate swap transactions. The Solicitor, Carmen P. Belefonte, Esq., directs DelVal’s legal affairs and prepares closing documents for Loans. Bond Counsel (principally, Eckert Seamans Cherin & Mellott, LLC) renders opinions related to the issuance of bonds, the execution of interest rate swap agreements, and the closings of Loans. The Trustees invoice and collect the Loan repayments, principally through Automated Clearing House (“ACH”) debits of the Participants’ demand deposit accounts. The Trustees hold all of the funds of DelVal and make all disbursements. Every Loan and each disbursement must be authorized by the Board.

Loans from DelVal are limited to funding capital projects permitted under the Pennsylvania *Local Government Unit Debt Act* (the “*Debt Act*”). DelVal’s charter prohibits any Loan that would constitute a “Tax and Revenue Anticipation Note” under the *Debt Act* and any Loan to health or higher education institutions. The Program Administrator, the Board of DelVal, and, if applicable, the credit facility provider must approve any new Loan. Generally, DelVal requires any Participant without a published rating applying for a Loan of \$1,000,000 or more to secure a published rating. If the Participant does not receive a rating of “A-”, “A3”, or higher, or if insurance is a condition for approval by the Program Administrator, DelVal will require the Participant to secure a financial guaranty policy.

The primary objectives of the Loan Program are to:

- 1) Provide funding with a lower all-in true interest cost (taking into consideration costs of issuance, interest costs, and annual administrative costs) than the Participants could achieve on their own,
- 2) Offer variable rate and fixed rate funding options, and
- 3) Improve the ability and flexibility of Participants to manage their debt.

DelVal accomplishes these objectives by realizing economies of scale, utilizing a revolving loan pool structure, and entering into interest rate swap transactions.

DelVal generally issues bonds or notes (collectively, the “DelVal Series”) in an aggregate principal amount sufficient to fund at least 20 Loans. By issuing in large principal amounts, DelVal realizes lower costs of issuance than would have been realized if each of the Participants issued a separate bond issue. When Loans are repaid, the repayments are used to originate new Loans. DelVal uses this revolving loan

structure to further reduce the allocation of the costs of issuance. Seven series issued by DelVal were outstanding as of December 31, 2019:

- 1) \$28,000,000 Local Government Revenue Bonds, 1997 Series B and C (the “1997 Series”),
- 2) \$250,000,000 Local Government Revenue Bonds, 1998 Series A (the “1998 Series”),
- 3) \$125,000,000 Local Government Revenue Bonds, 2002 Series C (the “2002 Series”),
- 4) \$160,000,000 Local Government Revenue Bonds, 2007 Series A, B and C (the “2007 Series”),
- 5) \$20,000,000 Local Government Revenue Bonds, 2014 Series B (the “2014 Series”),
- 6) \$175,000,000 Local Government Revenue Bonds, 2017 Series A, B, C, D, and E (the “2017 Series”), and
- 7) \$215,000,000 Local Government Revenue Bonds, 2018 Series A, B, C, D, and E (the “2018 Series”).

DelVal executed the Covenant Agreement in 2001 to enhance the security of the bondholders by pledging to transfer any excess funds held under any Series to cure any deficiency. The Trust Indentures of all the DelVal Series incorporate the Covenant Agreement. The 2007 Series, 2014 Series, 2017 Series, and 2018 Series (collectively, the “Master Series”) were all issued under the Master Trust Indenture and supplemental indentures. All future bonds will be issued under the Master Trust Indenture and a new supplemental indenture and will be secured with all other Master Series equally and ratably by all of the assets under the trust estate of the Master Trust Indenture

DelVal has entered into interest rate swap agreements (collectively, the “Swap Agreement”) with six different counterparties (each a “Counterparty”):

- 1) Bank of America, N.A. (“BANA”),
- 2) Barclays Bank PLC (“Barclays”),
- 3) Citibank, N.A. (“Citibank”),
- 4) PNC Bank, National Association (“PNC”),
- 5) The Toronto-Dominion Bank (“T-D”), and
- 6) Royal Bank of Canada (“RBC”).

DelVal has executed interest rate swap transactions related to the DelVal Series (each a “Bond Swap”) to hedge its exposure to changes in long-term interest rates and its exposure to basis risk. Under these transactions, DelVal’s net debt service and swap payment is equal to the SIFMA Municipal Swap Index (the “SIFMA Index”) plus a spread. DelVal also executes offsetting interest rate swap transactions to provide fixed rate Loans (each a “Loan Swap”) when requested by Participants. Under these transactions, DelVal receives the SIFMA Index and pays a fixed interest rate.

The DelVal Loan rates are set by the Program Administrator each month at levels sufficient to fund:

- 1) Debt service payments on the DelVal Series,
- 2) Net payments due under DelVal interest rate swap agreements, and
- 3) Administrative costs and liquidity requirements necessary for the operation of the Loan Program.

## LOAN PORTFOLIO

DelVal originated 22 Loans with an aggregate principal amount of approximately \$139 million in 2019. This was the most active year for origination in the last decade. Demand was high due to the declining interest rates throughout the year and the relative advantages of DelVal Loans compared to bank loans and bond issues. Several large prepayments and proceeds from the 2018 Series provided the necessary funding.

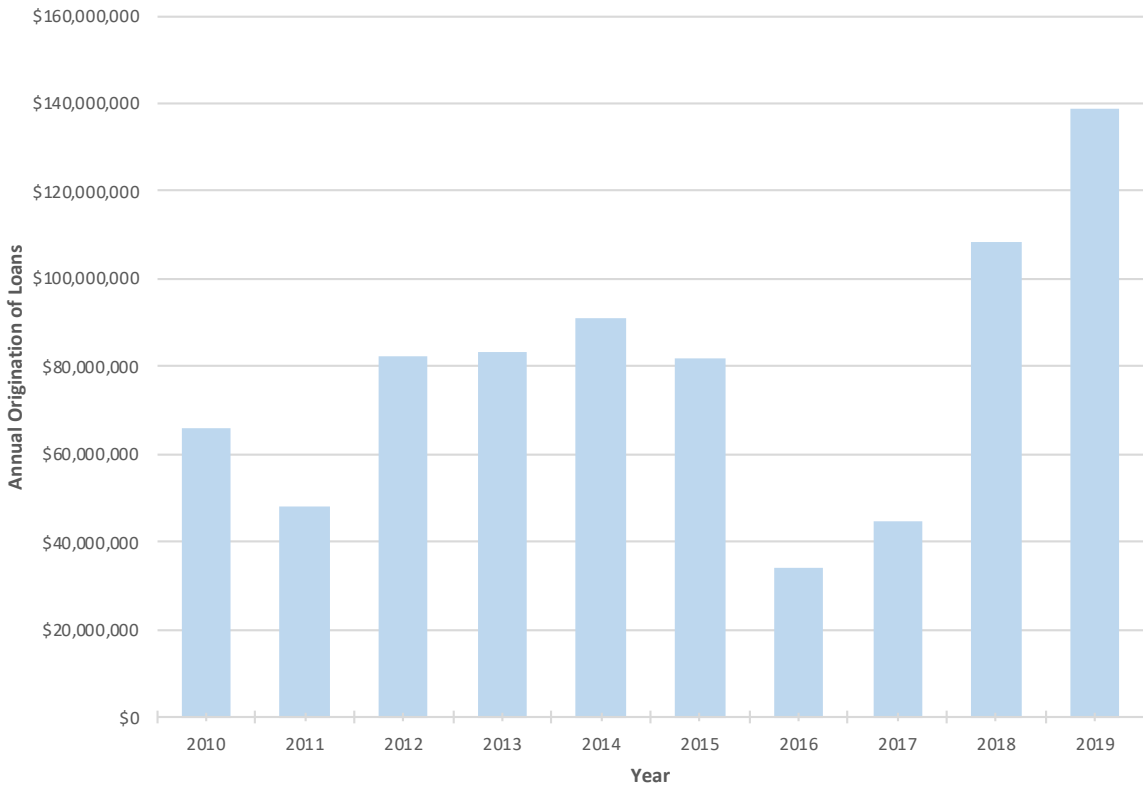
### Loans Originated in 2019

<u>No.</u>	<u>Loans Closed</u>	<u>County</u>	<u>Underlying Rating</u>			<u>Amount</u>	<u>Closing</u>
			<u>Kroll</u>	<u>Moody's</u>	<u>S&amp;P</u>		
1	Garnet Valley School District	Delaware	--	--	AA	\$ 1,250,000	25-Jan-19
2	Hatfield Township	Montgomery	AA-	--	--	720,000	25-Feb-19
3	Upper Southampton Township	Bucks	AA	--	--	1,500,000	28-May-19
4	Towamencin Township	Montgomery	--	--	AA+	1,000,000	28-May-19
5	Caln Township Municipal Auth	Chester	--	--	AA	2,800,000	11-Jun-19
6	Lower Perkiomen Valley Regional Sewer Authority	Montgomery	--	--	AA-	25,000,000	25-Jun-19
7	Towamencin Township Infrastructure Authority	Montgomery	--	--	AA+	6,740,000	26-Jul-19
8	Towamencin Municipal Authori	Montgomery	--	--	AA+	8,026,000	26-Jul-19
9	Lower Perkiomen Valley Regional Sewer Authority	Montgomery	--	--	AA-	12,553,000	26-Aug-19
10	Delaware County	Delaware	--	Aa1	AA	22,710,000	26-Aug-19
11	Bristol Township	Bucks	--	Aa3	--	6,935,000	16-Sep-19
12	Bristol Township	Bucks	--	Aa3	--	5,505,000	1-Oct-19
13	Caln Township	Chester	--	--	AA	5,233,000	1-Oct-19
14	Garnet Valley School District	Delaware	--	--	AA	1,250,000	1-Oct-19
15	Chalfont Borough	Bucks	--	A1	--	1,200,000	13-Nov-19
16	Kennett Square Borough	Chester	--	A3	--	6,345,000	13-Nov-19
17	Franconia Township	Montgomery	--	--	A	1,800,000	21-Nov-19
18	Montgomery County	Montgomery	--	Aaa	--	248,000	13-Dec-19
19	Marple Township	Delaware	--	--	AA	13,845,000	13-Dec-19
20	Norristown Municipality	Montgomery	--	--	A+	950,000	20-Dec-19
21	Bucks County	Bucks	--	Aaa	AAA	47,000	30-Dec-19
22	Franconia Sewer Authority	Montgomery	--	--	A	12,950,000	30-Dec-19
	<b>Total</b>					<b><u>\$ 138,607,000</u></b>	

Source: Calhoun Baker Inc

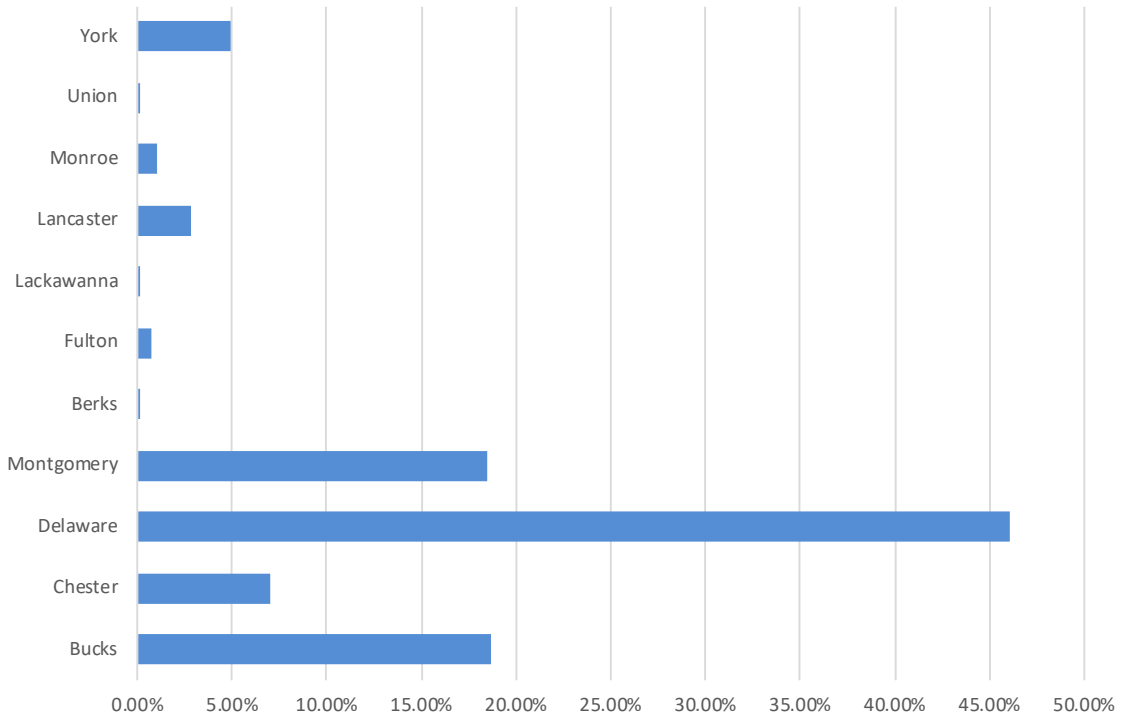
DelVal has been most active lending within the Counties. The Counties encompass an area of approximately 2,060 square miles and a population of approximately 2.5 million people. More than 420 counties, cities, townships, boroughs, school districts, and authorities (each a "Political Subdivision") are located within the Counties. DelVal, as a matter of policy of the Board, limited its lending activities to Political Subdivisions located in the Counties until 2002. Then, in order to provide geographic diversification to its loan portfolio, DelVal began lending to Political Subdivisions in Pennsylvania located outside the Counties, principally in the eastern half of the Commonwealth. At year end, 254 Loans, in the aggregate principal amount of \$845 million, were outstanding to 127 Participants located in eleven different counties. Approximately, 90.17% of the Loan principal had been originated to Participants located within the Counties.

### Annual Loan Principal Originated



Source: Calhoun Baker Inc.

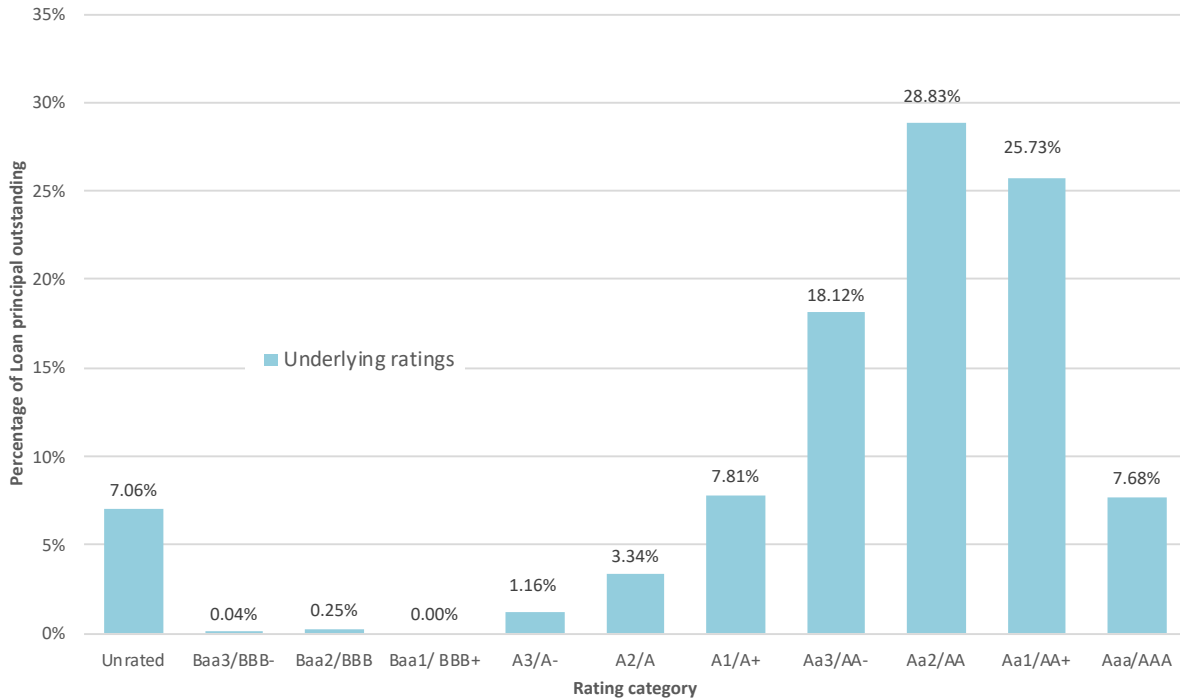
### Percentage of Loan Principal Outstanding by County



Source: Calhoun Baker Inc.

At year-end, approximately 7.06% of the principal of the Loans outstanding had been originated to Participants or to Participants with Guarantors with no published underlying ratings, 0.29% to those with published underlying ratings below “A3” or “A-”, and 80.36% to those with published underlying ratings of “Aa3”, “AA-”, or higher. The weighted average rating was “Aa2/AA”.

### Underlying Ratings of Loan Principal Outstanding



DeIVal is the beneficiary of financial guaranty policies issued by Assured Guaranty Municipal Corp. (“AGM”), Municipal Assurance Corp. (“MAC”), and Build America Mutual Corp. (“BAM”) that secure loans equal to 13.65% of the Loan principal outstanding as of December 31, 2019. AGM was assigned ratings of “A2” with a stable outlook by Moody’s Investors Service (“Moody’s”), “AA” with a stable outlook by S&P Global Ratings (“S&P”), and “AA+” with a stable outlook by Kroll Bond Rating Agency (“Kroll”). MAC was rated “AA+” by Kroll and “AA” by S&P. BAM was rated “AA” by S&P. Taking into consideration the financial guaranty policies, 5.19% of the Loan principal outstanding was uninsured and unrated or rated below “A3/A-”, and 83.96% of the Loan principal was rated “Aa3/AA-” or higher.

Below is a schedule of the ten Participants with the highest concentration levels of Loans as of December 31, 2019. Delaware County accounted for 30.433% of the Loan principal outstanding, and the ten highest accounted for 59.292% of the Loan principal outstanding. A complete listing of the Loans outstanding as of December 31, 2019 is attached as “EXHIBIT I: LOANS OUTSTANDING AS OF DECEMBER 31, 2019.”

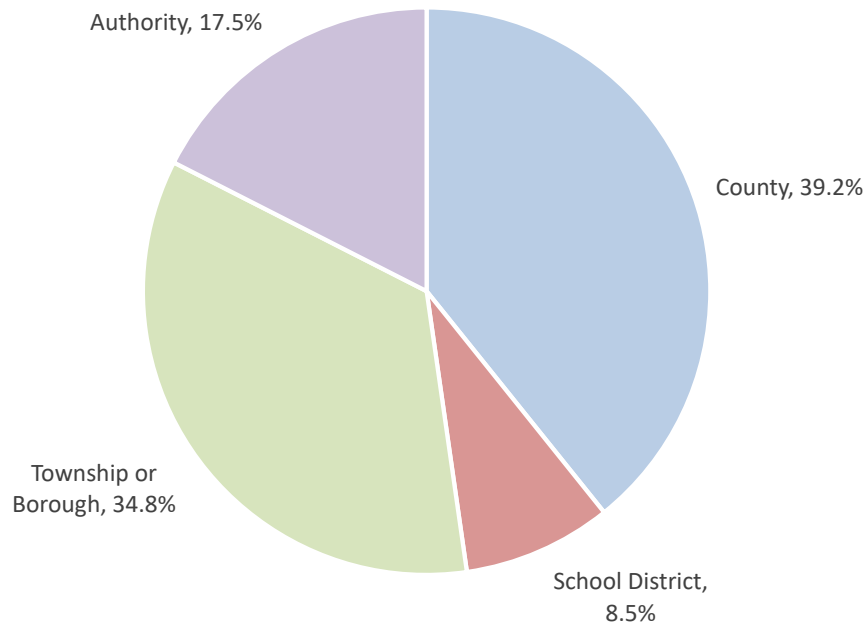
### Ten Participants with the Highest Concentration of Loans

<u>No.</u>	<u>Participant</u>	<u>County</u>	<u>Participant or Guarantor Ratings</u>		<u>Total Outstanding 31-Dec-19</u>	<u>Concentration</u>	
			<u>Moody's</u>	<u>S&amp;P</u>		<u>Borrower</u>	<u>Cumulative</u>
1	Delaware County	Delaware	Aa1	AA	\$257,164,000	30.433%	30.433%
2	Lower Perkiomen Valley Regional Sewer Authority	Montgomery	—	AA-	50,116,000	5.931%	36.364%
3	Bristol Township	Bucks	Aa3	—	39,727,000	4.701%	41.066%
4	Bucks County	Bucks	Aaa	AAA	38,959,000	4.610%	45.676%
5	Bensalem Township	Bucks	Aa1	—	25,029,000	2.962%	48.638%
6	Marple Township	Delaware	—	AA	21,637,000	2.561%	51.199%
7	Lancaster County	Lancaster	Aa3	—	20,487,000	2.424%	53.623%
8	Upper Dublin Township	Montgomery	Aa1	—	16,908,000	2.001%	55.624%
9	Ridley Township	Delaware	—	AA-	15,947,000	1.887%	57.511%
10	Aston Township	Delaware	—	AA-	15,052,000	1.781%	59.292%

Source: Calhoun Baker Inc.

The DelVal Loans outstanding are diversified by type of Political Subdivision. A chart with the percentage of Loan principal outstanding by type of Political Subdivision is shown below.

### Percentage of Loan Principal Outstanding by Type of Political Subdivision



Source: Calhoun Baker Inc.

Loans to school districts benefit from the provisions of the *Public School Code* and the *Debt Act* that authorize an “intercept” of state funding. If any school district fails to make its required debt service payments on the Loans on the date such payments are due under a Loan Agreement, the Secretary of Education of the Commonwealth is required to withhold, from any subsidy payment of any type due to the school district by the Commonwealth, an amount equal to the debt service payments owed. The

withholding provisions are not part of any contract with DelVal, and future legislation may amend or repeal the provisions of the *Public School Code* or the *Debt Act*. Enforcement may also be limited by bankruptcy, insolvency, or other laws of equitable principles affecting the enforcement of creditors' rights generally.

DelVal operates the Loan Program of the outstanding DelVal Series as one program. Funding for Loans is often split among two or more DelVal Series. Periodically, DelVal assigns Loans from one DelVal Series to another to facilitate the origination of new Loans and to provide for the payment of principal on the DelVal Series. Loans are amortized over a period that approximates the useful life of the projects funded from the Loans. The amortization period cannot exceed the maturity of the related DelVal Series used to fund the Loan. A schedule of the projected annual amortization of DelVal's Loans outstanding as of December 31, 2019, is set forth below.

### Loan Amortization Schedule as of December 31, 2019

<u>Year</u>	<u>1997 Series</u>	<u>1998 Series</u>	<u>2002 Series</u>	<u>Master Series</u>	<u>Total</u>
2020	\$ 6,512,000	\$ 24,302,000	\$ 9,122,000	\$ 35,298,093	\$ 75,234,093
2021	2,685,000	25,594,000	9,668,000	32,638,300	70,585,300
2022	3,261,000	33,609,000	9,771,000	36,511,400	83,152,400
2023	3,301,000	17,272,000	11,337,000	42,062,900	73,972,900
2024	2,903,000	16,215,000	11,538,000	40,998,300	71,654,300
2025	2,856,000	15,693,000	10,786,000	41,680,900	71,015,900
2026	1,100,000	14,457,000	12,441,000	29,019,100	57,017,100
2027	1,026,000	13,266,000	11,610,000	28,675,300	54,577,300
2028	-	10,618,000	11,577,000	26,814,600	49,009,600
2029	-	-	11,066,000	22,983,700	34,049,700
2030	-	-	10,873,000	23,055,000	33,928,000
2031	-	-	7,213,000	22,550,000	29,763,000
2032	-	-	3,971,000	25,450,000	29,421,000
2033	-	-	-	22,448,000	22,448,000
2034	-	-	-	18,711,000	18,711,000
2035	-	-	-	18,756,000	18,756,000
2036	-	-	-	14,799,000	14,799,000
2037	-	-	-	14,041,000	14,041,000
2038	-	-	-	12,326,000	12,326,000
2039	-	-	-	5,952,000	5,952,000
2040	-	-	-	1,388,000	1,388,000
2041	-	-	-	1,320,000	1,320,000
2042	-	-	-	980,000	980,000
2043	-	-	-	514,000	514,000
2044	-	-	-	193,000	193,000
2045	-	-	-	199,000	199,000
<b>Total</b>	<b><u>\$23,644,000</u></b>	<b><u>\$171,026,000</u></b>	<b><u>\$130,973,000</u></b>	<b><u>\$519,364,593</u></b>	<b><u>\$845,007,593</u></b>
Weighted average maturity (years):	2.88	3.73	6.26	8.13	6.80
Loan Funds	\$25,200,000	\$225,000,000	\$140,659,000	\$537,991,250	\$928,850,250
Loans outstanding	<u>(23,644,000)</u>	<u>(171,026,000)</u>	<u>(130,973,000)</u>	<u>(519,364,593)</u>	<u>(845,007,593)</u>
Funds available for Loans	<b><u>\$ 1,556,000</u></b>	<b><u>\$ 53,974,000</u></b>	<b><u>\$ 9,686,000</u></b>	<b><u>\$ 18,626,657</u></b>	<b><u>\$ 83,842,657</u></b>

Source: Calhoun Baker Inc.

Eleven Loans in the aggregate principal amount of \$79 million were in process to close as of December 31, 2019.

### Loans in Process as of December 31, 2019\*

<u>No.</u>	<u>Loans in Process</u>	<u>County</u>	<u>Underlying Rating</u>			<u>Amount</u>	<u>Closing</u>	<u>Source of Funding*</u>
			<u>Kroll</u>	<u>Moody's</u>	<u>S&amp;P</u>			
1	Upper Dublin Township	Montgomery	--	Aa1	--	\$ 7,290,000	15-Jan-20	Master Series
2	Doylestown Borough	Bucks	AA	--	--	5,000,000	27-Jan-20	Master Series
3	Bucks County	Bucks	--	Aaa	AAA	39,349,000	27-Jan-20	1998 Series
	Bucks County	Bucks	--	Aaa	AAA	10,651,000	27-Jan-20	2002 Series
4	Prospect Park Borough	Delaware	--	--	--	300,000	27-Jan-20	Master Series
5	Upper Providence Township	Delaware	Applied for rating			400,000	25-Mar-20	Master Series
6	Upper Salford Township	Montgomery	--	--	--	200,000	25-Apr-20	Master Series
7	Benton Township	Lackawanna	--	--	--	140,000	25-Apr-20	Master Series
8	Bristol Township	Bucks	--	Aa3	--	3,000,000		
9	Upper Southampton Municipal Authority	Bucks	AA	--	--	2,000,000		
10	Upper Dublin Township	Montgomery	--	Aa1	--	2,055,000	15-Jul-20	
11	Bristol Township	Bucks	--	Aa3	--	8,790,000	15-Sep-20	
	Total					<u>\$ 79,175,000</u>		

\*Preliminary, subject to change.

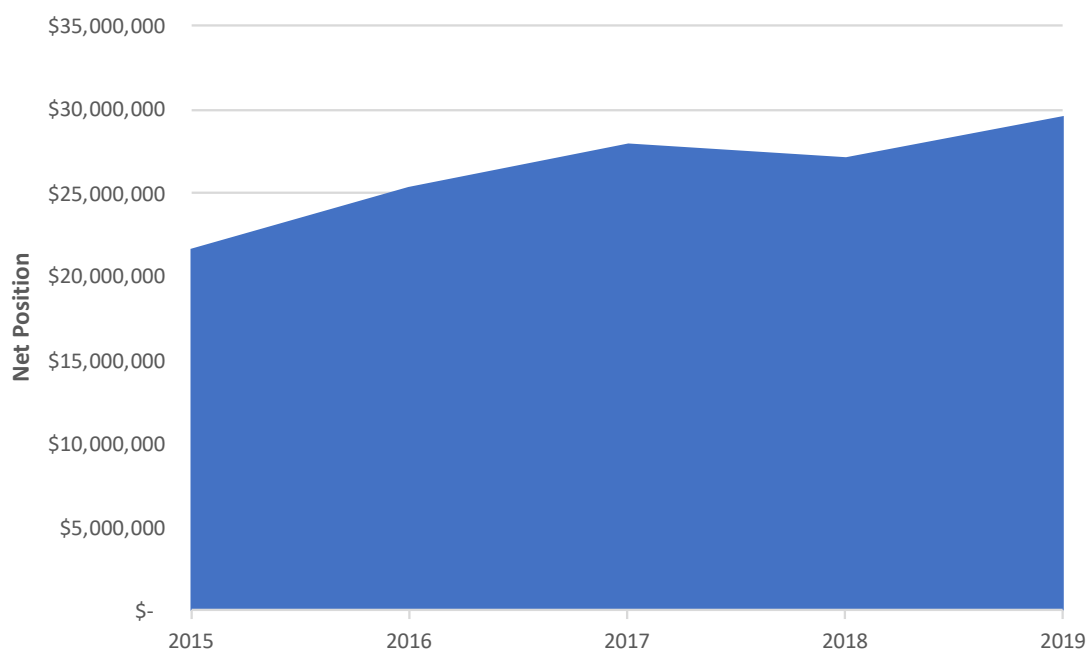
Source: Calhoun Baker Inc.

See "NOTE 3. LOANS TO LOCAL GOVERNMENTS" for additional information.

### SUMMARIES OF FINANCIAL STATEMENTS

The net position of DelVal increased in 2019 by \$2.4 million to \$29.6 million. The rise was attributable to a 2.61% growth of operating revenues, 1.86% decline of operating expenses, a \$471 thousand settlement from a class action lawsuit, and unrealized gains on investments of \$287 thousand. The dip of net position in 2018 was principally due to the \$1.5 million costs of issuance of the 2018 Series.

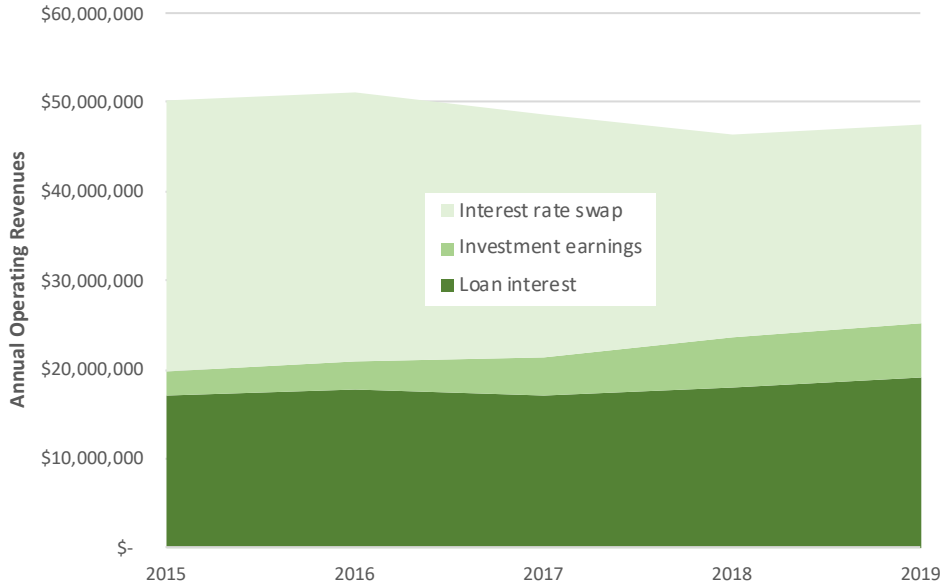
#### Trend of Net Position



Source: Calhoun Baker Inc.

Operating revenues increased by \$1.2 million. Loan interest revenues grew by \$949 thousand and investment earnings by \$691 thousand. More Loans were outstanding in 2019, and short-term rates were slightly higher than 2018. Swap revenues declined by \$434 thousand. The notional amount of swaps related to DeVal's Bonds declined due to the \$50 million maturity of the 1998 B and C Series in 2018.

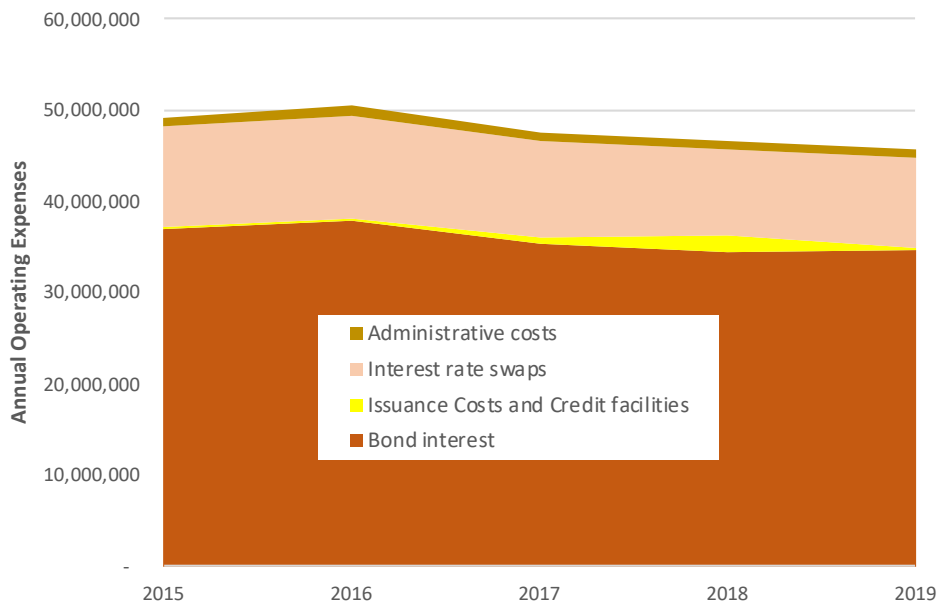
### Trend of Operating Revenues



Source: Calhoun Baker Inc.

Operating expenses decreased by \$866 thousand in 2019, principally due to the absence of any costs of issuance. Administrative expenses increased by \$60 thousand, due to higher legal fees for negotiations, and bond interest and swap interest expenses increased by \$249 thousand and \$370 thousand, respectively, due to higher interest rates and an increase in the notional amount of swaps for Loans.

### Trend of Operating Expenses



Source: Calhoun Baker Inc.

The five-year Comparative Statements of Revenues, Expenses, and Changes in Net Position Information are set forth below. Costs of issuance are treated as an operating expense. DelVal received payments of \$2,750,724 in 2016, \$1,386,991 in 2017, and \$470,868 in 2019 from settlements of class action lawsuits on bid rigging of investments and interest rate swap transactions.

**Delaware Valley Regional Finance Authority  
Comparative Statements of Revenues, Expenses, and  
Changes in Net Position Information  
Years Ended December 31**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Revenues:					
Loan interest	\$ 17,079,635	\$ 17,735,608	\$ 17,169,131	\$ 18,072,213	\$ 19,021,507
Interest rate swap	30,542,865	30,245,859	27,063,208	22,677,698	22,243,921
Interest on investments and cash equivalents	<u>2,682,752</u>	<u>3,191,161</u>	<u>4,298,627</u>	<u>5,516,547</u>	<u>6,207,132</u>
Total revenues	<u>50,305,252</u>	<u>51,172,628</u>	<u>48,530,966</u>	<u>46,266,458</u>	<u>47,472,560</u>
Expenses:					
Interest expense:					
Bonds	37,032,563	37,936,069	35,314,903	34,423,104	34,672,499
Interest rate swaps	10,975,606	11,347,594	10,561,961	9,505,514	9,875,528
Costs of issuance	-	-	431,449	1,488,776	-
Credit or liquidity facility fees	144,189	120,425	229,010	283,086	226,121
Administrative expenses	<u>1,006,444</u>	<u>995,237</u>	<u>946,735</u>	<u>952,258</u>	<u>1,012,711</u>
Total expenses	<u>49,158,802</u>	<u>50,399,325</u>	<u>47,484,058</u>	<u>46,652,738</u>	<u>45,786,859</u>
Revenues over expenses	<u>1,146,450</u>	<u>773,303</u>	<u>1,046,908</u>	<u>(386,280)</u>	<u>1,685,701</u>
Other changes:					
Decrease (increase) of estimated rebate liability	(44,000)	(55,000)	130,000	(60,000)	(20,000)
Class action settlement	-	2,750,724	1,386,991	-	470,868
Unrealized gain (loss) on investments and restricted investments	<u>(172,903)</u>	<u>241,174</u>	<u>25,128</u>	<u>(325,511)</u>	<u>286,825</u>
Total other changes, net	<u>(216,903)</u>	<u>2,936,898</u>	<u>1,542,119</u>	<u>(385,511)</u>	<u>737,693</u>
Increase (decrease) in net position	929,547	3,710,201	2,589,027	(771,791)	2,423,394
Net position, beginning	<u>20,717,132</u>	<u>21,646,679</u>	<u>25,356,880</u>	<u>27,945,907</u>	<u>27,174,116</u>
Net position, ending	<u>\$ 21,646,679</u>	<u>\$ 25,356,880</u>	<u>\$ 27,945,907</u>	<u>\$ 27,174,116</u>	<u>\$ 29,597,510</u>

See “STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION” and “COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION” for more information.

Comparative Balance Sheet Information for the past five years is set forth below. “Bonds payable, net” is recorded less the unamortized bond insurance premium plus the unamortized original issue premium. “Bond principal payable” in 2019 is the \$20 million 2014 B Series, a direct placement to Bank of America, N.A., with a maturity date of December 1, 2049, scheduled to be remarketed on December 1, 2020. DelVal expects to remarket or redeem the 2014 B Series on or prior to December 1, 2020.

**Delaware Valley Regional Finance Authority  
Comparative Balance Sheet Information  
Years Ended December 31**

ASSETS	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ 92,000,708	\$ 133,714,885	\$ 79,600,862	\$ 140,847,632	\$ 96,109,784
Restricted cash equivalents	63,356,000	62,000,000	45,300,000	40,300,000	40,300,000
Investments	5,603,584	-	-	-	-
Accrued interest receivable:					
Loans	423,266	412,880	439,298	485,480	392,392
Interest rate swaps	6,229,068	6,131,648	6,222,764	5,840,904	5,817,283
Cash equivalents and investments	67,662	101,475	194,162	343,447	202,046
Prepaid expenses	89,863	88,531	91,448	91,955	96,259
Loans to local governments	<u>64,113,614</u>	<u>66,028,500</u>	<u>62,185,024</u>	<u>66,460,500</u>	<u>75,234,093</u>
Total current assets	<u>231,883,765</u>	<u>268,477,919</u>	<u>194,033,558</u>	<u>254,369,918</u>	<u>218,151,857</u>
<b>NONCURRENT ASSETS:</b>					
Investments	2,424,185	1,082,063	8,760,004	1,518,741	1,532,239
Restricted investments	23,128,235	24,715,115	31,702,115	32,467,867	32,741,194
Loans to local governments	795,497,000	761,533,500	726,109,000	732,425,500	769,773,500
Unamortized prepaid interest rate swap expense	6,741,632	6,159,907	5,578,183	4,996,458	4,413,139
Fair value of derivative transactions	<u>146,708,033</u>	<u>124,514,286</u>	<u>122,352,200</u>	<u>101,018,546</u>	<u>113,464,244</u>
Total noncurrent assets	<u>974,499,085</u>	<u>918,004,871</u>	<u>894,501,502</u>	<u>872,427,112</u>	<u>921,924,316</u>
<b>TOTAL</b>	<u>\$1,206,382,850</u>	<u>\$1,186,482,790</u>	<u>\$1,088,535,060</u>	<u>\$1,126,797,030</u>	<u>\$1,140,076,173</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>					
<b>CURRENT LIABILITIES:</b>					
Accrued expenses	\$ 17,607	\$ 15,225	\$ 79,995	\$ 13,773	\$ 9,398
Bond principal payable	-	167,000,000	50,000,000	-	20,000,000
Estimated rebate liability	-	150,000	-	-	-
Accrued interest payable:					
Interest rate swaps	40,993	320,513	397,871	658,013	403,540
Bonds	<u>18,336,646</u>	<u>18,057,121</u>	<u>12,915,262</u>	<u>12,637,059</u>	<u>12,463,169</u>
Total current liabilities	<u>18,395,246</u>	<u>185,542,859</u>	<u>63,393,128</u>	<u>13,308,845</u>	<u>32,876,107</u>
<b>LONG TERM LIABILITIES:</b>					
Bonds payable, net	1,019,487,892	851,018,765	874,773,825	985,165,523	963,988,312
Estimated rebate liability	<u>145,000</u>	<u>50,000</u>	<u>70,000</u>	<u>130,000</u>	<u>150,000</u>
Total long term liabilities	<u>1,019,632,892</u>	<u>851,068,765</u>	<u>874,843,825</u>	<u>985,295,523</u>	<u>964,138,312</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Accumulated increase in fair value of hedging derivatives	<u>146,708,033</u>	<u>124,514,286</u>	<u>122,352,200</u>	<u>101,018,546</u>	<u>113,464,244</u>
Total liabilities and deferred inflows of resources	1,184,736,171	1,161,125,910	1,060,589,153	1,099,622,914	1,110,478,663
<b>NET POSITION</b>	<u>21,646,679</u>	<u>25,356,880</u>	<u>27,945,907</u>	<u>27,174,116</u>	<u>29,597,510</u>
<b>TOTAL</b>	<u>\$1,206,382,850</u>	<u>\$1,186,482,790</u>	<u>\$1,088,535,060</u>	<u>\$1,126,797,030</u>	<u>\$1,140,076,173</u>

See “BALANCE SHEET” and “COMBINING BALANCE SHEET INFORMATION” for more information.

The Comparative Statement of Cash Flows Information for the past five years is set forth below. Cash flows from investing and financing activities are treated as operating activities.

**Delaware Valley Regional Finance Authority  
Comparative Statement of Cash Flows Information  
Years Ended December 31**

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019</u>
Cash flows from operating activities					
Interest received on loans to local governments and interest rate swap agreements	\$ 47,602,088	\$ 48,087,679	\$ 44,114,804	\$ 41,085,590	\$ 41,383,731
Payment of interest on bonds and interest rate swap agreements	(49,283,441)	(50,169,476)	(51,604,580)	(44,805,257)	(45,571,877)
Loans to local governments	(77,857,000)	(38,301,000)	(44,773,000)	(107,870,000)	(138,602,000)
Principal repayments of loans to local governments	60,459,833	70,349,614	84,040,976	97,278,024	92,480,407
Administrative expenses paid	(1,010,743)	(994,125)	(945,530)	(948,391)	(1,021,390)
Interest received on investments and cash equivalents	2,676,614	3,157,348	4,205,940	5,367,262	6,348,534
Credit or liquidity facility fees paid	(144,189)	(122,587)	(168,361)	(353,682)	(226,121)
Proceeds of bond issues	-	-	175,000,000	216,832,000	-
Transfers from restricted accounts	-	-	9,698,147	3,967,000	-
Class action settlement	-	2,750,724	1,386,991	-	470,868
Bond issuance costs	-	-	(431,450)	(1,488,776)	-
Redemption (purchase) of investments and restricted investments	75,200,000	68,956,000	37,662,040	2,183,000	-
Payment of bond principal	-	-	(267,000,000)	(155,000,000)	-
Net cash used in operating activities and increase (decrease) in cash and cash equivalents and restricted cash and cash equivalents	57,643,162	103,714,177	(8,814,023)	56,246,770	(44,737,848)
Cash and cash equivalents and restricted cash and cash equivalents, beginning	<u>97,713,546</u>	<u>92,000,708</u>	<u>133,714,885</u>	<u>124,900,862</u>	<u>181,147,632</u>
Cash and cash equivalents and restricted cash and cash equivalents, ending	<u>\$ 155,356,708</u>	<u>\$ 195,714,885</u>	<u>\$ 124,900,862</u>	<u>\$ 181,147,632</u>	<u>\$ 136,409,784</u>
 RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Change in net position	\$ 929,547	\$ 3,710,201	\$ 2,589,027	\$ (771,791)	\$ 2,423,394
Adjustments for other revenues, expenses, and transfers					
Increase (decrease) of estimated rebate liability	44,000	55,000	(130,000)	60,000	20,000
Unamortized prepaid interest rate swap expense	583,319	581,725	581,724	581,725	583,319
Unrealized loss (gain) on restricted investments	93,485	(230,880)	(66,747)	267,248	(273,327)
Transfer from restricted assets	-	-	9,779,747	3,967,000	-
Adjustments for changes in assets and liabilities					
Decrease (increase) in:					
Investments	75,279,418	68,945,706	37,622,059	2,241,263	(13,498)
Accrued interest receivable:					
Loans	7,043	10,386	(26,418)	(46,182)	93,088
Interest rate swaps	(29,049)	97,420	(91,116)	381,860	23,621
Cash equivalents and investments	(6,138)	(33,813)	(92,687)	(149,285)	141,401
Prepaid expenses	(4,507)	1,332	(2,917)	(507)	(4,304)
Loans to local governments	(17,397,167)	32,048,614	39,267,976	(10,591,976)	(46,121,593)
Increase (decrease) in:					
Accrued expenses	208	(2,382)	64,770	(66,222)	(4,375)
Accrued interest payable:					
Interest rate swaps	(1,308)	279,520	77,358	260,142	(254,473)
Bonds	12,804	(279,525)	(5,141,859)	(278,203)	(173,890)
Bonds payable	(1,868,493)	(1,469,127)	(93,244,940)	60,391,698	(1,177,211)
Total adjustments	<u>56,713,615</u>	<u>100,003,976</u>	<u>(11,403,050)</u>	<u>57,018,561</u>	<u>(47,161,242)</u>
Net cash provided by (used in) operating activities	<u>\$ 57,643,162</u>	<u>\$ 103,714,177</u>	<u>\$ (8,814,023)</u>	<u>\$ 56,246,770</u>	<u>\$ (44,737,848)</u>

\*Restated to include Restricted Cash and Cash Equivalents.

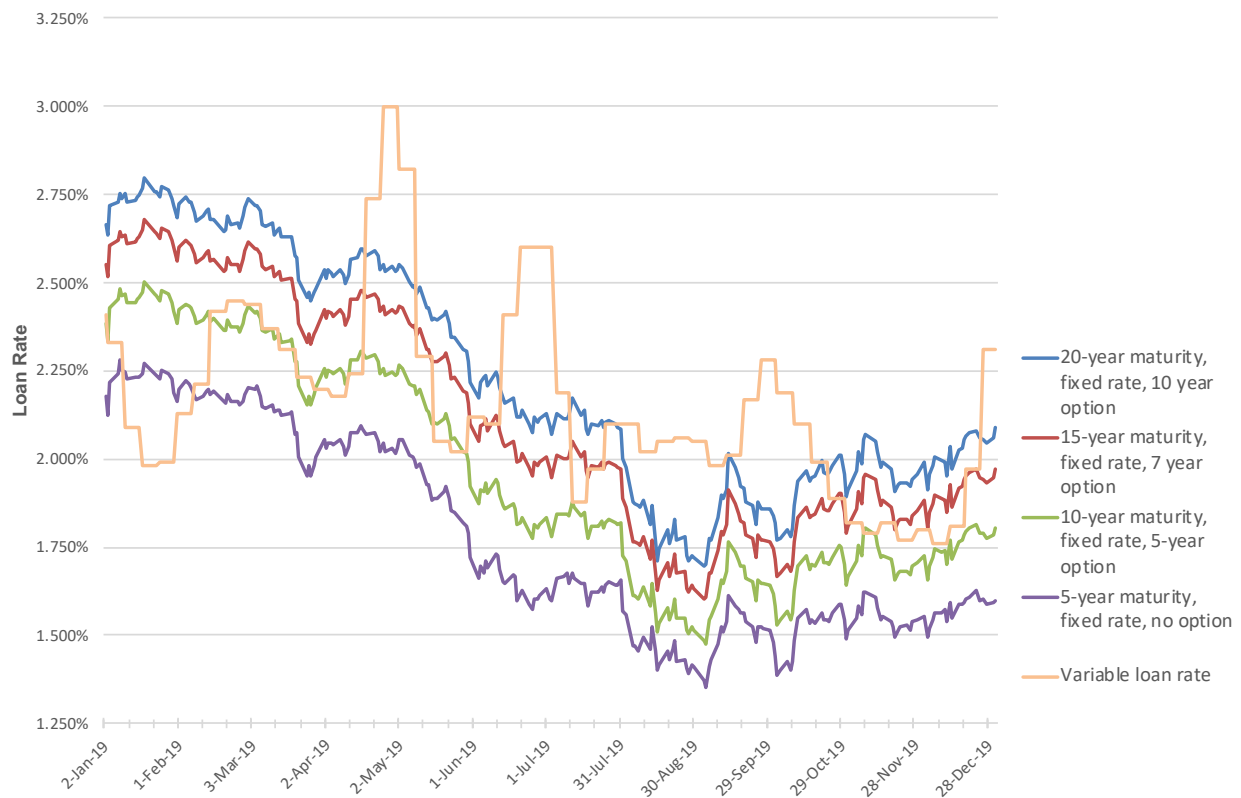
See “STATEMENT OF CASH FLOWS” and “COMBINING STATEMENT OF CASH FLOWS INFORMATION” for more information.

## ECONOMICS OF THE LOAN PROGRAM

The DelVal Loan Program has been successful due to the low cost of funds and the flexibility of the Loan Program. Currently, DelVal assesses an origination fee equal to 0.50% of the principal amount of the loans. DelVal utilizes interest rate swaps to tailor the Loan in any fashion that a Participant requests. All or a portion of a Loan can be variable rate or fixed rate, and a fixed rate can be set for a period shorter than the maturity date. Even the smallest Participants can reduce their interest costs, avoid unnecessary refunding costs, and manage their exposure to future changes of interest rates.

The reversal of the market’s conventional wisdom on the policies of the Open Market Committee of the Federal Reserve Bank and an international flight to the safety of American capital markets drove interest rates down until Labor Day. The DelVal 20-year rate fell 1.13% lower over that period. A chart of the trend of certain DelVal loan rates in 2019 is shown below.

**Trend of DelVal Loan Rates, Level Debt Amortization**



<u>Loan Option</u>	<u>Average in 2019</u>	<u>Rate as of 31-Dec-19</u>
20-year maturity, fixed rate, 10 year option	2.23%	2.09%
15-year maturity, fixed rate, 7 year option	2.12%	1.97%
10-year maturity, fixed rate, 5-year option	1.96%	1.80%
5-year maturity, fixed rate, no option	1.78%	1.60%
Variable rate loan	2.16%	2.31%

Source: Calhoun Baker Inc.

The Program Administrator tracks the tax-exempt bond issues sold in eastern Pennsylvania, excluding Philadelphia, (the “Market Area”) and calculates the All-In True Interest Cost (the “All-In TIC”) of each issue. The calculations of All-In TIC incorporate all costs of issuance and interest payments. The Program Administrator then compares each issue to a comparable issue sold at the Bloomberg AAA General Obligation Bonds Callable Indices (the “AAA Indices”) at par and to a comparable DelVal Loan on the date of each sale. The comparable DelVal Loan includes bond insurance premiums, if insurance would be required by the Program Administrator, rating fees, and the same option provisions as the bond issue. In 2019, DelVal’s All-In TIC averaged 0.663% below the weighted average of bonds issued in the Market Area.

### Bond Issues in DelVal’s Market Area\*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Number of issues	81	111	96	95	261
Amount issued	\$1,195,405,709	\$ 2,214,286,691	\$ 1,875,712,889	\$1,702,280,406	\$ 3,653,830,000
Average gross proceeds	\$ 14,758,095	\$ 19,948,529	\$ 19,538,676	\$ 17,918,741	\$ 13,999,349
Weighted average rating	AA	AA	AA	AA	AA
Weighted average maturity (years)	10.57	10.29	11.25	12.47	10.93
Average costs of issuance (% of par)					
Underwriters’ fees	0.703%	0.757%	0.611%	0.636%	0.681%
Other costs of issuance	<u>0.753%</u>	<u>0.658%</u>	<u>0.804%</u>	<u>0.757%</u>	<u>0.822%</u>
Total	1.456%	1.415%	1.415%	1.393%	1.503%
Over comparable DelVal Loan	0.932%	0.866%	0.671%	0.764%	0.839%
Average debt service costs	\$ 19,382,749	\$ 25,092,533	\$ 26,024,938	\$ 25,564,177	\$ 19,720,912
Over comparable DelVal Loan	\$ 1,250,027	\$ 1,430,348	\$ 1,369,643	\$ 1,343,180	\$ 977,190
Weighted average					
All-In True Interest Cost	3.175%	2.742%	3.212%	3.658%	2.346%
Over comparable DelVal Loan	0.753%	0.658%	0.571%	0.557%	0.663%

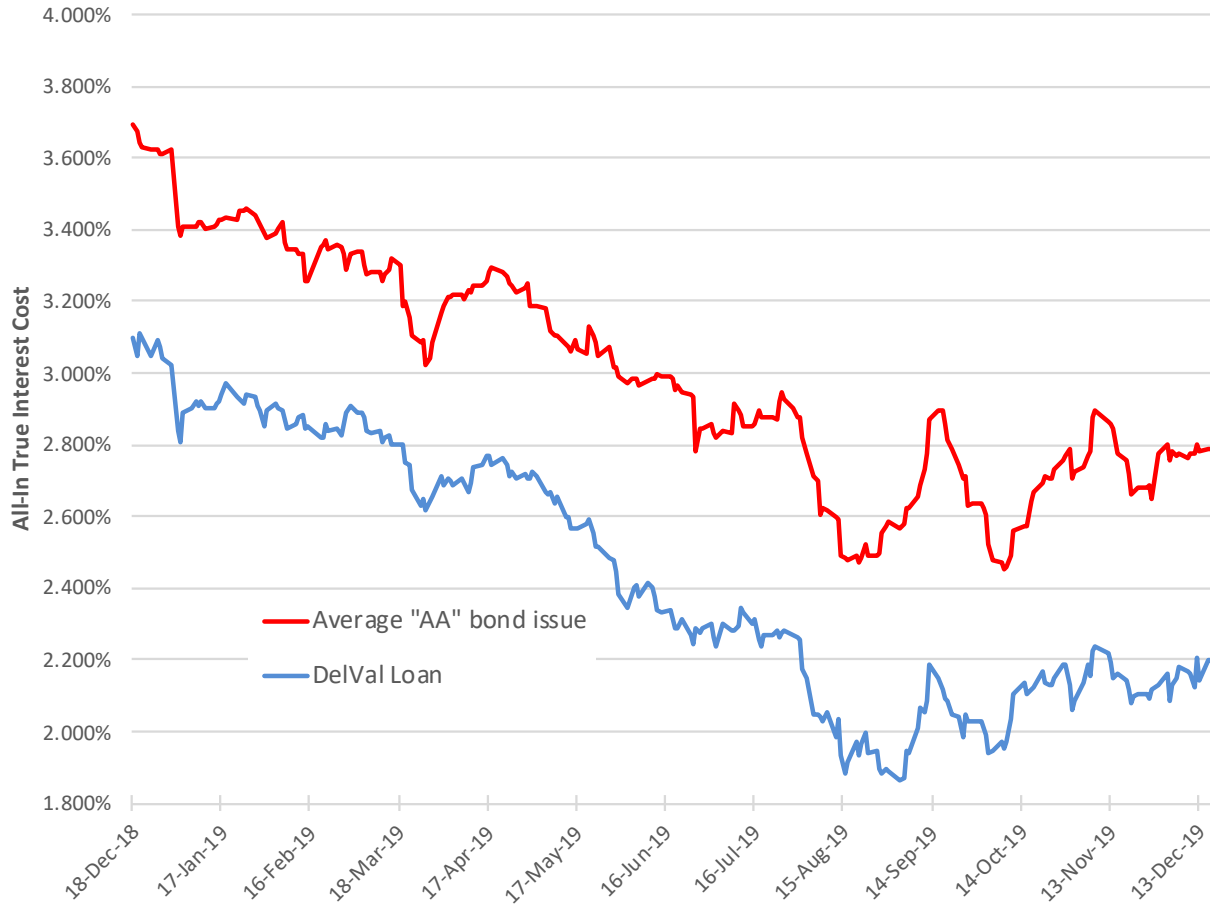
\* The bond issues reviewed from 2015-2018 included sales in the Counties and sales of Participants located in other counties. The bond issues reviewed in 2019 include sales throughout eastern Pennsylvania, but exclude sales in Philadelphia. Some sales may have been missed inadvertently. **Past results are not a predictor of future spreads and costs.**

Source: Calhoun Baker Inc.

The DelVal advantage is due to the lower costs of issuance and lower interest rates. DelVal’s costs of issuance averaged 55.8% less than the average costs of issuance of bonds in the Market Area. DelVal’s weighted average Loan rates were also lower than the weighted average yields of bond issued in the Market Area.

A pro forma comparison of the All-In TIC of a 20-year level debt structure between a DelVal Loan, and the average “AA” bond issue in the DelVal Market Area (the “Average Bond”) is shown in the chart below. The coupons and yields of the Average Bond are based on the actual spreads of the “AA” bonds issued over the AAA Indices at par, and the costs of issuance are based on the actual costs, both calculated on a 30-day rolling, weighted average. The DelVal Loan rates are based on actual end-of-day rates that include a 5-year option, and costs of issuance are based on actual origination costs plus rating fees.

**Pro Forma Comparison of All-In True Interest Costs  
20-Year Level Debt Amortization with a 5-Year Option**



Source: Calhoun Baker Inc.

**COVENANT AGREEMENT**

DelVal originally adopted the Covenant Agreement on April 9, 2001, to improve the security of the bondholders of the DelVal Series. Under the terms of the Covenant Agreement, DelVal pledges to use, in accordance with the provisions of each Trust Indenture, any available unrestricted funds (the “Excess Funds”) to cure any deficiency in any trust estate. The Excess Funds may be used to:

- 1) Replenish any deficiency of a debt service reserve fund or
- 2) Pay any debt service payments, interest rate swap payments, administrative expenses, and interest rate swap termination payments.

The Covenant Agreement was amended and restated on April 23, 2002, April 12, 2004, June 28, 2007, and August 3, 2009.

Below is a schedule of the trend of Excess Funds for the past five years. The Excess Funds differ from the Balance Sheet in that the amortization of non-cash items (such as original issue premium and bond insurance premiums) are not included. Investments and restricted investments are shown at their fair market values, and bonds and loans are shown at their par amounts. The Recycling Funds, the funds held by DelVal to originate new loans, are over-collateralized by \$28.56 million. The fair market values of DelVal’s interest

rate swap transactions, as of December 31 of each year, are also shown on the schedule, but they are not included in the calculation of Excess Funds.

**Comparative Statement of Excess Funds Available to  
Transfer to Any Trust Estate in the Event of a Deficiency  
for the Years Ended December 31**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<i>Assets</i>					
Cash and cash equivalents	\$ 92,000,708	\$ 133,714,885	\$ 79,600,862	\$ 140,847,632	\$ 96,109,784
Restricted cash and cash equivalents	63,356,000	62,000,000	45,300,000	40,300,000	40,300,000
Investments	8,027,769	1,082,063	8,760,004	1,518,741	1,532,239
Restricted investments	23,128,235	24,715,115	31,702,115	32,467,867	32,741,194
Loan interest receivable	423,266	412,880	439,298	485,480	392,392
Interest rate swaps receivable	5,645,749	5,549,923	5,641,040	5,259,179	5,233,964
Investment earnings receivable	67,662	101,475	194,162	343,447	202,046
Prepaid expenses	89,863	88,531	91,448	91,955	96,259
Loans to local governments	<u>859,610,614</u>	<u>827,562,000</u>	<u>788,294,024</u>	<u>798,886,000</u>	<u>845,007,593</u>
Total assets	<u>1,052,349,866</u>	<u>1,055,226,872</u>	<u>960,022,953</u>	<u>1,020,200,301</u>	<u>1,021,615,471</u>
<i>Liabilities and Deductions</i>					
Accrued expenses	17,607	15,225	79,995	13,773	9,398
Estimated rebate liability	145,000	200,000	70,000	130,000	150,000
Interest rate swaps payable	40,993	320,513	397,871	658,013	403,540
Bond interest payable	16,468,154	16,587,984	12,064,582	11,462,329	11,285,530
Bonds payable	<u>1,005,000,000</u>	<u>1,005,000,000</u>	<u>913,000,000</u>	<u>973,000,000</u>	<u>973,000,000</u>
Total liabilities	<u>1,021,671,754</u>	<u>1,022,123,722</u>	<u>925,612,448</u>	<u>985,264,115</u>	<u>984,848,468</u>
<i>Excess Funds</i>	<u>\$ 30,678,112</u>	<u>\$ 33,103,150</u>	<u>\$ 34,410,505</u>	<u>\$ 34,936,186</u>	<u>\$ 36,767,003</u>
<i>Fair Market Value of Interest Rate Swap Transactions*</i>					
	<u>\$ 160,546,318</u>	<u>\$ 137,004,351</u>	<u>\$ 134,060,500</u>	<u>\$ 111,485,546</u>	<u>\$ 123,403,081</u>

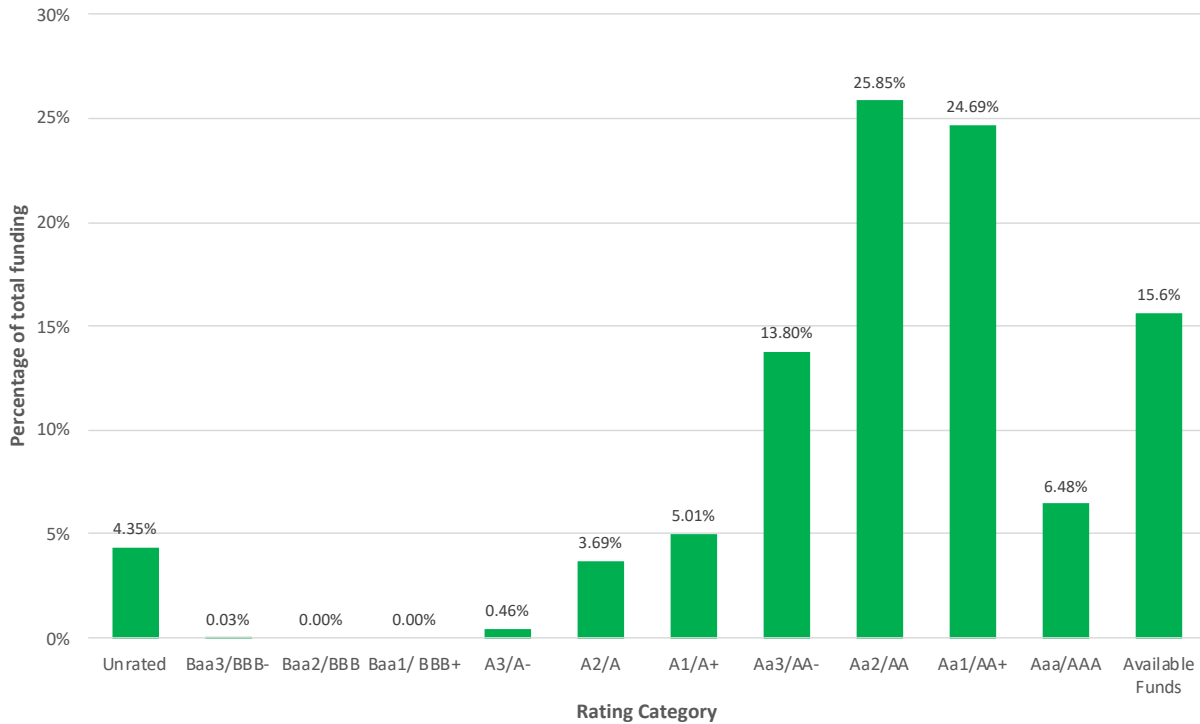
\* Fair market value includes the unamortized interest rate swap expense of the 1998 Series.

Source: Calhoun Baker Inc.

The Covenant Agreement requires the Participant (or its Guarantor) of a new Loan to have a published rating of “A3” or “A-” or higher (the “Rating Threshold”) unless the proportion of (i) the principal amounts of uninsured Loans outstanding plus the principal amounts of Loans to Participants (or their Guarantors) that are rated below the Rating Threshold to (ii) the total DelVal funds available to originate loans (the “Loan Funds”) will not exceed 10% (the “Ratings Test”). The Ratings Test gives equal weight to the ratings of the rating agencies. If the Participant or Guarantor has only one published rating, the analysis gives full weight to the published rating. If a loan is insured, the analysis gives full weight to the higher of the rating of (i) the insurer or (ii) the Participant or Guarantor. Approximately, 4.38% of the Loan Funds were committed to Participants who were uninsured and unrated or rated below the Rating Threshold as of December 31, 2019.

Below is a chart that shows the Ratings Test as of December 31, 2019. The chart shows the percentage of the Loan principal outstanding in each rating category. “Available Funds” are cash equivalents deposited in the Recycling Fund that are available to originate new Loans.

## Covenant Agreement Ratings Test of the Loan Portfolio



*Source: Calhoun Baker Inc.*

Generally, DelVal requires a published rating at or above the Rating Threshold or a financial guaranty policy for any new Loan of \$1 million or more, even if the Ratings Test is satisfied. DelVal does not normally require ratings or insurance for Loans less than \$1 million if the Ratings Test is satisfied and the credit is approved by the Program Administrator.

All future bonds issued by DelVal will be issued under the Master Indenture and will be equally and ratably secured by all of the assets under the trust estate of the Master Indenture. As long as the 1997, 1998, or 2002 Series are outstanding, the Covenant Agreement will apply to all of the bonds issued under the Master Indenture. When the DelVal Series issued prior to 2007 have been redeemed, the Excess Funds provisions of the Covenant Agreement will be redundant, and the Covenant Agreement will be terminated. The Ratings Test provisions are incorporated in the Master Indenture, and the Ratings Test will continue to apply after the Covenant Agreement is terminated.

### FINANCING ACTIVITIES

DelVal did not issue, remarket, or redeem any of its debt obligations in 2019. DelVal and PNC negotiated an extension of the standby bond purchase agreement and letter of credit (the “PNC LOC”) that secures the remarketing of the \$50 million 2007 B Series. The term of the PNC LOC was extended to July 8, 2022.

## DeIVal Series Outstanding as of December 31, 2019

<u>Series</u>	<u>Par Amount</u>	<u>Debt Service Reserve Fund (1)</u>	<u>Option Date (2)</u>	<u>Purchase or Remarketing Date</u>	<u>Termination of Letter of Credit</u>	<u>Maturity Date</u>	<u>Basis Rate</u>
1997 B Series	\$ 18,000,000		No option	—	—	1-Jul-27	Fixed rate
1997 C Series	10,000,000		No option	—	—	1-Jul-27	Fixed rate
Total 1997 Series	<u>28,000,000</u>	\$ 2,800,000					
1998 A Series	<u>250,000,000</u>	25,000,000	No option	—	—	1-Aug-28	Fixed rate
2002 Series	<u>125,000,000</u>	12,500,000	No option	—	—	1-Jul-32	Fixed rate
<b>Master Series</b>							
2007 A Series	10,000,000		No option	—	—	1-Jun-37	Fixed rate
2007 B Series	50,000,000		Any date	Weekly	8-Jul-22	1-Jun-42	7-day remarketing
2007 C Series	50,000,000		1-Jun-17	—	—	1-Jun-27	3M LIBOR
2007 C Series	50,000,000		1-Jun-17	—	—	1-Jun-37	3M LIBOR
2014 B Series (3) (5)	20,000,000		Any date	1-Dec-20	—	1-Dec-49	1M LIBOR
2017 A Series (3) (5)	75,000,000		Any date	3-May-21	—	1-May-52	1M LIBOR
2017 B Series (4) (5)	25,000,000		Any date	3-May-21	—	1-May-52	1M LIBOR
2017 C Series (4) (5)	25,000,000		Any date	3-May-22	—	1-May-52	1M LIBOR
2017 D Series (4) (5)	25,000,000		Any date	1-May-23	—	1-May-52	1M LIBOR
2017 E Series (4) (5)	25,000,000		Any date	1-May-24	—	1-May-52	1M LIBOR
2018 A Series	10,000,000		No option	—	—	1-Sep-33	Fixed rate
2018 B Series	50,000,000		1-Sep-21	1-Sep-22	—	1-Sep-48	SIFMA Index
2018 C Series	50,000,000		1-Sep-22	1-Sep-23	—	1-Sep-48	SIFMA Index
2018 D Series	30,000,000		1-Sep-23	1-Sep-24	—	1-Sep-48	1M LIBOR
2018 E Series	<u>75,000,000</u>		1-Sep-24	1-Sep-25	—	1-Sep-48	1M LIBOR
Total Master Series	<u>570,000,000</u>	<u>32,411,000 (6)</u>					
Total	<u>\$ 973,000,000</u>	<u>\$ 72,711,000</u>					

- (1) The Debt Service Reserve Funds are the maximum permissible amounts, the least of (i) 10% of the par amount, (ii) the maximum annual debt service payment, and (iii) 125% of average annual debt service.
- (2) Options can be exercised at a price of 100% of the principal amount, plus accrued interest. Exercise of the option to redeem or remarket requires 30 days of notice to Bondholders.
- (3) Series evidences the direct placement of a loan from Bank of America, N.A.
- (4) Series evidences the direct placement of a loan from TD Bank, N.A.
- (5) The bank may assess additional charges due to changes in law, excluding changes in income tax rates, or regulations that adversely affect costs to carry or hold the loan. Any such charges would be subordinate to any debt service obligation on any DeIVal Series.
- (6) Held under the Master Indenture to secure all Series issued under the Master Indenture.

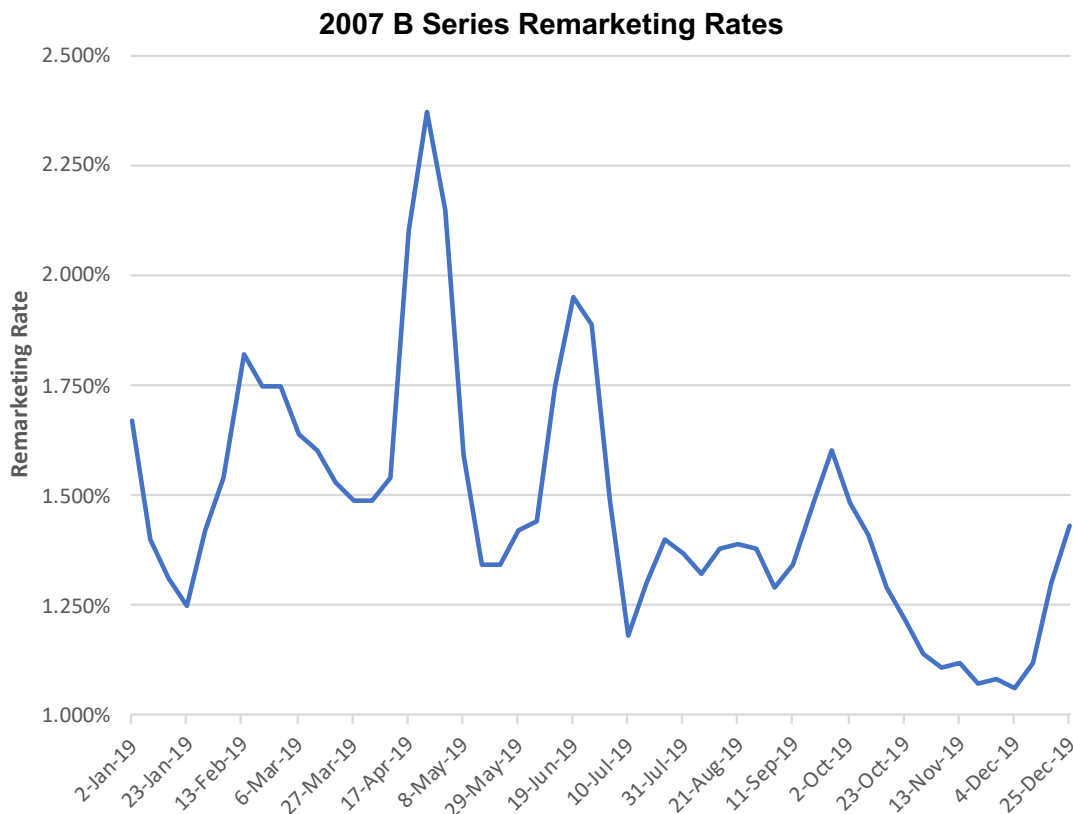
*Source: Calhoun Baker Inc.*

All of the DeIVal Series are subject to extraordinary mandatory redemption under certain circumstances. The principal reasons for an extraordinary mandatory redemption would be the inability of DeIVal to lend proceeds or the necessity to comply with Treasury regulations.

The 1997 Series, 1998 Series, 2002 Series, 2007 A Series, and 2018 A Series are all fixed rate bonds that are not subject to optional redemption. All of these Series are rated “A1” by Moody’s with a stable outlook. The 2002 Series, 2007 A Series, and 2018 A Series are rated “A+” by S&P. The 1997 Series and 1998 Series were originally rated by S&P based upon municipal bond insurance policy issued by Ambac Assurance Corporation (“Ambac”). S&P withdrew the ratings for the 1997 Series and 1998 Series when Ambac filed for reorganization.

The \$50 million 2007 B Series is currently remarketed by PNC Capital Markets LLC as a 7-day, variable rate demand bond, secured by the PNC LOC. The PNC LOC is scheduled to terminate on July 8, 2022. The 2007 B Series is rated “A1/VMIG 1” by Moody’s, “AA+/A-1” by S&P, and “A+/F1” by Fitch Ratings (“Fitch”). The short-term ratings are all based on PNC’s short-term ratings. The long-term rating

of Fitch is also based solely on the long-term rating of PNC. The Moody's long-term rating is based on DelVal's long-term rating. The S&P long-term rating is based on the joint probability of a default by both DelVal and PNC. The remarketing rate averaged 1.467% in 2019, 0.0094% over the average SIFMA Index. A chart of the remarketing rates is shown below.



*Source: Calhoun Baker Inc.*

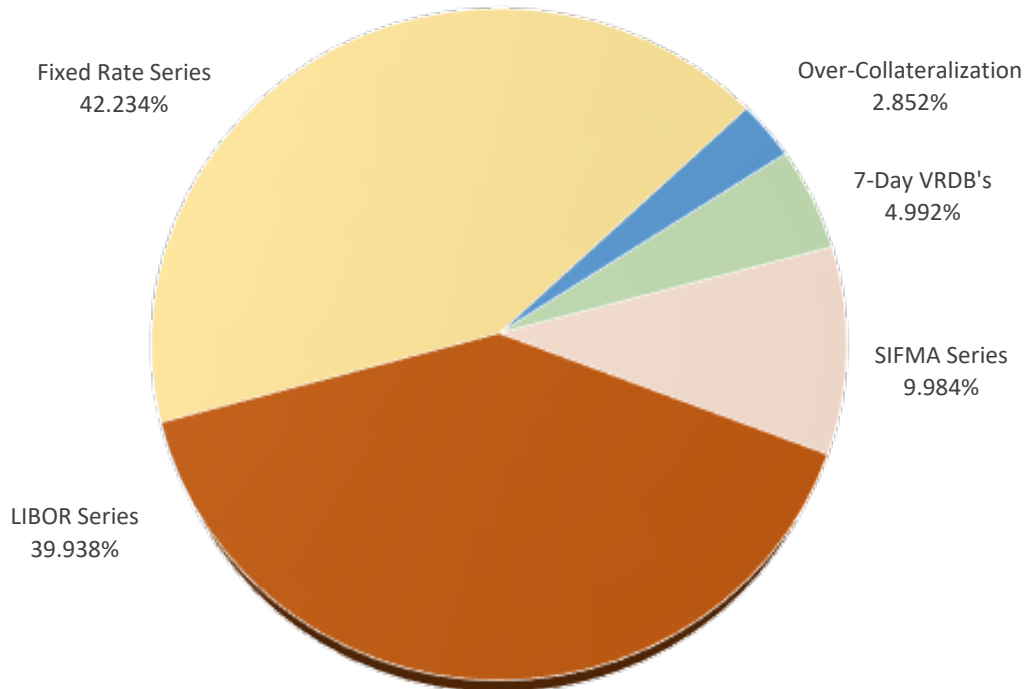
The interest rates on the 2007 C Series are set at spreads to 67% of 3-Month LIBOR, adjusted and payable quarterly. The 2007 C Series may be optionally redeemed on or after June 1, 2017. The 2007 C Series is rated “A1” by Moody’s and “A+” by S&P.

The interest rates on the 2018 B and 2018 C Series are set at spreads to the SIFMA Index, adjusted and payable monthly. The 2018 B and C Series are rated “A1” by Moody’s and “A+” by S&P. These Series are scheduled to be remarketed on June 1, 2022, and June 1, 2023, respectively, and they may be optionally redeemed beginning one year prior to their respective remarketing dates.

The interest rates on the 2014 B Series, the 2017 Series, and the 2018 D and E Series are set at spreads to 67% of 1-Month LIBOR, adjusted and payable monthly. The 2014 B Series and 2017 Series evidence the direct placement of loans from Bank of America, N.A. (“BANA”) and TD Bank, N.A. (“TD”), and these Series may be optionally redeemed at par on any monthly interest payment date. The 2014 B Series and 2017 Series are not rated. The 2018 D and E Series are rated “A1” by Moody’s and “A+” by S&P. These Series are scheduled to be remarketed on June 1, 2024, and June 1, 2025, respectively, and they may be optionally redeemed beginning one year prior to their respective remarketing dates.

The total funding for the Loan Program, including the over-collateralization of \$28,561,250, is currently \$1,001,561,250. Below is a chart that shows the current composition of the funding.

### Composition of the Funding for the DeIVal Loan Program



Source: Calhoun Baker Inc.

The DeIVal Board adopts annually a Post Issuance Compliance Policy, and under the policy, the Program Administrator monitors and reports any compliance issues with Treasury regulations or rules of the Municipal Securities Rulemaking Board. No rebate or yield reduction payments were required in 2019.

The actual debt service in 2019 and the estimated debt service payment thereafter, assuming that none of the DeIVal Series are optionally redeemed or converted to other interest rate modes, is shown on the following page. Interest on variable rate DeIVal Series are based on the last rate resets in 2019.

See “NOTE 4. BONDS PAYABLE”, “NOTE 5. CREDIT FACILITIES”, and “NOTE 8. DIRECT BORROWINGS AND DIRECT PLACEMENTS” for additional information on the DeIVal Series.

**Delaware Valley Regional Finance Authority  
Estimated Debt Service Payments**

Fiscal Year	1997 Series (1)		1998 Series (1)		2002 Series		Master Series (2)		Total Debt Service		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2019*	\$ -	\$ 1,801,000	\$ -	\$ 13,750,000	\$ -	\$ 7,187,500	\$ -	\$ 13,285,100	\$ -	\$ 36,023,600	\$ 36,023,600
2020	-	1,801,000	-	13,750,000	-	7,187,500	20,000,000 (3)	11,194,000	20,000,000	33,932,500	53,932,500
2021	-	1,801,000	-	13,750,000	-	7,187,500	-	10,881,000	-	33,619,500	33,619,500
2022	-	1,801,000	-	13,750,000	-	7,187,500	-	10,881,000	-	33,619,500	33,619,500
2023	-	1,801,000	-	13,750,000	-	7,187,500	-	10,881,000	-	33,619,500	33,619,500
2024	-	1,801,000	-	13,750,000	-	7,187,500	-	10,881,000	-	33,619,500	33,619,500
2025	-	1,801,000	-	13,750,000	-	7,187,500	-	10,881,000	-	33,619,500	33,619,500
2026	-	1,801,000	-	13,750,000	-	7,187,500	-	10,881,000	-	33,619,500	33,619,500
2027	28,000,000	1,801,000	-	13,750,000	-	7,187,500	50,000,000	10,399,000	78,000,000	33,137,500	111,137,500
2028	-	-	250,000,000	13,750,000	-	7,187,500	-	9,410,000	250,000,000	30,347,500	280,347,500
2029	-	-	-	-	-	7,187,500	-	9,410,000	-	16,597,500	16,597,500
2030	-	-	-	-	-	7,187,500	-	9,410,000	-	16,597,500	16,597,500
2031	-	-	-	-	-	7,187,500	-	9,410,000	-	16,597,500	16,597,500
2032	-	-	-	-	125,000,000	7,187,500	-	9,410,000	125,000,000	16,597,500	141,597,500
2033	-	-	-	-	-	-	10,000,000	9,410,000	10,000,000	9,410,000	19,410,000
2034	-	-	-	-	-	-	-	8,910,000	-	8,910,000	8,910,000
2035	-	-	-	-	-	-	-	8,910,000	-	8,910,000	8,910,000
2036	-	-	-	-	-	-	-	8,910,000	-	8,910,000	8,910,000
2037	-	-	-	-	-	-	60,000,000	8,910,000	60,000,000	8,910,000	68,910,000
2038	-	-	-	-	-	-	-	8,128,000	-	8,128,000	8,128,000
2039	-	-	-	-	-	-	-	8,128,000	-	8,128,000	8,128,000
2040	-	-	-	-	-	-	-	8,128,000	-	8,128,000	8,128,000
2041	-	-	-	-	-	-	-	8,128,000	-	8,128,000	8,128,000
2042	-	-	-	-	-	-	50,000,000	7,690,500	50,000,000	7,690,500	57,690,500
2043	-	-	-	-	-	-	-	7,253,000	-	7,253,000	7,253,000
2044	-	-	-	-	-	-	-	7,253,000	-	7,253,000	7,253,000
2045	-	-	-	-	-	-	-	7,253,000	-	7,253,000	7,253,000
2046	-	-	-	-	-	-	-	7,253,000	-	7,253,000	7,253,000
2047	-	-	-	-	-	-	-	7,253,000	-	7,253,000	7,253,000
2048	-	-	-	-	-	-	205,000,000	5,982,000	205,000,000	5,982,000	210,982,000
2049	-	-	-	-	-	-	-	3,441,000 (3)	-	3,441,000	3,441,000
2050	-	-	-	-	-	-	-	3,441,000	-	3,441,000	3,441,000
2051	-	-	-	-	-	-	-	3,441,000	-	3,441,000	3,441,000
2052	-	-	-	-	-	-	175,000,000	1,147,000	175,000,000	1,147,000	176,147,000
<b>Total</b>	<b>\$28,000,000</b>	<b>\$16,209,000</b>	<b>\$250,000,000</b>	<b>\$137,500,000</b>	<b>\$125,000,000</b>	<b>\$100,625,000</b>	<b>\$570,000,000</b>	<b>\$286,183,600</b>	<b>\$973,000,000</b>	<b>\$540,517,600</b>	<b>\$1,513,517,600</b>

\*Actual payments in 2019.

(1) Municipal bond insurance policy issued by Ambac Assurance Corporation secures the bonds to maturity.

(2) A direct-draw, letter of credit issued by PNC Bank, National Association, secures the remarketing of the \$50,000,000 2007 Series B Bonds. The stated expiration date of the facility is July 8, 2022. Projected variable rates are set to the last rate reset in 2019.

(3) The \$20,000,000 2014 B Series, a direct placement of a loan from Bank of America, N.A., which matures on December 1, 2049, is scheduled to be remarketed on December 1, 2020. DelVal expects to remarket or refund the 2014 B Series.

Source: Calhoun Baker Inc.

## INVESTMENTS

The funds held by DelVal are invested in Guaranteed Investment Contracts (“GIC’s”) and other investments that satisfy the requirements of the respective Trust Indentures. The terms of the GIC’s end three business days prior to the maturity dates of the related bond series. DelVal treats the GIC’s as cash equivalents because the interest rates on the GIC’s adjust weekly and DelVal can deposit or withdraw funds from the GIC’s with no more than seven days written notice. Under the terms of the GIC’s, DelVal may require the providers to post collateral of cash, Treasury obligations, or certain Agency obligations to secure the principal invested, plus accrued interest, if they are downgraded below the “Aa3” or “AA-” thresholds. Citigroup Financial Products Inc. (“CFPI”) currently posts collateral to secure its GIC.

DelVal’s short-term investments are generally restricted to instruments with ratings of “P-1” from Moody’s and “A-1” or higher from S&P, and DelVal’s long-term investments are generally restricted to instruments with ratings of “Aa3” or higher from Moody’s and “AA-” or higher from S&P. Investments that mature within 90 days are treated as cash equivalents; investments with longer maturities are recorded at fair value. Most of the funds not invested in GIC’s have been invested in floating rate notes, indexed to 3-Month LIBOR, with maturities ranging from one to three years. A summary of the cash equivalents and investments as of December 31, 2019 is shown below.

### Cash Equivalents and Investments as of December 31, 2019

<i>Description</i>	<i>Senior Debt Rating of Counterparty or Guarantor</i>			<i>Maturity</i>	<i>Rate (6)</i>	<i>Par Amount</i>	<i>Fair Value</i>	<i>Fair Value Concentration</i>
	<i>Moody's</i>	<i>S&amp;P</i>	<i>Fitch</i>					
<i>Floating rate notes (1)</i>								
Bank of Nova Scotia	Aa2	***	AA-	7-Mar-22	2.525%	\$ 10,000,000	\$ 10,085,900	5.909%
Commonwealth Bank of Australia	Aa3	AA-	AA-	10-Mar-22	2.591%	6,000,000	6,053,760	3.547%
National Australia Bank	Aa3	AA-	***	10-Jan-22	2.900%	2,000,000	2,024,480	8.302%
National Australia Bank	Aa3	AA-	***	12-Jul-21	3.001%	12,000,000	12,145,800	
Westpac Banking	Aa3	AA-	AA-	11-Jan-22	2.834%	3,926,000	3,963,493	2.322%
Treasury Money Market	***	AAAm	***	***	0.660%	10,962	10,962	0.006%
<i>GIC's (2)</i>								
BayernLB (3)	Aaa	***	AAA	27-Jul-28	3.240%	87,042,061	87,042,061	50.996%
CFPI (4)	A3	BBB+	A	28-May-42	2.781%	17,948,140	17,948,140	10.515%
Natixis (5)	Aa2	AA	AA	28-Jun-27	3.160%	5,336,293	5,336,293	
Natixis (5)	Aa2	AA	AA	28-Jun-32	2.780%	<u>26,072,328</u>	<u>26,072,328</u>	<u>18.403%</u>
Total						<u>\$ 170,335,784</u>	<u>\$ 170,683,217</u>	100.000%

(1) Notes pay a spread over 3-Month LIBOR, adjusted and paid quarterly.

(2) GIC's pay a spread over the SIFMA Index, adjusted weekly and paid monthly.

(3) Obligations guaranteed by the State of Bavaria.

(4) Obligations are collateralized and held by the Bank of New York Mellon.

(5) Obligations are guaranteed by Caisse des Dépôts et Consignations.

(6) Rate as of December 31, 2019.

Source: Calhoun Baker Inc.

See “NOTE 2. CASH, CASH EQUIVALENTS, INVESTMENTS, RESTRICTED CASH EQUIVALENTS, AND RESTRICTED INVESTMENTS” and “NOTE 7. FAIR VALUE OF INVESTMENTS AND RESTRICTED INVESTMENTS” for additional information.

## INTEREST RATE SWAP AGREEMENTS

DelVal utilizes interest rate swap transactions related to the DelVal Series (the “Bond Swaps”) to hedge its interest rate and basis risk. When DelVal accesses the capital markets, it issues the type of debt that will minimize its cost of funds. Since 1997, DelVal has issued fixed rate bonds, LIBOR index bonds, SIFMA Index bonds, and variable rate demand bonds (“VRDB’s”). DelVal’s objective with each issuance is to create a pool of funds with a net cost to DelVal that is comparable to the cost of a DelVal VRDB at that time. If DelVal cannot achieve that cost, it will not issue. When DelVal issued fixed rate bonds, DelVal executed Bonds Swaps under which it received a fixed rate and paid the SIFMA Index. This hedged the risk that future market rates to the maturity dates of the fixed rate bonds would be lower than DelVal’s fixed rates, making that issue uncompetitive with other financing options. When DelVal issued LIBOR index bonds, DelVal executed Bonds Swaps under which it received the LIBOR index and paid the SIFMA Index. This eliminated the basis risk that the ratio of tax-exempt rates to the LIBOR index would decline in the future, making that issue uncompetitive with other financing options. DelVal did not need to hedge the SIFMA Index bonds or the VRDB’s. In 2019, DelVal’s cost of funds, the net payments on debt service and the Bond Swaps, was approximately the SIFMA Index plus 0.524%.

DelVal also utilizes interest rate swap transactions to provide fixed rate loans. When a Participant requests a fixed rate, DelVal executes a swap transaction that offsets payments on the Bonds Swaps (each a “Loan Swap”) under which DelVal receives a SIFMA Index payment and pays a fixed rate. The notional reductions of the swap transaction match the amortization of the related loan. The Participant has flexibility to choose option provisions, set fixed rates for periods shorter than the maturity date, and split the loan into multiple fixed rates or a combination of variable and fixed rates.

As of December 31, 2019, DelVal had master interest rate swap agreements outstanding with six Counterparties. DelVal executed a new master agreement with the Royal Bank of Canada on July 16, 2019. The DelVal Board annually adopts an Interest Rate Swap Management Policy (the “Swap Policy”). Any exceptions to Swap Policy must be explicitly authorized by a Resolution of the Board.

A summary of the Counterparties, the outstanding transactions, and their market values as of December 31, 2019, is shown below.

### Interest Rate Swap Transactions with Counterparties as of December 31, 2019

<i>Counterparty</i>	<i>Counterparty ratings</i>				<i>Notional Amount</i>	<i>Market Value 31-Dec-19</i>
	<i>Fitch</i>	<i>Kroll</i>	<i>Moody's</i>	<i>S&amp;P</i>		
Bank of America*	A+	***	Aa3	A+	\$ 1,340,296,000	\$ 121,935,799
Barclays Bank	A	***	A1	A	48,419,000	(1,361,660)
Citibank	A+	***	Aa3	A+	110,050,000	6,224,620
PNC Bank	A+	AA-	A2	A	368,746,000	(3,252,087)
Royal Bank of Canada	AA	***	Aa2	AA-	50,323,000	(227,854)
Toronto-Dominion Bank	***	AA	Aa2	AA-	4,625,500	3,168
Total					<u>\$ 1,922,459,500</u>	<u>\$ 123,321,986</u>

\*Market value includes the unamortized prepaid swap expense on the Balance Sheet.

Source: Calhoun Baker Inc.

As of December 31, 2019, DelVal had \$900 million notional amount of interest rate swap transactions that were indexed to a LIBOR rate. Of that amount, \$500 million are offsetting transactions with BANA related to the 1998 Series. When those Bond Swaps were executed in 1998, the offsetting transactions were required by interpretations of Treasury regulations at that time. The remaining \$400 million notional amounts represent Bond Swaps executed to hedge the basis risk of the Master Series that

are indexed to a LIBOR rate. Below is a summary of the basis of the DeVal Series, Bond Swaps, and Loan Swaps.

### Basis of DeVal Series, Bond Swaps, and Loan Swaps

	<i>Notional Amount</i>	<i>Basis of Bond Rate</i>	<i>Related Swap Transaction</i>	
			<i>DeVal Receives</i>	<i>DeVal Pays</i>
<b>Bond swaps</b>				
1997 B Series	\$ 18,000,000	Fixed rate	Fixed rate	SIFMA Index
1997 C Series	<u>10,000,000</u>	Fixed rate	Fixed rate	SIFMA Index
Total 1997 Series	<u>28,000,000</u>			
1998 A Series	250,000,000	Fixed rate	Fixed rate	1M LIBOR
1999 A Series	<u>250,000,000</u>	Fixed rate	1M LIBOR	SIFMA Index
Total 1998 Series	<u>500,000,000</u>			
2002 Series	<u>125,000,000</u>	Fixed rate	Fixed rate	SIFMA Index
<b>Master Series</b>				
2007 A Series	10,050,000	Fixed rate	Fixed rate	SIFMA Index
2007 B Series	-		---	---
2007 C Series	50,000,000	3M LIBOR	3M LIBOR	SIFMA Index
2007 C Series	50,000,000	3M LIBOR	3M LIBOR	SIFMA Index
2014 B Series	20,000,000	1M LIBOR	1M LIBOR	SIFMA Index
2017 A Series	75,000,000	1M LIBOR	1M LIBOR	SIFMA Index
2017 B Series	25,000,000	1M LIBOR	1M LIBOR	SIFMA Index
2017 C Series	25,000,000	1M LIBOR	1M LIBOR	SIFMA Index
2017 D Series	25,000,000	1M LIBOR	1M LIBOR	SIFMA Index
2017 E Series	25,000,000	1M LIBOR	1M LIBOR	SIFMA Index
2018 A Series	10,000,000	Fixed rate	Fixed rate	SIFMA Index
2018 B Series	-	---	---	---
2018 C Series	-	---	---	---
2018 D Series	30,000,000	1M LIBOR	1M LIBOR	SIFMA Index
2018 E Series	<u>75,000,000</u>	1M LIBOR	1M LIBOR	SIFMA Index
Total Master Series	<u>420,050,000</u>			
Total Bond Swaps	<u>1,073,050,000</u>			
<b>Loan Swaps</b>				
1997 Series	11,845,000		SIFMA Index	Fixed rate
1998 Series	159,248,000		SIFMA Index	Fixed rate
2002 Series	132,395,000		SIFMA Index	Fixed rate
2007 Series	148,272,000		SIFMA Index	Fixed rate
2014 Series	15,221,000		SIFMA Index	Fixed rate
2017 Series	170,735,500		SIFMA Index	Fixed rate
2018 Series	<u>211,693,000</u>		SIFMA Index	Fixed rate
Total Loan Swaps	<u>849,409,500</u>			
Total	<u>\$ 1,922,459,500</u>			

*Source: Calhoun Baker Inc.*

The future of LIBOR indices is uncertain at this time. International regulators, including the Federal Reserve Bank, are attempting to impose a new risk-free reference rate as a replacement for LIBOR by year-end 2021. In the United States, the “Secured Overnight Financing Rate” (“SOFR”) is the proposed

successor rate. SOFR has not yet been widely accepted for the pricing of financial products, instruments, and derivatives. If acceptance of SOFR develops, LIBOR indices may still continue to be offered. In the meantime, hundreds of trillions of dollars of mortgages, student loans, bank loans, debt instruments, and derivative transactions are tied to LIBOR indices.

DelVal's book of LIBOR payments and receipts is balanced; LIBOR receipts equal LIBOR payments. If LIBOR is replaced, DelVal would not be adversely affected as long as the standard for replacement is uniform for debt and derivative instruments. If the replacement is not uniform, DelVal's net swap and debt service payments could increase or decrease.

Below is a summary of the Bonds Swaps and Loan Swaps outstanding as of December 31, 2019.

**Bond Swaps and Loan Swaps  
as of December 31, 2019**

	<i>Notional Amount</i>	<i>Market Value 31-Dec-19</i>
<b>Bond Swaps</b>		
1997 Series	\$ 28,000,000	\$ 8,007,842
1998 Series*	500,000,000	82,423,737
2002 Series	125,000,000	44,356,507
Master Series	<u>420,050,000</u>	<u>10,922,315</u>
Total Bond Swaps	<u>1,073,050,000</u>	<u>145,710,401</u>
<b>Loan Swaps</b>		
1997 Series	11,845,000	(244,146)
1998 Series	159,248,000	(3,643,186)
2002 Series	132,395,000	(4,284,944)
Master Series	<u>545,921,500</u>	<u>(14,216,139)</u>
Total Loan Swaps	<u>849,409,500</u>	<u>(22,388,415)</u>
<b>Total</b>	<u><b>\$ 1,922,459,500</b></u>	<u><b>\$ 123,321,986</b></u>

\*Market value includes the unamortized prepaid swap expense on the Balance Sheet.

*Source: Calhoun Baker Inc.*

See "NOTE 6. DERIVATIVE FINANCIAL INSTRUMENTS" for more information.

**STRESS TESTS**

DelVal periodically prepares projections of operating results for the rating agencies to test the ability of DelVal to withstand changes of future market conditions. The schedules project loan principal and interest payments and operating revenues and expenses. The coverage of available funds over the bond principal and interest payments is calculated, including debt service reserve funds, but ignoring accumulated fund balances.

Three scenarios are considered. Under the "Scheduled" scenario, the DelVal Series are repaid on their respective maturity dates. Under the "New Debt" scenario, DelVal issues \$100 million of new bonds, with 35-year maturities, in 2021, 2024, and 2027. Under the "Run-Off" scenario, DelVal Series that can be optionally redeemed at par are redeemed as funds become available. For each of these scenarios, four different interest rate regimes are analyzed, assuming the SIFMA Index averages 1.50% in 2020:

- 1) SIFMA Index remains at 1.50%,
- 2) SIFMA Index increases to 3.00% in 2025,
- 3) SIFMA Index increases to 5.00% in 2025 and
- 4) SIFMA Index increases to 8.00% in 2025.

The Excel files used for the stress tests are posted on DelVal's website: [www.DelVal.US](http://www.DelVal.US).

Coverage of debt service is tightest in 2028, 2032, 2048, and 2052. The projections show that coverage of debt service is not sensitive to changes in the scenarios. The results are robust because (i) the Loan Program is over-collateralized by \$28,561,250, (ii) each DelVal Series has a Debt Service Reserve Fund funded from proceeds, and (iii) the amortization of new loans is structured to ensure that sufficient funds from loan principal payments will be available to pay principal on the DelVal Series when the payments are due. The test of the adequacy of the cash flows of loan principal repayments is required under the Trust Indentures and the Covenant Agreement. If sufficient funds would not be available for principal repayments of the DelVal Series, the loan would not be originated.

The only circumstances under which coverage would be inadequate would be under (i) a cataclysmic market failure that would cause DelVal's swap or investment counterparties to default on their obligations for a prolonged period or (ii) a cataclysmic economic disruption in Pennsylvania that would cause a large number of Participants to default on their debt obligations for a prolonged period.

Below is a chart that shows the coverage of the Scheduled scenario with the SIFMA Index at 3% in 2025. In 2028, the magnitude of the funds available for coverage would be sufficient to cover the debt service payments if:

- 1) Every Participant defaulted on principal and interest payments for 9 months, or
- 2) Every swap counterparty defaulted on payments for 30 months, or
- 3) Every investment counterparty defaulted on payments for eight years.

## Estimated Debt Service Coverage for the Scheduled Scenario with the SIFMA Index at 3% in 2025

Year	Funds Available for Debt Service				Debt Service			Annual Coverage of Debt Service	
	Revenue	Recycling	Debt Service	Total	Interest (3)	Principal	Total	Amount in Excess of Debt Service	Coverage Percentage
	Fund (1)	Fund (2)	Reserve						
2020	\$43,579,489	\$34,076,750	\$72,711,000	\$150,367,239	\$35,818,000	\$-	\$35,818,000	\$114,549,239	420%
2021	44,822,432	29,999,050	72,711,000	147,532,482	37,608,000	-	37,608,000	109,924,482	392%
2022	46,700,769	30,001,450	72,711,000	149,413,219	39,197,000	-	39,197,000	110,216,219	381%
2023	48,418,675	29,999,350	72,711,000	151,129,025	40,786,000	-	40,786,000	110,343,025	371%
2024	50,265,113	33,135,650	72,711,000	156,111,763	42,576,000	-	42,576,000	113,535,763	367%
2025	51,565,462	110,072,550	72,711,000	234,349,012	44,165,000	-	44,165,000	190,184,012	531%
2026	51,909,115	184,440,650	72,711,000	309,060,765	44,165,000	-	44,165,000	264,895,765	700%
2027	52,541,520	258,219,950	72,711,000	383,472,470	43,165,000	78,000,000	121,165,000	262,307,470	316%
2028	50,302,433	255,075,175	66,745,375	372,122,983	40,364,000	250,000,000	290,364,000	81,758,983	128%
2029	33,216,161	29,997,875	41,745,375	104,959,411	26,614,000	-	26,614,000	78,345,411	394%
2030	33,202,984	34,672,875	41,745,375	109,621,234	26,614,000	-	26,614,000	83,007,234	412%
2031	32,847,176	86,581,875	41,745,375	161,174,426	26,614,000	-	26,614,000	134,560,426	606%
2032	34,369,089	142,607,875	41,745,375	218,722,339	26,614,000	125,000,000	151,614,000	67,108,339	144%
2033	26,474,050	39,436,875	29,245,375	95,156,300	19,426,500	10,000,000	29,426,500	65,729,800	323%
2034	26,170,752	30,000,759	28,680,491	84,852,002	18,926,500	-	18,926,500	65,925,502	448%
2035	26,200,500	30,000,759	28,680,491	84,881,750	18,926,500	-	18,926,500	65,955,250	448%
2036	26,159,727	34,513,759	28,680,491	89,353,977	18,926,500	-	18,926,500	70,427,477	472%
2037	25,688,387	86,198,759	28,680,491	140,567,637	17,351,500	60,000,000	77,351,500	63,216,137	182%
2038	23,865,306	30,000,509	24,881,741	78,747,556	16,326,500	-	16,326,500	62,421,056	482%
2039	23,846,910	29,999,509	24,881,741	78,728,160	16,326,500	-	16,326,500	62,401,660	482%
2040	23,850,113	30,001,509	24,881,741	78,733,363	16,326,500	-	16,326,500	62,406,863	482%
2041	23,807,470	31,616,509	24,881,741	80,305,720	16,326,500	-	16,326,500	63,979,220	492%
2042	23,398,957	76,835,509	24,881,741	125,116,207	15,474,000	50,000,000	65,474,000	59,642,207	191%
2043	21,845,149	38,957,134	21,716,116	82,518,399	14,621,500	-	14,621,500	67,896,899	564%
2044	21,754,558	63,577,134	21,716,116	107,047,808	14,621,500	-	14,621,500	92,426,308	732%
2045	21,790,612	95,506,134	21,716,116	139,012,862	14,621,500	-	14,621,500	124,391,362	951%
2046	21,880,183	137,567,134	21,716,116	181,163,433	14,621,500	-	14,621,500	166,541,933	1239%
2047	22,082,148	181,279,134	21,716,116	225,077,398	14,621,500	-	14,621,500	210,455,898	1539%
2048	22,043,845	226,800,134	21,716,116	270,560,095	12,774,488	205,000,000	217,774,488	52,785,607	124%
2049	13,669,025	80,784,250	10,136,000	104,589,275	7,233,450	20,000,000	27,233,450	77,355,825	384%
2050	13,006,576	106,918,250	9,166,000	129,090,826	6,479,250	-	6,479,250	122,611,576	1992%
2051	13,214,119	149,910,250	9,166,000	172,290,369	6,479,250	-	6,479,250	165,811,119	2659%
2052	13,286,025	194,395,250	9,166,000	216,847,275	2,699,688	175,000,000	177,699,688	39,147,587	122%
Total					<u>\$757,411,126</u>	<u>\$973,000,000</u>	<u>\$1,730,411,126</u>		

(1) Excess of annual revenues over administrative expenses and net swap payments.

(2) Includes over-collateralization of \$28,561,250.

(3) Includes letter of credit and remarketing fees.

Source: Calhoun Baker Inc.

The projections also demonstrate that the Loan Program is not sensitive to changes in interest rates. Increased debt service and interest rate swap costs from higher interest rates are offset by increased revenues from interest rate swaps, investments, and loans. Schedules that compare the coverage ratios under the different scenarios are shown below. Years with scheduled principal maturities are highlighted.

### Comparison of Debt Service Coverage Percentages

Year	Scheduled (1) SIFMA Index in 2024				Run-Off (2) SIFMA Index in 2024				New Debt (3) SIFMA Index in 2024			
	1.50%	3.00%	5.00%	8.00%	1.50%	3.00%	5.00%	8.00%	1.50%	3.00%	5.00%	8.00%
2020	420%	420%	420%	420%	272%	272%	272%	272%	420%	420%	420%	420%
2021	407%	392%	378%	357%	165%	164%	164%	163%	531%	511%	490%	460%
2022	407%	381%	355%	321%	214%	212%	209%	206%	425%	391%	357%	317%
2023	407%	371%	334%	295%	366%	355%	342%	325%	419%	375%	332%	288%
2024	411%	367%	328%	288%	252%	248%	243%	237%	566%	481%	409%	339%
2025	622%	531%	453%	380%	919%	840%	757%	662%	557%	462%	388%	322%
2026	832%	700%	589%	482%	1128%	1028%	923%	803%	770%	629%	518%	419%
2027	330%	316%	302%	283%	354%	349%	342%	333%	332%	315%	296%	274%
2028	128%	128%	128%	128%	125%	125%	126%	126%	135%	134%	133%	131%
2029	506%	394%	319%	259%	311%	301%	291%	277%	537%	397%	311%	248%
2030	521%	412%	338%	278%	1124%	977%	838%	698%	537%	397%	311%	248%
2031	794%	606%	477%	375%	1413%	1223%	1044%	863%	697%	511%	396%	311%
2032	146%	144%	143%	141%	136%	137%	137%	138%	164%	161%	157%	152%
2033	396%	323%	271%	227%	268%	261%	252%	241%	447%	344%	278%	227%
2034	671%	448%	334%	258%	402%	381%	357%	330%	661%	433%	320%	247%
2035	671%	448%	334%	258%	3012%	1968%	1373%	965%	661%	433%	320%	247%
2036	700%	472%	355%	276%	3668%	2386%	1655%	1155%	661%	433%	320%	247%
2037	188%	182%	175%	167%	177%	177%	177%	178%	222%	208%	194%	179%
2038	738%	482%	355%	271%	390%	385%	379%	370%	702%	453%	331%	254%
2039	738%	482%	355%	271%	514%	507%	500%	489%	702%	453%	331%	254%
2040	738%	482%	355%	271%	16188%	9211%	5927%	3930%	702%	453%	331%	254%
2041	743%	492%	367%	283%	16652%	9471%	6091%	4035%	702%	453%	331%	254%
2042	199%	191%	183%	174%	321%	324%	327%	332%	238%	220%	203%	186%
2043	832%	564%	431%	343%	***	***	***	***	718%	463%	338%	259%
2044	1101%	732%	548%	425%	***	***	***	***	719%	489%	375%	300%
2045	1475%	951%	687%	512%	***	***	***	***	1026%	666%	488%	372%
2046	1985%	1239%	864%	617%	***	***	***	***	1380%	861%	607%	443%
2047	2509%	1539%	1053%	733%	***	***	***	***	1741%	1063%	732%	520%
2048	125%	124%	124%	124%	***	***	***	***	137%	136%	135%	133%
2049	420%	384%	349%	310%	***	***	***	***	455%	382%	323%	269%
2050	3260%	1992%	1351%	920%	***	***	***	***	1681%	997%	668%	461%
2051	4360%	2659%	1796%	1216%	***	***	***	***	2118%	1242%	819%	553%
2052	121%	122%	123%	125%	***	***	***	***	134%	132%	129%	126%
2053	***	***	***	***	***	***	***	***	1268%	762%	523%	378%
2054	***	***	***	***	***	***	***	***	1513%	902%	614%	439%
2055	***	***	***	***	***	***	***	***	2146%	1257%	838%	583%
2056	***	***	***	***	***	***	***	***	155%	153%	151%	148%
2057	***	***	***	***	***	***	***	***	2564%	1484%	976%	668%
2058	***	***	***	***	***	***	***	***	3525%	2025%	1320%	893%
2059	***	***	***	***	***	***	***	***	163%	164%	164%	164%
2060	***	***	***	***	***	***	***	***	4866%	2791%	1817%	1227%
2061	***	***	***	***	***	***	***	***	6125%	3497%	2262%	1513%
2062	***	***	***	***	***	***	***	***	143%	148%	155%	164%

(1) Assumes the principal maturing after 2019 is paid on the scheduled maturity dates.

(2) Assumes the Bonds that can be optionally redeemed at par are run-off as funds become available.

(3) Assumes \$100 million of Bonds are issued in 2021, 2024, and 2027.

Source: Calhoun Baker Inc.

## OUTLOOK

DeVal expects Loan origination in 2020 to be similar to that of 2019, and DeVal expects to exhaust the funding currently available for the origination of new Loans. The COVID-19 pandemic has disrupted the tax-exempt bond market. Virtually no bond issues have sold in DeVal's Market Area since the first week of March. DeVal is still able to originate new Loans and to execute swap transactions to provide fixed rates for new and outstanding Loans. The economic advantage of DeVal over other financing options has been greater during this disruption.

DeVal expects the COVID-19 pandemic will have an adverse effect on the financial condition of all local governments, including those in DeVal's Market Area and those that are Participants in the Loan Program. To date, all of the Participants in the Loan Program are current on their payments. The COVID-19 impact on Participants in the future is uncertain.

DeVal expects to redeem or remarket the \$20 million 2014 B Series, the \$75 million 2017 A Series, and the \$25 million 2017 B Series in 2020. DeVal will consider its options to terminate or assign to a different Series the LIBOR receiver Bond Swaps that are currently related to those Series. DeVal expects to issue a new series of bonds in 2020 to augment the funding for Loans.



Calhoun Baker Inc.

Program Administrator

Delaware Valley Regional Finance Authority

April 13, 2020

## EXHIBIT I: LOANS OUTSTANDING AS OF DECEMBER 31, 2019

(Continued on the next page)

No.	Participant	County	Participant or Guarantor Ratings			Loans Outstanding				Total Outstanding 31-Dec-19	Insured (1) Loan Principal	Concentration
			Kroll	Moody's	S&P	1997 Series	1998 Series	2002 Series	Master Series			
1	Aston Township	Delaware	--	--	AA-	\$ -	\$ -	\$ 2,757,000	\$ 12,295,000	\$ 15,052,000	\$ -	1.781%
2	Bensalem Township	Bucks	--	Aa1	--	-	16,923,000	-	8,106,000	25,029,000	-	2.962%
3	Benton Township	Lackawanna	--	--	--	-	-	-	105,000	105,000	-	0.012%
4	Bethel Township	Delaware	A+	--	--	-	-	-	33,000	33,000	-	0.004%
5	Bethel Township Sewer Authority	Delaware	A+	--	--	-	-	-	1,080,000	1,080,000	-	0.128%
6	Birmingham Township	Chester	--	--	--	100,000	-	-	-	100,000	-	0.012%
7	Bridgeport Borough	Montgomery	--	A2	--	376,000	-	4,871,000	452,000	5,699,000	4,871,000	0.674%
8	Bristol Borough	Bucks	A+	--	--	-	600,000	-	4,487,000	5,087,000	-	0.602%
9	Bristol Borough Water & Sewer Authority	Bucks	A+	--	--	-	-	-	2,808,000	2,808,000	-	0.332%
10	Bristol Township	Bucks	--	Aa3	--	-	-	2,341,000	37,386,000	39,727,000	-	4.701%
11	Bristol Township School District	Bucks	--	A3	--	267,000	-	-	-	267,000	-	0.032%
12	Brookhaven Borough	Delaware	--	--	--	-	-	2,109,000	-	2,109,000	-	0.250%
13	Bucks County	Bucks	--	Aaa	AAA	-	-	-	38,959,000	38,959,000	-	4.610%
14	Bucks County Airport Authority	Bucks	--	Aaa	AAA	-	-	153,000	1,306,000	1,459,000	-	0.173%
15	Bucks County Community College	Bucks	--	Aaa	AAA	-	3,504,000	-	-	3,504,000	-	0.415%
16	Bucks County Community College Authority	Bucks	--	Aaa	AAA	-	-	-	5,835,000	5,835,000	-	0.691%
17	Caln Township	Chester	--	--	AA	-	-	-	5,233,000	5,233,000	-	0.619%
18	Caln Township Municipal Authority	Chester	--	--	AA	-	-	-	2,800,000	2,800,000	-	0.331%
19	Chadds Ford Township Sewer Authority	Delaware	--	--	--	100,000	-	-	-	100,000	-	0.012%
20	Chalfont Borough	Bucks	--	A1	--	-	-	-	1,692,000	1,692,000	-	0.200%
21	Chester City	Delaware	--	--	--	-	-	1,793,000	-	1,793,000	-	0.212%
22	Collegeville Borough	Montgomery	--	Aaa	--	-	-	-	383,000	383,000	-	0.045%
23	Concord Township	Delaware	--	Aa1	--	-	-	-	3,784,000	3,784,000	-	0.448%
24	Delaware County	Delaware	--	Aa1	AA	-	65,046,000	36,468,000	155,650,000	257,164,000	12,220,000	30.433%
25	Delaware County Solid Waste Authority	Delaware	--	Aa1	AA	-	-	7,372,000	-	7,372,000	1,404,000	0.872%
26	Dover Area School District	York	--	A1	--	6,247,000	6,240,000	-	-	12,487,000	-	1.478%
27	Doylestown Borough	Bucks	AA	--	--	-	-	-	2,340,000	2,340,000	-	0.277%
28	East Bradford Township	0	0	0	0	-	-	770,000	743,000	1,513,000	1,513,000	0.179%
29	East Goshen Municipal Authority	Chester	AAA	Aaa	--	-	-	6,221,000	1,908,000	8,129,000	6,221,000	0.962%
30	East Goshen Township	Chester	AAA	Aaa	--	47,000	1,462,000	-	-	1,509,000	-	0.179%
31	East Rockhill Township	Bucks	--	--	--	-	380,000	-	-	380,000	-	0.045%
32	Eddystone Borough	Delaware	--	--	--	-	-	2,081,000	321,000	2,402,000	-	0.284%
33	Forbes Road School District	Fulton	--	--	A+	-	-	-	6,090,000	6,090,000	6,090,000	0.721%
34	Franconia Sewer Authority	Montgomery	--	--	A	-	-	-	12,945,000	12,945,000	-	1.532%
35	Franconia Township	Montgomery	--	--	A	2,288,000	-	1,817,000	1,800,000	5,905,000	2,231,000	0.699%
36	Franklin Township	Chester	--	A2	--	-	-	-	2,740,000	2,740,000	-	0.324%
37	Gamet Valley School District	Delaware	--	--	AA	-	6,519,000	-	8,256,000	14,775,000	6,519,000	1.749%
38	Glen Rock Sewer Authority	York	--	--	--	-	-	-	2,576,000	2,576,000	2,576,000	0.305%
39	Glenolden Borough	Delaware	--	--	AA-	-	316,000	151,000	-	467,000	151,000	0.055%
40	Hatfield Borough	Montgomery	--	--	--	-	1,048,000	-	-	1,048,000	-	0.124%
41	Hatfield Township	Montgomery	AA-	--	--	-	1,883,000	1,482,000	720,000	4,085,000	-	0.483%
42	Highland Township	Chester	--	--	--	-	595,000	-	-	595,000	-	0.070%
43	Ivyland Borough	Bucks	--	Aaa	AAA	-	-	-	47,000	47,000	-	0.006%
44	Kennett Square Borough	Chester	--	A3	--	453,000	-	-	6,345,000	6,798,000	6,345,000	0.804%
45	Lampeter-Strasburg School District	Lancaster	--	--	AA	-	1,540,000	-	1,696,000	3,236,000	3,236,000	0.383%

(1) Certain loans are insured by Assured Guaranty Municipal Corp. ("AGM") or its affiliate Municipal Assurance Corp. ("MAC") with the Delaware Valley Regional Finance Authority as the beneficiary. AGM is rated "A2" by Moody's, "AA" by S&P, and "AA+" by Kroll. MAC is rated "AA" by S&P and "AA+" by Kroll. Certain loans are insured by Build America Mutual Assurance Company ("BAM"). BAM is currently rated "AA" with a stable outlook by S&P.

**EXHIBIT I: LOANS OUTSTANDING AS OF DECEMBER 31, 2019**

(Continued on the next page)

No.	Participant	County	Participant or Guarantor Ratings			Loans Outstanding				Total Outstanding 31-Dec-19	Insured (1) Loan Principal	Concentration
			Kroll	Moody's	S&P	1997 Series	1998 Series	2002 Series	Master Series			
46	Lancaster County	Lancaster	--	Aa3	--	-	-	20,487,000	-	20,487,000	20,487,000	2.424%
47	Lansdowne Borough	Delaware	A+	--	--	-	430,000	-	1,433,000	1,863,000	-	0.220%
48	London Britain Township	Chester	--	--	--	203,000	-	-	494,000	697,000	-	0.082%
49	London Grove Township	Chester	--	--	AA	200,000	-	-	5,310,000	5,510,000	-	0.652%
50	London Grove Township Municipal Authority	Chester	--	--	AA	-	-	2,799,000	2,796,000	5,595,000	-	0.662%
51	Lower Oxford Township	Chester	--	--	--	483,000	-	-	893,000	1,376,000	-	0.163%
52	Lower Perkiomen Valley Regional Sewer Authority	Montgomery	--	--	AA-	-	12,563,000	-	37,553,000	50,116,000	-	5.931%
53	Lower Pottsgrove Township Authority	Montgomery	--	--	AA	-	-	6,941,000	-	6,941,000	-	0.821%
54	Lower Providence Township	Montgomery	--	Aa2	--	-	-	1,718,000	1,262,000	2,980,000	2,034,000	0.353%
55	Lower Providence Township Sewer Authority	Montgomery	--	Aa2	--	-	-	-	2,166,000	2,166,000	-	0.256%
56	Lower Salford Township	Montgomery	--	Aa2	--	-	2,691,000	-	-	2,691,000	-	0.318%
57	Malvern Borough	Chester	--	--	--	-	-	705,000	126,000	831,000	705,000	0.098%
58	Marcus Hook Borough	Delaware	--	--	--	836,000	-	-	146,000	982,000	-	0.116%
59	Marple Township	Delaware	--	--	AA	-	-	1,228,000	20,409,000	21,637,000	-	2.561%
60	Milford Township	Bucks	--	--	AA+	-	-	-	169,000	169,000	-	0.020%
61	Montgomery County	Montgomery	--	Aaa	--	-	-	-	2,554,593	2,554,593	-	0.302%
62	Morrisville Borough School District	Bucks	--	--	BBB-	299,000	-	-	-	299,000	-	0.035%
63	Morton Borough	Delaware	--	--	--	125,000	-	-	-	125,000	-	0.015%
64	Narberth Borough	Montgomery	--	Aaa	--	-	-	-	106,000	106,000	-	0.013%
65	Nether Providence Township	Delaware	--	--	--	-	-	1,296,000	1,717,000	3,013,000	2,113,000	0.357%
66	New Britain Township	Bucks	--	--	--	1,180,000	-	-	-	1,180,000	-	0.140%
67	New Garden Township Sewer Authority	Chester	--	--	--	-	342,000	-	-	342,000	-	0.040%
68	New Hanover Township	Montgomery	--	--	--	-	2,770,000	-	-	2,770,000	-	0.328%
69	New Hanover Township Authority	Montgomery	--	--	--	-	-	-	603,000	603,000	603,000	0.071%
70	Newtown Township	Delaware	--	Aa1	--	-	-	-	2,249,000	2,249,000	-	0.266%
71	Norristown Municipality	Montgomery	--	--	A+	-	-	-	950,000	950,000	-	0.112%
72	North Coventry Township	Chester	--	--	AA	1,576,000	-	-	373,000	1,949,000	373,000	0.231%
73	North Coventry Water Authority	Chester	--	--	AA	-	-	-	616,000	616,000	616,000	0.073%
74	Northeastern York County Sewer Authority	York	--	--	A+	-	-	630,000	11,291,000	11,921,000	3,805,000	1.411%
75	Northeastern York School District	York	--	--	A+	-	-	3,410,000	-	3,410,000	-	0.404%
76	Norwood Borough	Delaware	--	--	--	-	-	-	538,000	538,000	-	0.064%
77	Ontelaunee Township	Berks	--	--	--	-	-	-	1,346,000	1,346,000	1,346,000	0.159%
78	Parkesburg Borough	Chester	--	--	--	-	-	-	395,000	395,000	395,000	0.047%
79	Penndel Borough	Bucks	--	--	--	488,000	-	-	365,000	853,000	-	0.101%
80	Pennsbury Township	Chester	AA	--	--	-	-	-	3,191,000	3,191,000	-	0.378%
81	Perkasie Borough	Bucks	--	--	--	-	3,172,000	-	295,000	3,467,000	295,000	0.410%
82	Pocopson Township	Chester	--	Aa2	--	-	-	1,275,000	794,000	2,069,000	794,000	0.245%
83	Pottstown School District	Montgomery	--	A1	A+	-	-	-	396,000	396,000	396,000	0.047%
84	Prospect Park Borough	Delaware	--	--	--	-	-	-	1,206,000	1,206,000	-	0.143%
85	Quakertown Community School District	Bucks	--	Aa3	--	2,417,000	-	-	1,019,000	3,436,000	-	0.407%
86	Ridley School District	Delaware	--	--	AA-	-	-	-	985,000	985,000	-	0.117%
87	Ridley Township	Delaware	--	--	AA-	753,000	-	-	15,194,000	15,947,000	-	1.887%
88	Rockledge Borough	Montgomery	--	Aaa	--	248,000	-	-	81,000	329,000	-	0.039%
89	Rose Tree Media School District	Delaware	--	--	AA	3,670,000	7,890,000	-	-	11,560,000	-	1.368%
90	Royersford Borough	Montgomery	--	--	--	-	-	-	2,608,000	2,608,000	2,608,000	0.309%

(1) Certain loans are insured by Assured Guaranty Municipal Corp. ("AGM") or its affiliate Municipal Assurance Corp. ("MAC") with the Delaware Valley Regional Finance Authority as the beneficiary. AGM is rated "A2" by Moody's, "AA" by S&P, and "AA+" by Kroll. MAC is rated "AA" by S&P and "AA+" by Kroll. Certain loans are insured by Build America Mutual Assurance Company ("BAM"). BAM is currently rated "AA" with a stable outlook by S&P.

**EXHIBIT I: LOANS OUTSTANDING AS OF DECEMBER 31, 2019**

No.	Participant	County	Participant or Guarantor Ratings			Loans Outstanding				Total Outstanding 31-Dec-19	Insured (1) Loan Principal	Concentration
			Kroll	Moody's	S&P	1997 Series	1998 Series	2002 Series	Master Series			
91	Rutledge Borough	Delaware	--	--	--	-	-	-	89,000	89,000	-	0.011%
92	Schwenksville Borough	Montgomery	--	--	--	-	-	23,000	-	23,000	-	0.003%
93	Solebury Township	Bucks	--	Aa1	--	-	3,002,000	-	-	3,002,000	-	0.355%
94	South Coventry Township	Chester	--	--	--	675,000	-	-	-	675,000	-	0.080%
95	South Eastern School District	York	--	--	AA	-	2,201,000	-	-	2,201,000	2,201,000	0.260%
96	Southern Delaware County Authority	Delaware	--	--	--	322,000	-	-	-	322,000	-	0.038%
97	Spring Grove Borough	York	--	--	A+	-	-	-	202,000	202,000	-	0.024%
98	Springfield Township	Delaware	--	--	--	-	2,088,000	-	-	2,088,000	-	0.247%
99	Springfield Township, York County, Sewer Authority	York	--	--	--	-	-	4,834,000	-	4,834,000	4,834,000	0.572%
100	Stroudsburg Area School District	Monroe	--	A1	A+	-	7,689,000	-	802,000	8,491,000	8,491,000	1.005%
101	Swarthmore Borough	Delaware	--	--	--	115,000	569,000	-	335,000	1,019,000	376,000	0.121%
102	Tinicum Township (Bucks)	Bucks	A+	--	--	-	-	-	6,203,000	6,203,000	-	0.734%
103	Tinicum Township (Delaware)	Delaware	--	Aa3	--	-	589,000	677,000	1,518,000	2,784,000	1,553,000	0.329%
104	Towamencin Municipal Authority	Montgomery	--	--	AA+	-	-	-	8,026,000	8,026,000	-	0.950%
105	Towamencin Township	Montgomery	--	--	AA+	-	595,000	-	8,227,000	8,822,000	3,105,000	1.044%
106	Towamencin Township Infrastructure Authority	Montgomery	--	--	AA+	-	-	-	6,740,000	6,740,000	-	0.798%
107	Union County	Union	--	--	A+	-	-	1,501,000	-	1,501,000	-	0.178%
108	Upland Borough	Delaware	A-	--	--	-	-	-	699,000	699,000	-	0.083%
109	Upper Chichester Township	Delaware	--	--	--	-	115,000	-	233,000	348,000	233,000	0.041%
110	Upper Darby Township	Delaware	--	--	A+	-	1,759,000	-	-	1,759,000	-	0.208%
111	Upper Dublin Township	Montgomery	--	Aa1	--	-	5,104,000	-	11,804,000	16,908,000	-	2.001%
112	Upper Dublin Township Municipal Authority	Montgomery	--	Aa1	--	-	-	-	5,830,000	5,830,000	-	0.690%
113	Upper Pottsgrove Township	Montgomery	--	A2	--	-	904,000	-	-	904,000	-	0.107%
114	Upper Providence Township (Delaware)	Delaware	--	--	--	22,000	459,000	-	-	481,000	-	0.057%
115	Upper Providence Township Sewer Authority	Delaware	--	--	--	-	2,043,000	-	8,603,000	10,646,000	-	1.260%
116	Upper Salford Township	Montgomery	--	--	--	-	-	-	662,000	662,000	-	0.078%
117	Upper Southampton Municipal Authority	Bucks	AA	--	--	-	739,000	5,626,000	2,514,000	8,879,000	-	1.051%
118	Upper Southampton Township	Bucks	AA	--	--	-	906,000	655,000	1,800,000	3,361,000	483,000	0.398%
119	Uwchlan Township	Chester	--	--	--	-	752,000	-	-	752,000	-	0.089%
120	West Chester Borough	Chester	--	--	AA	89,000	-	-	-	89,000	-	0.011%
121	West Fallowfield Township	Chester	--	--	--	-	400,000	-	-	400,000	-	0.047%
122	West Goshen Township	Chester	AA+	--	AA+	-	-	4,570,000	-	4,570,000	-	0.541%
123	West Grove Borough	Chester	--	--	--	65,000	156,000	-	-	221,000	-	0.026%
124	West Sadsbury Township	Chester	--	--	--	-	507,000	-	-	507,000	-	0.060%
125	Whitpain Township	Montgomery	--	Aaa	--	-	2,678,000	-	-	2,678,000	-	0.317%
126	Yeadon Borough	Delaware	--	--	--	-	-	2,212,000	237,000	2,449,000	-	0.290%
127	York City School District	York	--	Baa2	A-	-	1,857,000	-	2,290,000	4,147,000	4,147,000	0.491%
Total Loans Outstanding						<u>\$ 23,644,000</u>	<u>\$ 171,026,000</u>	<u>\$ 130,973,000</u>	<u>\$ 519,364,593</u>	<u>\$ 845,007,593</u>	<u>\$ 115,370,000</u>	100.000%

(1) Certain loans are insured by Assured Guaranty Municipal Corp. ("AGM") or its affiliate Municipal Assurance Corp. ("MAC") with the Delaware Valley Regional Finance Authority as the beneficiary. AGM is rated "A2" by Moody's, "AA" by S&P, and "AA+" by Kroll. MAC is rated "AA" by S&P and "AA+" by Kroll. Certain loans are insured by Build America Mutual Assurance Company ("BAM"). BAM is currently rated "AA" with a stable outlook by S&P.

Source: Calhoun Baker Inc.

## **Independent Auditors' Report**

To the Board of Directors of  
Delaware Valley Regional Finance Authority

We have audited the accompanying financial statements of the Delaware Valley Regional Finance Authority (DelVal), which comprise the balance sheet as of December 31, 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

### **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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Delaware Valley Regional Finance Authority as of December 31, 2019, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matter

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 1 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Baker Tilly Virchow Krause, LLP*

Philadelphia, Pennsylvania  
April 13, 2020

**DELAWARE VALLEY REGIONAL FINANCE AUTHORITY**  
**BALANCE SHEET**  
**DECEMBER 31, 2019**

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 96,109,784
Restricted cash equivalents	40,300,000
Accrued interest receivable:	
Loans	392,392
Interest rate swaps	5,817,283
Cash equivalents and investments	202,046
Prepaid expenses	96,259
Loans to local governments	<u>75,234,093</u>
Total current assets	<u>218,151,857</u>
NONCURRENT ASSETS:	
Investments	1,532,239
Restricted investments	32,741,194
Loans to local governments	769,773,500
Unamortized prepaid interest rate swap expense	4,413,139
Fair value of derivative transactions	<u>113,464,244</u>
Total noncurrent assets	<u>921,924,316</u>
TOTAL	<u><u>\$ 1,140,076,173</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
CURRENT LIABILITIES:	
Accrued expenses	\$ 9,398
Bond principal payable	20,000,000
Accrued interest payable:	
Interest rate swaps	403,540
Bonds	<u>12,463,169</u>
Total current liabilities	<u>32,876,107</u>
LONG TERM LIABILITIES:	
Bonds payable, net	963,988,312
Estimated rebate liability	<u>150,000</u>
Total long term liabilities	<u>964,138,312</u>
DEFERRED INFLOWS OF RESOURCES:	
Accumulated increase in fair value of hedging derivatives	<u>113,464,244</u>
Total liabilities and deferred inflows of resources	1,110,478,663
NET POSITION	<u>29,597,510</u>
TOTAL	<u><u>\$ 1,140,076,173</u></u>

See Notes to Financial Statements

**DELAWARE VALLEY REGIONAL FINANCE AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED DECEMBER 31, 2019**

---

Revenues:	
Loan interest	\$ 19,021,507
Interest rate swap	22,243,921
Interest on investments and cash equivalents	<u>6,207,132</u>
Total revenues	<u>47,472,560</u>
Expenses:	
Interest expense:	
Bonds	34,672,499
Interest rate swaps	9,875,528
Credit or liquidity facility fees	226,121
Administrative expenses	<u>1,012,711</u>
Total expenses	<u>45,786,859</u>
Revenues over expenses	<u>1,685,701</u>
Other changes:	
Increase of estimated rebate liability	(20,000)
Class action settlement	470,868
Unrealized gain on investments and restricted investments	<u>286,825</u>
Total other changes, net	<u>737,693</u>
Increase in net position	2,423,394
Net position, beginning	<u>27,174,116</u>
Net position, ending	<u><u>\$ 29,597,510</u></u>

---

See Notes to Financial Statements

**DELAWARE VALLEY REGIONAL FINANCE AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2019**

---

Cash flows from operating activities	
Interest received on loans to local governments and interest rate swap agreements	\$ 41,383,731
Payment of interest on bonds and interest rate swap agreements	(45,571,877)
Loans to local governments	(138,602,000)
Principal repayments of loans to local governments	92,480,407
Administrative expenses paid	(1,021,390)
Interest received on investments and cash equivalents	6,348,534
Credit or liquidity facility fees paid	(226,121)
Class action settlement proceeds	<u>470,868</u>
Net cash used in operating activities and decrease in cash and cash equivalents	(44,737,848)
Cash and cash equivalents and restricted cash and cash equivalents, beginning	<u>181,147,632</u>
Cash and cash equivalents and restricted cash and cash equivalents, ending	<u><u>\$ 136,409,784</u></u>

RECONCILIATION OF CHANGE IN NET POSITION  
TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Increase in net position	<u>\$ 2,423,394</u>
Adjustments for other revenues, expenses, and transfers	
Increase of estimated rebate liability	20,000
Unamortized prepaid interest rate swap expense	583,319
Unrealized gain on restricted investments	(273,327)
Adjustments for changes in assets and liabilities	
Decrease (increase) in:	
Investments	(13,498)
Accrued interest receivable:	
Loans	93,088
Interest rate swaps	23,621
Cash equivalents and investments	141,401
Prepaid expenses	(4,304)
Loans to local governments	(46,121,593)
Decrease in:	
Accrued expenses	(4,375)
Accrued interest payable:	
Interest rate swaps	(254,473)
Bonds	(173,890)
Bonds payable	<u>(1,177,211)</u>
Total adjustments	<u>(47,161,242)</u>
Net cash used in operating activities	<u><u>\$ (44,737,848)</u></u>

---

See Notes to Financial Statements

## NOTES TO FINANCIAL STATEMENTS

### 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Operations

The Delaware Valley Regional Finance Authority (“DelVal”) was formed in 1985 by Bucks, Chester, Delaware, and Montgomery Counties in Pennsylvania (the “Counties”). The purpose of DelVal is to provide funds for capital projects to local governments within the Commonwealth of Pennsylvania. Eligible borrowers include school districts, townships, boroughs, cities, counties, and authorities. DelVal has originated 544 loans in the aggregate principal amount of \$3.43 billion to 203 different local governments located in 16 counties of Pennsylvania. DelVal has never experienced a default on a loan. DelVal has issued \$973 million of bonds (each a “DelVal Series”) that are currently outstanding to fund its Loan Program:

- 1) \$28,000,000 Local Government Revenue Bonds, 1997 Series B and C (the “1997 Series”),
- 2) \$250,000,000 Local Government Revenue Bonds, 1998 Series A (the “1998 Series”),
- 3) \$125,000,000 Local Government Revenue Bonds, 2002 Series C (the “2002 Series”),
- 4) \$160,000,000 Local Government Revenue Bonds, 2007 Series A, B and C (the “2007 Series”),
- 5) \$20,000,000 Local Government Revenue Bonds, 2014 Series B (the “2014 Series”),
- 6) \$175,000,000 Local Government Revenue Bonds, 2017 Series A, B, C, D, and E (the “2017 Series”), and,
- 7) \$215,000,000 Local Government Revenue Bonds, 2018 Series A, B, C, D, and E (the “2018 Series”).

The 1997, 1998, and 2002 Series are secured by the loan agreements, funds, and other assets related to each respective series. The 2007, 2014, 2017, and 2018 Series (collectively, the “Master Series”) were all issued under the same master indenture (the “Master Indenture”), and they are equally and ratably secured by all of the assets under the Master Indenture. Each loan agreement is secured by a full faith, credit, and taxing power pledge of a local government.

The Board of Directors of DelVal is comprised of five members appointed by the Counties. Each year, on a rotating basis, one of the Counties appoints one Director to a term of five years. The Board appoints the Program Administrator, solicitor, bond counsel, remarketing agents, credit facility providers, and trustees who manage the daily operations of DelVal and its Loan Program.

#### Basis of Accounting

Operations of DelVal are intended to be self-supporting, primarily from loan repayments, investment earnings, and interest rate swap revenues. Accordingly, DelVal is accounted for as a special-purpose government, business-type activity and utilizes the accrual basis of accounting in which revenues are recognized when earned and expenses are recognized when incurred. DelVal maintains its accounting in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (“GASB”).

#### Cash, Cash Equivalents, Restricted Cash Equivalents, Investments, and Restricted Investments

DelVal considers all highly liquid debt instruments purchased with original maturities of 90 days or less to be cash equivalents or restricted cash equivalents. DelVal also considers Guaranteed Investment Contracts and debt instruments that can be redeemed or tendered at par within 90 days or less of the balance sheet date to be highly liquid debt instruments and cash equivalents or restricted cash equivalents.

Investments and restricted investments purchased that mature in more than 90 days and cannot be redeemed or tendered at par within 90 days of the balance sheet date are recorded at fair value.

### **Loans to Local Governments**

Loans, which DelVal has the intent and ability to hold for the foreseeable future or until maturity or early redemption, are stated at their outstanding unpaid principal balances. Origination fees consist of the revenues received by DelVal at the closing of the loans. The origination fees are recognized as loan interest income when the fees have been received. Given the credit quality of the loan portfolio and the absence of any payment defaults, DelVal does not provide an allowance for non-performing loans.

### **Bonds Payable**

The DelVal Series are stated at their unpaid principal balances less the unamortized bond insurance premiums plus the unamortized original issue premium. Bond issuance costs (consisting of underwriting fees, professional fees, and all other costs except bond insurance premiums incurred in connection with issuance of the various DelVal Series) are recognized as an expense when the costs are paid. Bond insurance premiums and original issue premiums are amortized to bond interest expense using the straight-line method over the terms of the related DelVal Series, which approximates the effective interest method.

### **Estimated Rebate Liability**

The *Internal Revenue Code* obligates DelVal to yield restrict or to rebate to the United States Treasury investment earnings in excess of the bond yield of each respective DelVal Series. The estimated excess investment earnings are recorded as a liability, and the annual change in the estimated excess investment earnings is recorded as a non-operating expense or revenue.

### **Derivative Financial Instruments**

Effective January 1, 2010, DelVal adopted the GASB Statement No. 53 (“GASB 53”), *Accounting and Financial Reporting for Derivative Instruments*, which requires the fair value of interest rate swap agreements to be reported on the balance sheet. DelVal utilizes the accrual method to record interest rate swap expenses and revenues. Prepaid swap expenses are amortized using the straight-line method over the terms of the related swap transactions. Swap revenues and expenses and the amortization of prepaid swap expenses for the year ended December 31, 2019, are reflected in the statement of revenues, expenses, and changes in net position. Changes in the fair value of the swap transactions are shown in “NOTE 6. DERIVATIVE FINANCIAL INSTRUMENTS” but they are not reflected as income or expense in the financial statements because the transactions meet the definition of hedging derivative transactions under GASB 53.

### **Direct Borrowings and Direct Placements**

Effective January 1, 2019, DelVal adopted GASB Statement No. 88 (“GASB 88”), *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, which requires additional disclosures of any contractual obligations that are constructively debt instruments and disclosures of any direct borrowings or direct placements. Currently, the 2014 B Series and the 2017 A Series evidence the direct placements of loans from Bank of America, N.A., and the 2017 B, C, D, and E Series evidence the direct placements of loans from TD Bank, N.A. The obligations of these notes are on a parity basis with all debt issued under the Master Indenture. Information on these notes is disclosed in “NOTE 4. BONDS PAYABLE” and in “NOTE 8. DIRECT BORROWINGS AND DIRECT PLACEMENTS”.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 2. CASH, CASH EQUIVALENTS, INVESTMENTS, RESTRICTED CASH EQUIVALENTS, AND RESTRICTED INVESTMENTS

DelVal's cash, cash equivalents, and investments are used to originate loans and to pay the costs of operations of DelVal's Loan Program. Restricted cash equivalents and restricted investments are held as security for debt service payments on the DelVal Series. All cash, cash equivalents, investments, restricted cash equivalents, and restricted investments are held by the trustees of DelVal's bond issues. Under the terms of the Covenant Agreement, as long as any DelVal Series is outstanding, the deposits are restricted to use in DelVal's Loan Program.

DelVal's cash is invested in U.S. Treasury and Agency money market funds. DelVal's cash equivalents and restricted cash equivalents are comprised of securities with original maturities of 90 days or less and the Guaranteed Investment Contracts (each a "GIC"). The GIC's are treated as cash equivalents and restricted cash equivalents because the interest rates are adjusted weekly and because DelVal can withdraw funds at par with no more than 7 days of notice. The investments and restricted investments are invested in floating rate notes (each an "FRN") with interest rates indexed to 3-Month LIBOR adjusted quarterly. DelVal's cash, cash equivalents, investments, restricted cash equivalents, and restricted investments on December 31, 2019, are set forth below.

### Cash Equivalents, Investments, Restricted Cash Equivalents, and Restricted Investments as of December 31, 2019

	<u>1997 Series</u>	<u>1998 Series</u>	<u>2002 Series</u>	<u>Master Series</u>	<u>Total</u>
Cash equivalents	\$ 2,536,293	\$ 62,042,061	\$ 13,572,328	\$ 17,959,102	\$ 96,109,784
Investments (1)	-	-	-	1,532,239	1,532,239
Total	<u>\$ 2,536,293</u>	<u>\$ 62,042,061</u>	<u>\$ 13,572,328</u>	<u>\$ 19,491,341</u>	<u>\$ 97,642,023</u>
Restricted accounts					
Cash equivalents	\$ 2,800,000	\$ 25,000,000	\$ 12,500,000	\$ -	\$ 40,300,000
Investments (1)	-	-	-	32,741,194	32,741,194
Total	<u>\$ 2,800,000</u>	<u>\$ 25,000,000</u>	<u>\$ 12,500,000</u>	<u>\$ 32,741,194</u>	<u>\$ 73,041,194</u>

(1) Recorded at fair value.

All of DelVal's cash, cash equivalents, investments, restricted cash equivalents, and restricted investments are held by the Trustee under the Trust Estates of the DelVal Series for the benefit of the bondholders. The DelVal Board of Directors has not adopted a formal investment policy; however, the Indentures of the DelVal Series serve the same purpose. The Indentures restrict DelVal to investments in certain types of securities which include (i) obligations issued or guaranteed by the federal government, (ii) time deposits of banks with a minimum rating in the two highest categories of a rating agency with ratings on the DelVal Series (each a "Rating Agency"), (iii) commercial paper with a minimum rating of "P-1," "A-1," "F1," or the equivalent rating of a Rating Agency, (iv) obligations of state or local governments

with a minimum rating in the two highest categories of a Rating Agency, (v) repurchase agreements collateralized with obligations issued or guaranteed by the federal government, (vi) mutual funds that invest in obligations issued or guaranteed by the federal government, (vii) guaranteed investment contracts with financial institutions or obligations of financial institutions with a minimum rating in the two highest categories of a Rating Agency, and (viii) obligations of non-financial, domestic, United States corporations, with a maturity not exceeding five years, with a minimum rating in the two highest categories of a Rating Agency.

The Indentures require the Program Administrator to approve any investment and require the Trustee to hold the investment. The cash, cash equivalents, investments, restricted cash equivalents, and restricted investments are not collateralized by the Trustee and are not insured by the Federal Deposit Insurance Corporation.

Ambac Assurance Corporation (“Ambac”) issued bond insurance policies that secure the 1997 Series and 1998 Series, and Ambac requires DelVal to invest all of the funds under the trust estates of the 1997 Series and 1998 Series in GIC’s approved by Ambac. Natixis Funding Corp. (“Natixis”), owned by Groupe Caisse d’Epargne and Groupe Banque Populaire, provides the GIC’s for the 1997 Series. The Natixis GIC’s are guaranteed by Caisse des Dépôts et Consignations (“CDC”). Bayerische Landesbank (“BayernLB”) provides the GIC’s for the 1998 Series. The obligations of BayernLB under the GIC’s for the 1998 Series are guaranteed by the Free State of Bavaria and the Association of Bavarian Savings Banks. Natixis and BayernLB pay DelVal an investment rate equal to a spread over the Securities Industry and Financial Markets Association Municipal Swap Index (the “SIFMA Index”). If the ratings applicable to the Natixis GIC’s or the BayernLB GIC’s drop below “Aa3” or “AA-,” Ambac may direct Natixis or BayernLB (i) to collateralize its obligations under the respective GIC with cash, U.S. Treasury obligations, or certain Agency securities or (ii) to terminate the respective GIC and to pay DelVal the principal and accrued interest due. If Ambac directs collateralization, the collateral must be held by a third party, segregated, and marked to market at least weekly. On December 31, 2019, the Natixis obligations guaranteed by CDC were rated “Aa2” by Moody’s Investors Service (“Moody’s”), “AA” by S&P Global Ratings (“S&P”), and “AA” by Fitch Ratings (“Fitch”). The BayernLB obligations with the guaranty of the Free State of Bavaria were rated “Aaa” by Moody’s and “AAA” by Fitch. S&P rates the Free State of Bavaria as “AAA”, but S&P does not rate any BayernLB obligations. The Natixis GIC terminates on June 28, 2027, three business days prior to the scheduled maturity date of the 1997 Series. The BayernLB GIC terminates on July 27, 2028, three business days prior to the scheduled maturity date of the 1998 Series.

The funds of the Loan Program of the 2002 Series are invested in two GIC’s provided by Natixis and guaranteed by CDC. Natixis pays DelVal an investment rate equal to a spread over the SIFMA Index. If the ratings of CDC drop below “Aa3” by Moody’s or “AA-” by S&P, DelVal may direct Natixis to provide collateral to secure its obligations under the GIC’s with cash, U.S. Treasury obligations, or certain Agency securities. If the ratings of CDC drop below “A3” or “A-” by Moody’s and S&P, respectively, DelVal may terminate the GIC’s and require the provider to pay DelVal the principal and accrued interest due. The collateral must be held by a third party, segregated, and marked to market at least weekly. On December 31, 2019, the Natixis obligations guaranteed by CDC were rated “Aa2” by Moody’s, “AA” by S&P, and “AA” by Fitch. The Natixis GIC terminates on June 28, 2032, three business days prior to the scheduled maturity date of the 2002 Series.

The Debt Service Reserve Funds under the Master Series are held in restricted investments, principally FRN’s. The remaining funds of the Master Series are invested principally in a GIC provided by Citigroup Financial Products Inc. (“CFPI”). The obligations of CFPI are secured by guaranty of Citigroup Inc. (“Citigroup”). CFPI pays DelVal an investment rate equal to a spread over the SIFMA Index.

If the ratings of Citigroup are reduced below “Aa3” by Moody’s or “AA-” by S&P, DelVal may require CFPI to post collateral with a third party, and if the ratings of Citigroup are reduced below “A3” by Moody’s or “A-” by S&P, DelVal may terminate the CFPI GIC. Citigroup was downgraded below the “AA” threshold in 2009, and DelVal has required CFPI to post collateral of cash, U.S. Treasury obligations, or certain Agency securities, with the Bank of New York Mellon to secure its obligations under the GIC. As of December 31, 2019, Citigroup was rated “A3” by Moody’s, “BBB+” by S&P, and “A” by Fitch. The CFPI GIC terminates on May 28, 2042, three business days prior to the scheduled maturity date of the 2007 Series.

Cash, cash equivalents, and investments include funds held to originate loans and redeem bonds in the future and all of DelVal’s operating funds. Funds held to originate new loans were provided originally from the proceeds of DelVal’s bond issues. Other funds were provided from DelVal’s operations. DelVal’s cash, cash equivalents, and investments as of December 31, 2019, allocated by use are set forth below.

**Cash, Cash Equivalents, and Investments by Use of Funds as of December 31, 2019**

	<u>1997 Series</u>	<u>1998 Series</u>	<u>2002 Series</u>	<u>Master Series</u>	<u>Total</u>
Deposits to originate loans and repay bonds (1)	\$ 1,556,000	\$ 53,974,000	\$ 9,686,000	\$ 18,643,896	\$ 83,859,896
Available for any purpose	<u>980,293</u>	<u>8,068,061</u>	<u>3,886,328</u>	<u>847,445</u>	<u>13,782,127</u>
Total	<u>\$ 2,536,293</u>	<u>\$ 62,042,061</u>	<u>\$ 13,572,328</u>	<u>\$ 19,491,341</u>	<u>\$ 97,642,023</u>

(1) The funds to originate loans are over-collateralized by \$28,561,250.

The fair value of the instruments that constitute the cash equivalents, investments, restricted cash equivalents, and restricted investments held by DelVal on December 31, 2019, are summarized in the following table. DelVal records the fair value of the cash equivalents and restricted cash equivalents at par because the instruments either mature or can be redeemed at par within 90 days. DelVal records investments and restricted investments at fair value. As of December 31, 2019, the concentration of cash equivalents, restricted cash equivalents, investments, and restricted investments in the obligations of the Bank of Nova Scotia, National Australia Bank, BayernLB, CFPI, and Natixis exceeded 5%.

**Cash Equivalents, Investments, Restricted Cash Equivalents,  
and Restricted Investments as of December 31, 2019**

<i>Description</i>	<i>Senior Debt Rating of Counterparty or Guarantor</i>			<i>Maturity</i>	<i>Rate (6)</i>	<i>Cash Equivalents</i>	<i>Restricted Cash Equivalents</i>	<i>Investments</i>	<i>Restricted Investments</i>	<i>Fair Value</i>	<i>Fair Value Concentration</i>
	<i>Moody's</i>	<i>S&amp;P</i>	<i>Fitch</i>								
<i>Floating rate notes (1)</i>											
Bank of Nova Scotia	Aa2	***	AA-	7-Mar-22	2.525%	\$ -	\$ -	\$ -	\$ 10,085,900	\$ 10,085,900	5.909%
Commonwealth Bank of Australia	Aa3	AA-	AA-	10-Mar-22	2.591%	-	-	-	6,053,760	6,053,760	3.547%
National Australia Bank	Aa3	AA-	***	10-Jan-22	2.900%	-	-	1,042,607	981,873	2,024,480	8.302%
National Australia Bank	Aa3	AA-	***	12-Jul-21	3.001%	-	-	-	12,145,800	12,145,800	
Westpac Banking	Aa3	AA-	AA-	11-Jan-22	2.834%	-	-	489,632	3,473,861	3,963,493	2.322%
Treasury Money Market	***	AAAm	***	***	0.660%	10,962	-	-	-	10,962	0.006%
<i>GIC's (2)</i>											
BayemLB (3)	Aaa	***	AAA	27-Jul-28	3.240%	62,042,061	25,000,000	-	-	87,042,061	50.996%
CFPI (4)	A3	BBB+	A	28-May-42	2.781%	17,948,140	-	-	-	17,948,140	10.515%
Natixis (5)	Aa2	AA	AA	28-Jun-27	3.160%	2,536,293	2,800,000	-	-	5,336,293	
Natixis (5)	Aa2	AA	AA	28-Jun-32	2.780%	13,572,328	12,500,000	-	-	26,072,328	18.403%
Total						<u>\$ 96,109,784</u>	<u>\$ 40,300,000</u>	<u>\$ 1,532,239</u>	<u>\$ 32,741,194</u>	<u>\$ 170,683,217</u>	100.000%

- (1) Notes pay a spread over 3-Month LIBOR, adjusted and paid quarterly.  
(2) GIC's pay a spread over the SIFMA Index, adjusted weekly and paid monthly.  
(3) Obligations guaranteed by the State of Bavaria.  
(4) Obligations are collateralized and held by the Bank of New York Mellon.  
(5) Obligations are guaranteed by Caisse des Dépôts et Consignations.  
(6) Rate as of December 31, 2019.

### 3. LOANS TO LOCAL GOVERNMENTS

DelVal originates loans to local governments (each a “Participant”) to fund various capital projects pursuant to the terms, conditions, covenants and restrictions contained in the respective Trust Indentures, Promissory Notes, and Loan Agreements. Pledges of the full faith, credit, and taxing power, or an equivalent contractual commitment, of local government units secure the Loan Agreements. Principal of the loans is paid in accordance with amortization schedules established at closing. The interest rates on variable rate loans vary with market conditions. The average interest rate on variable rate loans during 2019 was 1.898%, and interest rates on fixed rate loans ranged from 1.016% to 5.827% for periods of one to thirty years.

Participants may prepay their loans in whole or part with 30 days of notice to DelVal. Participants with fixed rate loans may incur a prepayment penalty if they prepay prior to the option date or scheduled termination date of the interest rate swap transaction executed by DelVal to provide the fixed rate. If DelVal incurs a cost to terminate the transaction, that cost would be passed onto the Participant as a prepayment penalty. Variable rate loans can be prepaid with no penalty.

DelVal had 254 loans with a principal amount of \$845 million outstanding with 127 different Participants located in 11 counties as of December 31, 2019. Loans to Delaware County accounted for 30.433% of the total loan principal outstanding.

Given the general obligation pledge that secures every loan and the high credit quality of DelVal’s market area, DelVal does not reasonably expect to suffer any defaults. If a borrower did default, DelVal, the trustee, and any credit enhancer would exercise their legal rights to remedy the default; however, the enforcement of these legal rights may be limited by and subject to the provisions of the federal bankruptcy laws or other laws of equitable principles which may affect enforcement of the creditor’s rights.

DelVal assesses and collects loan origination fees at the closing of the loans, currently 0.50% of the principal amount. These fees are recognized as income when they are collected at the closing of the loans.

A schedule of the loans outstanding as of December 31, 2019, is shown below.

#### Loans Outstanding on December 31, 2019

	<u>1997 Series</u>	<u>1998 Series</u>	<u>2002 Series</u>	<u>Master Series</u>	<u>Total</u>
Principal outstanding	\$ 23,644,000	\$ 171,026,000	\$ 130,973,000	\$ 519,364,593	\$ 845,007,593
Less current amount	<u>(6,512,000)</u>	<u>(24,302,000)</u>	<u>(9,122,000)</u>	<u>(35,298,093)</u>	<u>(75,234,093)</u>
Net amount	<u>\$ 17,132,000</u>	<u>\$ 146,724,000</u>	<u>\$ 121,851,000</u>	<u>\$ 484,066,500</u>	<u>\$ 769,773,500</u>

Interest on the loans from DelVal’s Loan Program is payable monthly. Principal of the loans is paid according to an amortization schedule established at the closing of each loan, typically annual payments to provide level annual debt service. Interest rates of fixed and variable rate loans are calculated by the Program Administrator to provide funds sufficient to pay (i) debt service due on DelVal’s bonds, (ii) amounts due under interest rate swap agreements, and (iii) administrative expenses, including liquidity requirements, incurred to operate the Loan Program.

The minimum payments of the principal outstanding due from loans to Participants are set forth below.

### Loan Principal Amortization Schedule

<i>Year</i>	<i>1997 Series</i>	<i>1998 Series</i>	<i>2002 Series</i>	<i>Master Series</i>	<i>Total</i>
2020	\$ 6,512,000	\$ 24,302,000	\$ 9,122,000	\$ 35,298,093	\$ 75,234,093
2021	2,685,000	25,594,000	9,668,000	32,638,300	70,585,300
2022	3,261,000	33,609,000	9,771,000	36,511,400	83,152,400
2023	3,301,000	17,272,000	11,337,000	42,062,900	73,972,900
2024	2,903,000	16,215,000	11,538,000	40,998,300	71,654,300
Thereafter	4,982,000	54,034,000	79,537,000	331,855,600	470,408,600
Total	<u>\$ 23,644,000</u>	<u>\$ 171,026,000</u>	<u>\$ 130,973,000</u>	<u>\$ 519,364,593</u>	<u>\$ 845,007,593</u>

### Covenant Agreement

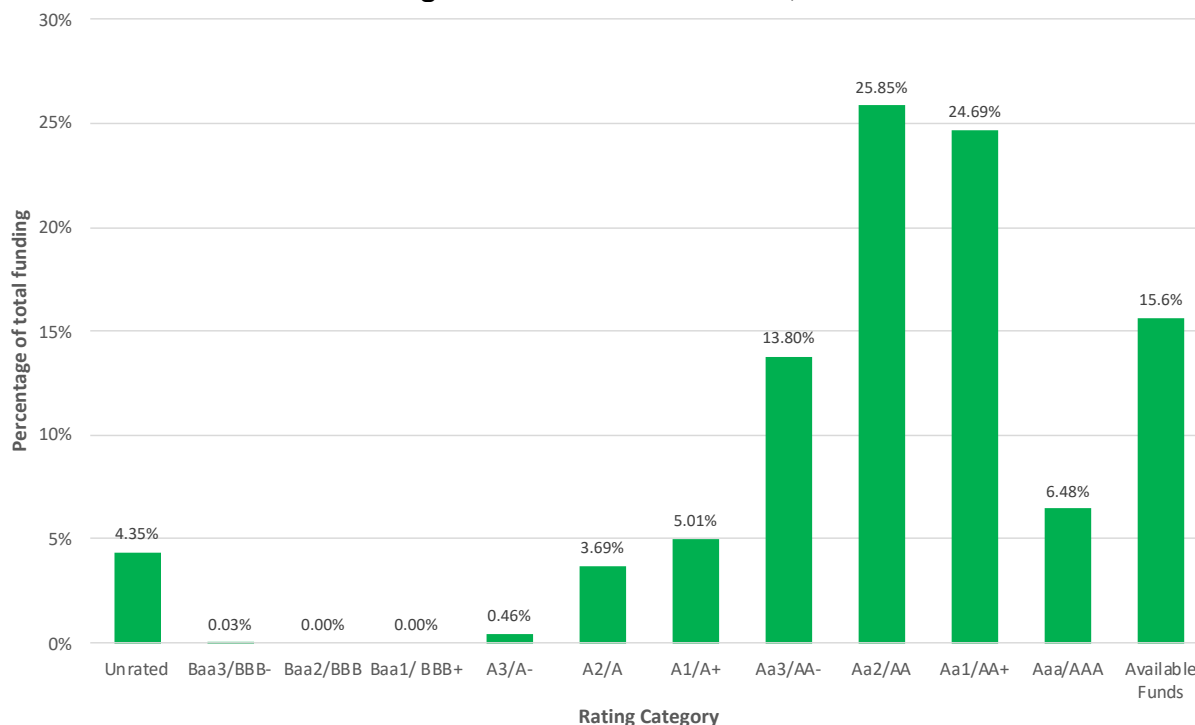
DelVal adopted the Covenant Agreement in 2001 to improve the security of the bondholders of the DelVal Series. Under the terms of the Covenant Agreement, DelVal pledged to use any available unrestricted funds (the “Excess Funds”) to cure any deficiency in any trust estate. Excess Funds can only be used for the Loan Program as long as any DelVal Series remains outstanding.

The Covenant Agreement was amended and restated in 2009 to further improve the security of the bondholders. The amendment requires the Participant (or its Guarantor) of a new loan to have a published rating of “A3” or “A-” or higher (the “Rating Threshold”) unless the proportion of the principal amounts of uninsured loans outstanding to Participants that are rated below the Rating Threshold to the total DelVal funds available to originate loans (the “Loan Funds”) will not exceed 10% (the “Ratings Test”). Generally, DelVal requires a published rating at or above the Rating Threshold or a financial guaranty policy for any new loan of \$1 million or more, even if the Ratings Test is satisfied. DelVal does not normally require ratings or insurance for loans less than \$1 million if the Ratings Test is satisfied and the credit is approved by the Program Administrator.

Assured Guaranty Municipal Corp. (“AGM”), currently rated “A2” by Moody’s, “AA” by S&P, and “AA+” by Kroll Bond Rating Agency (“Kroll”), its affiliate, Municipal Assurance Corp. (“MAC”), rated “AA+” by Kroll and “AA” by S&P, and Build America Mutual Corp. (“BAM”), rated “AA” by S&P, have issued financial guaranty policies, with DelVal as the beneficiary, for the repayment of certain loans. As of December 31, 2019, the repayment of 13.65% of the loan principal outstanding has been insured.

The Ratings Test shown in the chart below gives equal weight to the ratings of the rating agencies. The Program Administrator monitors the published rating of each Participant and Guarantor. If the Participant or Guarantor has only one published rating, the analysis gives full weight to the published rating. If a loan is insured, the analysis gives full weight to the higher of the rating of (i) the insurer or (ii) the Participant or Guarantor. As of December 31, 2019, 4.35% of the Loan Funds had been originated without insurance to Participants who were unrated or rated below the Rating Threshold. The chart shows the Loan principal outstanding in each rating category as a percentage of the Loan Funds. The “Available Funds” are deposits in the Recycling Fund that are available to originate new Loans.

### Ratings Test as of December 31, 2019



#### 4. BONDS PAYABLE

DelVal has issued bonds periodically to provide funds (a) to lend to Participants to finance and refinance the costs of projects; (b) to create debt service reserve funds; and (c) to pay all or a portion of the costs of issuance of the bonds. The 1997, 1998, and 2002 Series are limited obligations of DelVal, payable from and secured solely by the assets and revenues of each respective trust estate. DelVal has no taxing power. The trust estate consists of the assets and revenues derived from proceeds of the bonds, debt service reserve funds, loan agreements, interest rate swap agreements, and investments. The Covenant Agreement provides additional security to all of the bonds issued, and to be issued, by DelVal as long as any of the 1997, 1998, and 2002 Series remain outstanding. Under the terms of the Covenant Agreement, in the event of a deficiency under any of the trust estates of the DelVal Series, DelVal pledges to transfer Excess Funds under any of the other trust estates to cure the deficiency.

On June 28, 2007, DelVal executed the Master Indenture under which all future parity bonds would be issued. Any series issued under the Master Indenture is secured equally and ratably by all of the assets and revenues held under the trust estate of the Master Indenture. Four issues that are currently outstanding were issued under the Master Indenture and a supplemental indenture. The 2007 Series was issued under the First Supplemental Indenture on June 28, 2007; the 2014 Series was issued under the Third Supplemental Indenture on December 1, 2014; the 2017 Series was issued under the Fourth Supplemental Indenture on May 1, 2017, and the 2018 Series was issued under the Fifth Supplemental Indenture on June 27, 2018.

The DelVal Series fund a revolving loan pool program. When loans are repaid, the repayments are used to fund new loans to Participants. DelVal operates its Loan Program as one program. Loans may be assigned from one trust estate to another or the funding may be split among two or more trust estates to facilitate the origination of new loans and to match loan repayments with maturities of the DelVal Series.

The 1997 Series and 1998 Series (collectively, the “Ambac Series”) are secured by municipal bond insurance policies (the “Policies”) issued by Ambac, and the consent of Ambac for the funding of loans from the Ambac Series is an indenture requirement. To date, Ambac has cooperated in providing consents when necessary to fund loans from the Ambac Series; however, Ambac has been in runoff operations since 2009, and the future staffing and policies of Ambac are uncertain. If Ambac is unable or unwilling to approve the funding of loans from the Ambac Series, DelVal will be obligated under the indenture to fund an Extraordinary Mandatory Redemption of the Ambac Series to the extent the repayments of loans cannot be utilized to fund new loans. The Extraordinary Mandatory Redemption of the Ambac Series would be beneficial to Ambac’s objective to runoff its portfolio and would free capital that is currently reserved against the Policies. The market price of the Ambac Series is currently higher than the price bondholders would receive under an Extraordinary Mandatory Redemption. On October 22, 2019, DelVal requested the consent of bondholders of the Ambac Series to supplement the indenture in order to terminate the Policies and remove the requirement for Ambac consent, but the amount of the consents received was not sufficient.

DelVal does not require the consent of Ambac, or any other third party, to fund loans from the 2002 Series or the Master Series.

Below is a schedule that reconciles the par amounts of the DelVal Series outstanding to the net amounts on the Balance Sheet.

**Net Amounts of DelVal Series Outstanding on December 31, 2019**

	<u>1997 Series</u>	<u>1998 Series</u>	<u>2002 Series</u>	<u>Master Series</u>	<u>Total</u>
Final maturity	1-Jul-2027	1-Aug-2028	1-Jul-2032	1-May-2052	
Par amount outstanding	\$ 28,000,000	\$ 250,000,000	\$ 125,000,000	\$ 570,000,000	\$ 973,000,000
Unamortized amounts					
Insurance premium	(266,432)	(456,938)	-	-	(723,370)
Original issue premium	<u>615,667</u>	<u>5,536,226</u>	<u>3,281,727</u>	<u>2,278,062</u>	<u>11,711,682</u>
Net amount	<u>\$ 28,349,235</u>	<u>\$ 255,079,288</u>	<u>\$ 128,281,727</u>	<u>\$ 572,278,062</u>	<u>\$ 983,988,312</u>

DelVal did not issue, remarket, or redeem any debt in 2019. DelVal expects to issue a new series in 2020 to redeem a portion of the Master Series and to provide additional funds to originate Loans. Below is a reconciliation of the beginning and ending net amounts of the outstanding DelVal Series.

**Beginning and Ending Net Amounts of DelVal Series Outstanding**

	<u>1997 Series</u>	<u>1998 Series</u>	<u>2002 Series</u>	<u>Master Series</u>	<u>Total</u>
Beginning net amount	\$ 28,403,122	\$ 255,750,656	\$ 128,567,775	\$ 572,443,970	\$ 985,165,523
Amortized amounts					
Insurance premium	41,111	60,397	-	-	101,508
Original issue premium	<u>(94,998)</u>	<u>(731,765)</u>	<u>(286,048)</u>	<u>(165,908)</u>	<u>(1,278,719)</u>
Ending net amount	<u>\$ 28,349,235</u>	<u>\$ 255,079,288</u>	<u>\$ 128,281,727</u>	<u>\$ 572,278,062</u>	<u>\$ 983,988,312</u>

The DelVal Board has adopted a Post Issuance Compliance Policy, and under the policy, the Program Administrator monitors and reports any compliance issues with Treasury regulations or rules of the Municipal Securities Rulemaking Board.

The principal amortization schedules and the estimated interest payments of the DelVal Series outstanding as of December 31, 2019, are shown on the following page. Estimates of the interest payments on the variable rate bonds are based on the final rate resets in 2019. Letter of credit and remarketing expenses are not included in the estimates.

**Bond Principal Amortization Schedules and Estimated Interest Payments**

<i>Fiscal Year</i>	<i>1997 Series (1)</i>		<i>1998 Series (1)</i>		<i>2002 Series</i>		<i>Master Series (2)</i>		<i>Total Debt Service</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2020	\$ -	\$ 1,801,000	\$ -	\$ 13,750,000	\$ -	\$ 7,187,500	\$ 20,000,000 (3)	\$ 11,194,000	\$ 20,000,000	\$ 33,932,500	\$ 53,932,500
2021	-	1,801,000	-	13,750,000	-	7,187,500	-	10,881,000	-	33,619,500	33,619,500
2022	-	1,801,000	-	13,750,000	-	7,187,500	-	10,881,000	-	33,619,500	33,619,500
2023	-	1,801,000	-	13,750,000	-	7,187,500	-	10,881,000	-	33,619,500	33,619,500
2024	-	1,801,000	-	13,750,000	-	7,187,500	-	10,881,000	-	33,619,500	33,619,500
2025 to 2029	28,000,000	5,403,000	250,000,000	55,000,000	-	35,937,500	50,000,000	50,981,000	328,000,000	147,321,500	475,321,500
2030 to 2034	-	-	-	-	125,000,000	21,562,500	10,000,000	46,550,000	135,000,000	68,112,500	203,112,500
2035 to 2039	-	-	-	-	-	-	60,000,000	42,986,000	60,000,000	42,986,000	102,986,000
2040 to 2044	-	-	-	-	-	-	50,000,000	38,452,500	50,000,000	38,452,500	88,452,500
2045 to 2049	-	-	-	-	-	-	205,000,000	31,182,000	205,000,000	31,182,000	236,182,000
2050 to 2052	-	-	-	-	-	-	175,000,000 (3)	8,029,000	175,000,000	8,029,000	183,029,000
<b>Total</b>	<b><u>\$28,000,000</u></b>	<b><u>\$14,408,000</u></b>	<b><u>\$250,000,000</u></b>	<b><u>\$123,750,000</u></b>	<b><u>\$125,000,000</u></b>	<b><u>\$ 93,437,500</u></b>	<b><u>\$570,000,000</u></b>	<b><u>\$272,898,500</u></b>	<b><u>\$973,000,000</u></b>	<b><u>\$504,494,000</u></b>	<b><u>\$1,477,494,000</u></b>

(1) Municipal bond insurance policy issued by Ambac Assurance Corporation secures the bonds to maturity.

(2) A direct-draw, letter of credit issued by PNC Bank, National Association, secures the remarketing of the \$50,000,000 2007 Series B Bonds. The stated expiration date of the facility is July 8, 2022. Projected variable rates are set to the last rate reset in 2019.

(3) The \$20,000,000 2014 B Series, a direct placement of a loan from Bank of America, N.A., which matures on December 1, 2049, is scheduled to be remarketed on December 1, 2020. DeVal expects to remarket or refund the 2014 B Series.

### 1997 Series

The 1997 Series was issued in the original par amount of \$140,000,000. The 1997 Series is secured by a municipal bond insurance policy issued by Ambac. The \$70,000,000 Local Government Revenue Bonds, 1997 Series A were redeemed on June 28, 2007, with a portion of the proceeds of the 2007 Series. The Local Government Revenue Bonds, 1997 Series B (the “1997 B Series”) was issued with a \$42,000,000 maturity on July 1, 2017, and an \$18,000,000 maturity, with a 5.70% coupon, maturing on July 1, 2027. The \$10,000,000 Local Government Revenue Bonds, 1997 Series C (the “1997 C Series”) was issued with a 7.75% coupon, maturing on June 1, 2027. Interest on the 1997 Series is payable semiannually, and principal is payable annually. The 1997 C Series was issued at an original issue premium of \$2,842,400.

Moody’s and S&P originally rated the 1997 Series based solely upon the municipal bond insurance policy of Ambac. Following the filing by Ambac Financial Group, Inc. (Ambac’s parent) for relief under Chapter 11 of the *United States Bankruptcy Code*, S&P withdrew its rating of the 1997 Series, and Moody’s assigned a rating based solely upon the long-term rating of DelVal. As of December 31, 2019, Moody’s had assigned a rating of “A1” to the 1997 Series.

The 1997 B Series and the 1997 C Series are not subject to optional or mandatory redemption. Under certain circumstances defined in the Trust Indenture, principally the inability to originate loans for a protracted period of time, the 1997 Series may be subject to an Extraordinary Mandatory Redemption. In the event of such an extraordinary redemption, the 1997 B Series would be redeemed before the 1997 C Series. The 1997 B Series would be redeemed at par; the 1997 C Series would be redeemed at the premiums set forth in the Trust Indenture of the 1997 Series.

DelVal entered into a master interest rate swap agreement related to the 1997 Series and executed interest rate swap transactions for each series of the 1997 Series. Under the terms of the interest rate swap transactions, DelVal pays a rate indexed to the SIFMA Index and receives fixed rate payments for the 1997 B Series and 1997 C Series. The interest rate swap transactions related to the 1997 B Series and 1997 C Series terminate on their respective maturity dates. The interest rate swap transactions allow DelVal to hedge its exposure to changes of long-term interest rates.

### 1998 Series

The 1998 Series was issued in the par amount of \$300,000,000. The 1998 Series is secured by a municipal bond insurance policy issued by Ambac. The coupon on the \$250,000,000 Local Government Revenue Bonds, 1998 Series A (the “1998 A Series”) is set at 5.50%, and interest is paid semiannually. The 1998 A Series mature on August 1, 2028. The aggregate interest on the \$25,000,000 Local Government Revenue Bonds, 1998 Series B (the “1998 B Series”) and the \$25,000,000 Local Government Revenue Bonds, 1998 Series C (the “1998 C Series”) is equal to a fixed rate of 5.50%. The 1998 B Series and 1998 C Series matured on August 1, 2018. The 1998 A Series was issued at an original issue premium of \$18,060,000, and the 1998 B Series and 1998 C Series were issued at an aggregate original issue premium of \$3,785,000.

Moody’s and S&P originally rated the 1998 Series solely upon the municipal bond insurance policy of Ambac. Following the filing by Ambac Financial Group, Inc. (Ambac’s parent) for relief under Chapter 11 of the *United States Bankruptcy Code*, S&P withdrew its rating of the 1998 Series. Moody’s assigned a rating to the 1998 Series based solely upon the long-term rating of DelVal. As of December 31, 2019, Moody’s had assigned a rating of “A1” to the 1998 Series.

The 1998 Series is not subject to optional or mandatory redemption. Under certain circumstances defined in the Trust Indenture, principally the inability to originate loans for a protracted period of time, the 1998 Series may be subject to an Extraordinary Mandatory Redemption at the premiums set forth in the Trust Indenture of the 1998 Series.

DelVal entered into interest rate swap transactions for each Series of the 1998 Series; the transactions terminate on the maturity dates of the related 1998 Series. Under the terms of the interest rate swap transactions, DelVal pays amounts indexed to the SIFMA Index and receives fixed payments. The interest rate swap transactions allow DelVal to hedge its exposure to changes of long-term interest rates.

### **2002 Series**

The 2002 Series was issued with a total par amount of \$375,000,000. The \$125,000,000 Local Government Revenue Bonds, 2002 Series A (the “2002 A Series”) matured on July 1, 2012, and the \$125,000,000 Local Government Revenue Bonds, 2002 Series B (the “2002 B Series”) matured on July 1, 2017. The \$125,000,000 Local Government Revenue Bonds, 2002 Series C (the “2002 C Series”) mature on July 1, 2032, with a coupon of 5.75%. Interest is paid semiannually to the holders of the 2002 Series. The 2002 C Series was issued at an original issue premium of \$9,391,250. The 2002 Series was rated “A1” by Moody’s and “A+” by S&P as of December 31, 2019.

The 2002 Series is not subject to optional or mandatory redemption. Under certain circumstances defined in the Trust Indenture, principally the inability to originate loans for a protracted period of time, the 2002 Series may be subject to an Extraordinary Mandatory Redemption at the premiums set forth in the Trust Indenture of the 2002 Series.

DelVal entered into a master interest rate swap agreement related to the 2002 Series and executed an interest rate swap transaction related to each series of the 2002 Series. The transactions terminate on the respective maturity dates of the related Series. The interest rate swap transactions allow DelVal to hedge its exposure to changes of long-term interest rates.

### **2007 Series**

The Local Government Revenue Bonds, 2007 Series (the “2007 Series”) were issued in the par amount of \$160,000,000. The coupon on the \$10,000,000 2007 Series A (the “2007 A Series”) maturing on June 1, 2037, was set at 5.50%. Interest is paid semiannually. The 2007 A Series was issued at an original issue premium of \$1,365,600. The 2007 A Series is not subject to optional or mandatory redemption. Under certain circumstances defined in the Trust Indenture, principally the inability to originate loans for a protracted period of time, the 2007 A Series may be subject to extraordinary redemption at the premiums set forth in the First Supplemental Indenture.

The \$50,000,000 2007 Series B Bonds (the “2007 B Series”) maturing on June 1, 2042, is currently remarketed in a weekly rate mode, secured by a letter of credit issued by PNC Bank, National Association. The remarketing agent, currently PNC Capital Markets LLC, resets the interest rates on the 2007 B Series effective every Wednesday. The interest rates are set at the minimum rate of interest, in the opinion of the remarketing agent, necessary to remarket the bonds in a secondary market transaction at par. The maximum interest rate, as defined in the First Supplemental Indenture, is 15%. Interest on weekly rate bonds is paid monthly. Holders of the 2007 B Series may, with seven days of notice, tender the bonds to the tender agent at par. The 2007 B Series is subject to optional redemption, in whole or part, and purchase by DelVal at par. The 2007 B Series is also subject to mandatory redemption and purchase at par if the rating of the bonds is reduced as a consequence of the substitution of the letter of credit or if DelVal elects to switch to

another interest rate mode as permitted in the First Supplemental Indenture. See “Note 5. Credit Facilities” for additional information.

The interest rates of the \$100,000,000 2007 Series C Bonds (the “2007 C Series”) are set at an interest rate indexed to the 3-Month LIBOR rate. A principal amount of \$50,000,000 matures on June 1, 2027, and a principal amount of \$50,000,000 matures on June 1, 2037. The interest rates are reset quarterly, and interest is paid to the holders of the 2007 C Series quarterly. The 2007 C Series is subject to optional redemption, in whole or part, and purchase by DelVal at par on or after June 1, 2017. DelVal may convert the 2007 C Series to a different interest rate mode as permitted in the First Supplemental Indenture.

The 2007 A Series and the 2007 C Series were assigned ratings of “A1” by Moody’s and “A+” by S&P as of December 31, 2019. The 2007 B Series was assigned ratings of “A1/VMIG 1” by Moody’s, “AA+/A-1” by S&P, and “A+/F1” by Fitch.

The 2007 Series is subject to an Extraordinary Mandatory Redemption under certain circumstances defined in the First Supplemental Indenture, principally the inability to originate loans for a protracted period of time, at the purchase prices and premiums set forth in the First Supplemental Indenture.

DelVal entered into a master interest rate swap agreement related to the 2007 Series and executed interest rate swap transactions related to the 2007 A Series and the 2007 C Series that terminate on their respective maturity dates. Under the terms of the interest rate swap transactions, DelVal pays amounts indexed to the SIFMA Index and receives fixed payments for the 2007 A Series and payments indexed to the 3-Month LIBOR rate for the 2007 C Series. The interest rate swap transactions allow DelVal to hedge its exposure to basis risk and to changes of long-term interest rates.

## **2014 Series**

On December 1, 2014, DelVal issued the Local Government Revenue Bonds, 2014 Series A, B, C, and D under the Master Indenture and the Third Supplemental Indenture in the aggregate principal amount of \$225,000,000. A portion of the proceeds of the 2014 Series, were used to acquire loans from the Adjustable Rate Local Government Revenue Bonds, 1985 Series (the “1985 Series”) and the Local Government Revenue Notes, 2012 Series (the “2012 Series”), which together with proceeds from the acquisition of loans by other DelVal Series and other available funds, were used to redeem the 1985 Series and the 2012 Series. Proceeds of the 2014 Series were also used to fund a Debt Service Reserve Fund and provide additional funds for loans. The costs of issuance of the 2014 Series were paid from DelVal’s unrestricted funds. Interest on the 2014 Series is indexed to 1-Month LIBOR and is payable monthly. The maturity date of the 2014 Series is December 1, 2049. The 2014 Series was issued as direct placements of loans to three banks, and the 2014 Series is not rated. The 2014 Series can be optionally redeemed at any time on or after December 1, 2016, with no penalty. The 2014 Series is subject to Extraordinary Mandatory Redemption under certain circumstances defined in the Third Supplemental Indenture, principally the inability to originate loans for a protracted period of time, at the purchase prices and premiums set forth in the Third Supplemental Indenture.

The \$50,000,000 2014 A Series was issued to evidence a loan from TD Bank, N.A. (“TD”). The \$50,000,000 2014 B Series and the \$50,000,000 2014 C Series were issued to evidence a loan from Bank of America, N.A. (“BANA”). The \$75,000,000 2014 D Series was issued to evidence a loan from PNC. The 2014 A and C Series were redeemed on May 1, 2017, from the acquisition of loans by the 2017 Series and other DelVal Series and other available funds. The 2014 D Series and \$30,000,000 of the 2014 B Series were redeemed on June 27, 2018, with proceeds from the acquisition of loans by the 2018 Series and

other DelVal Series and other available funds. The \$20,000,000 2014 B Series that remains outstanding is scheduled to be remarketed on December 1, 2020. The 2014 B Series can be remarketed as direct placements of bank loans, VRDB's, fixed rate bonds, or variable rate securities based on an index. DelVal expects to redeem the 2014 B Series on or prior to the December 1, 2020, remarketing date.

DelVal executed a \$75,000,000 notional swap transaction with Barclays Bank PLC ("Barclays") to hedge basis risk related to the 2012 Series. That transaction was assigned to the 2014 Series when the 2012 Series was redeemed on December 1, 2014. DelVal executed a \$150,000,000 swap transaction with BANA to hedge the remaining basis risk of the 2014 Series. Under the terms of these transactions, DelVal pays amounts indexed to the SIFMA Index and receives payments indexed to 1-Month LIBOR. The interest rate swap transactions allow DelVal to create a variable rate loan program comparable to one of VRDB's. The ability to execute new, offsetting swap transactions enable DelVal to also provide fixed rate loans to Participants at competitive levels without exposing the program to market risk.

DelVal terminated the Barclays transaction on April 28, 2017, when the 2014 A and C Series were redeemed, and DelVal received a termination payment of \$79,500 from Barclays. DelVal assigned \$25,000,000 of the BANA transaction to the 2017 Series to hedge a portion of the basis risk of the 2017 Series. DelVal assigned \$105,000,000 of the BANA transaction to the 2018 Series to hedge a portion of the basis risk of the 2018 Series when the 2014 D Series and a portion of the 2014 B Series were redeemed on June 27, 2018.

### **2017 Series**

On May 1, 2017, DelVal issued the Local Government Revenue Bonds, 2017 Series under the Master Indenture and the Fourth Supplemental Indenture in the principal amount of \$175,000,000. A portion of the proceeds of the 2017 Series was used to acquire loans from the 2014 Series, which together with proceeds from the acquisition of loans by other DelVal Series and other available funds, were used to redeem the 2014 A and C Series. Proceeds of the 2017 Series were also used to fund a Debt Service Reserve Fund and provide additional funds for loans. The costs of issuance of the 2017 Series were paid from DelVal's unrestricted funds. Interest on the 2017 Series is indexed to 1-Month LIBOR and is payable monthly. The 2017 Series will mature on May 1, 2052. The 2017 Series was issued as direct placements of loans to two banks, and the 2017 Series is not rated. The 2017 Series can be optionally redeemed on any interest payment date with no penalty. The 2017 Series is subject to Extraordinary Mandatory Redemption under certain circumstances defined in the Fourth Supplemental Indenture, principally the inability to originate loans for a protracted period of time, at the purchase prices and premiums set forth in the Fourth Supplemental Indenture.

The \$75,000,000 2017 A Series was issued to evidence a loan from BANA and will be remarketed on May 1, 2021. The 2017 B, C, D, and E Series, each in the par amount of \$25,000,000, were issued to evidence a loan from TD and will be remarketed on May 1, 2021, 2022, 2023, and 2024, respectively. On the respective remarketing dates, the 2017 Series can be remarketed as direct placements of bank loans, VRDB's, fixed rate bonds, or variable rate securities based on an index.

In order to hedge basis risk, DelVal assigned \$25,000,000 notional of the BANA swap transaction related to the 2014 Series to the 2017 Series, and DelVal executed two new swap transactions with a notional amount of \$150,000,000 with PNC. Under the terms of these transactions, DelVal pays amounts indexed to the SIFMA Index and receives payments indexed to 1-Month LIBOR. The interest rate swap transactions allow DelVal to hedge its basis risk.

## **2018 Series**

On June 27, 2018, DelVal issued the Local Government Revenue Bonds, 2018 Series A, B, C, D, and E under the Master Indenture and the Fifth Supplemental Indenture in the principal amount of \$215,000,000. A portion of the proceeds of the 2018 Series was used to acquire loans from the 2014 Series, which together with proceeds from the acquisition of loans by other DelVal Series and other available funds, were used to redeem the 2014 D Series and a portion of the 2014 B Series. Proceeds of the 2018 Series were also used to fund a Debt Service Reserve Fund and provide additional funds for loans. The costs of issuance of the 2018 Series were paid from the original issue premium of the 2018 A Series.

The \$10,000,000 2018 A Series was issued with a coupon of 5.00% at a yield of 3.44% to the maturity date of September 1, 2033. The original issue premium was \$1,832,000. Interest is payable semiannually, and the bonds are not subject to optional redemption. In order to hedge risk of changes in long-term interest rates, DelVal executed a swap transaction with PNC related to the 2018 A Series under which DelVal receives a fixed rate and pays the SIFMA Index.

The \$50,000,000 2018 B Series and the \$50,000,000 2018 C Series were issued at variable interest rates set at a spread over the SIFMA Index with a maturity date of September 1, 2048. Interest is payable monthly. The 2018 B Series is scheduled to be remarketed on September 1, 2022, and the 2018 C Series is scheduled to be remarketed on September 1, 2023. The 2018 B Series may be optionally redeemed on or after September 1, 2021, and the 2018 C Series may be optionally redeemed on or after September 1, 2022. On the respective remarketing dates, the bonds can be remarketed as direct placements of bank loans, VRDB's, fixed rate bonds, or variable rate securities based on an index.

The \$30,000,000 2018 D Series and the \$75,000,000 2018 E Series were issued at variable interest rates indexed to 1-Month LIBOR with a maturity date of September 1, 2048. Interest is payable monthly. The 2018 D Series is scheduled to be remarketed on September 1, 2024, and the 2018 E Series is scheduled to be remarketed on September 1, 2025. The 2018 D Series may be optionally redeemed on or after September 1, 2023, and the 2018 E Series may be optionally redeemed on or after September 1, 2024. In order to hedge basis risk, DelVal assigned swap transactions with BANA from the 2014 Series to the 2018 D Series and 2018 E Series under which DelVal receives a rate indexed to 1-Month LIBOR and pays the SIFMA Index. On the respective remarketing dates, the bonds can be remarketed as direct placements of bank loans, VRDB's, fixed rate bonds, or variable rate securities based on an index.

The 2018 Series is subject to Extraordinary Mandatory Redemption under certain circumstances defined in the Fifth Supplemental Indenture, principally the inability to originate loans for a protracted period of time, at the purchase prices and premiums set forth in the Fifth Supplemental Indenture.

## **5. CREDIT FACILITIES**

### **1997 Series and 1998 Series**

The payment of interest on and principal of the 1997 Series and the 1998 Series is secured by a municipal bond insurance policy issued by Ambac Assurance Corporation. The bond insurance is in effect for the 30-year terms of the 1997 Series and 1998 Series. The bond insurance premium paid to Ambac at closing is amortized on a straight-line basis over the 30-year term. As of December 31, 2019, Moody's, S&P, and Fitch had all withdrawn their ratings of Ambac.

## 2007 B Series

DelVal, as required by the Trust Indenture, maintains a direct draw letter of credit in the amount of \$50,924,658 as security for the payment of principal and accrued interest on the 2007 B Series. DelVal entered into an agreement with PNC on May 1, 2017, as amended on July 10, 2019, to provide the requisite letter of credit. The scheduled termination date of the PNC letter of credit is July 8, 2022. During 2019, DelVal paid facility fees totaling \$226,121 to PNC. As of December 31, 2019, PNC was assigned ratings of “A2/P 1” by Moody’s, “A/A-1” by S&P, and “A+/F1” by Fitch.

## Participant Credit Enhancers

Certain loans are secured by financial guaranty policies (each a “Participant Credit Enhancement”) with DelVal as the beneficiary. Fees for the policies were paid from DelVal’s origination fees or loan proceeds at the closing of each loan. As of December 31, 2019, approximately 13.65% of the loan principal outstanding, more than \$115 million, was insured by AGM, MAC, or BAM. (each a “Participant Credit Enhancer”). As of December 31, 2019, AGM was rated “A2” by Moody’s, “AA” by S&P, and “AA+” by Kroll; MAC was rated “AA+” by Kroll and “AA” by S&P; and BAM was rated “AA” by S&P. No borrower from the DelVal Loan Program has ever defaulted, and the Participant Credit Enhancers have not been required to make any payments to DelVal under the financial guaranty policies.

## 6. DERIVATIVE FINANCIAL INSTRUMENTS

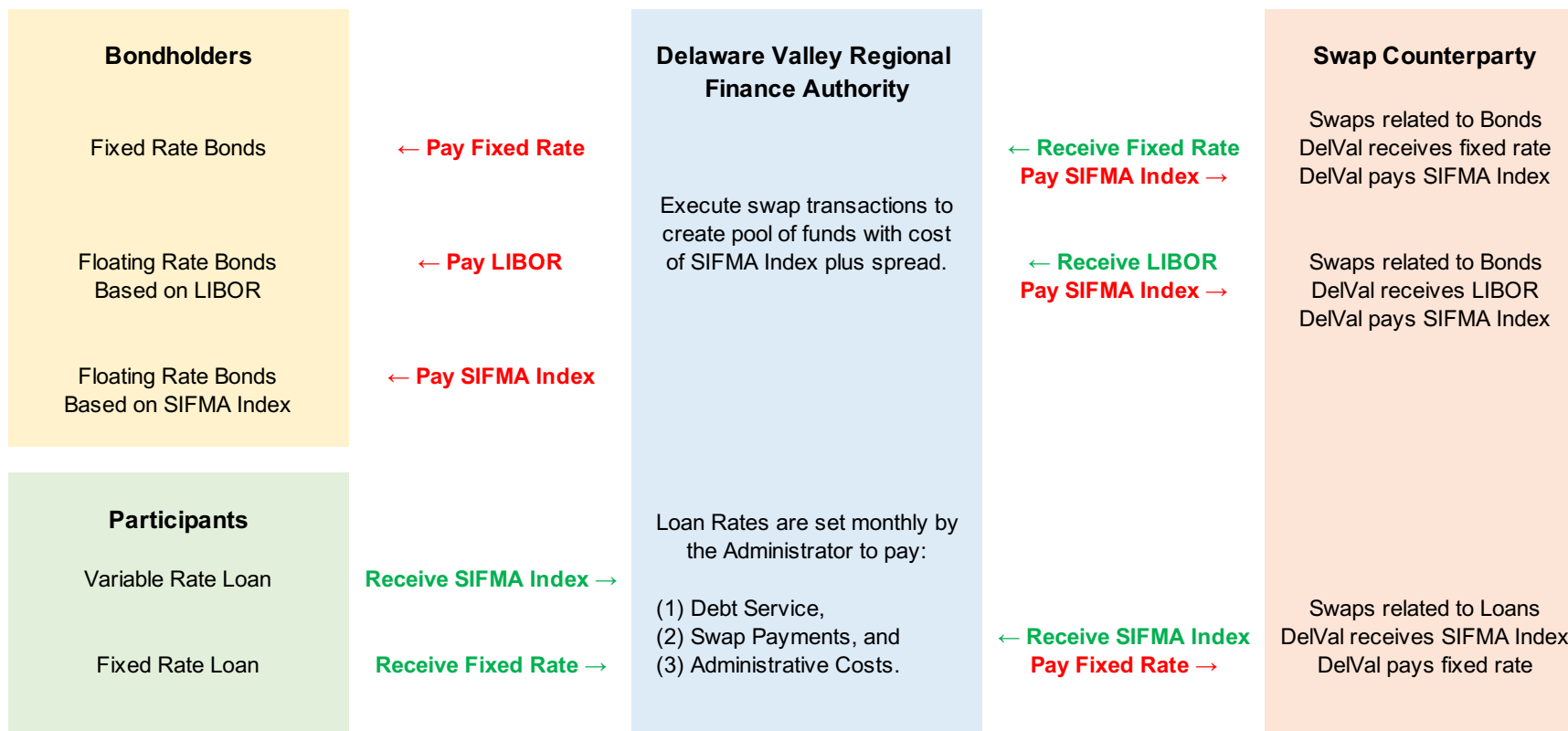
DelVal began entering into interest rate swap transactions related to its bond issues (collectively, the “Bond Swaps”) in 1997 in order to (i) diversify the types of debt instruments it could issue to fund the Loan Program, (ii) hedge its exposure to future changes in long-term interest rates, (iii) hedge its exposure to basis risk, (iv) reduce its exposure to the credit facility market, and (v) reduce its all-in cost of funds. Under the interest rate swap transactions related to the bond issues, DelVal receives a payment with the same basis as the related bonds, and DelVal pays the SIFMA Index. The use of interest rate transactions also permitted DelVal to begin providing a competitive fixed rate loan option. If a Participant requests a fixed rate loan, DelVal enters into an offsetting swap transaction under which DelVal pays a fixed rate and receives the SIFMA Index (each a “Loan Swap”).

All of the Bond Swaps and Loan Swaps are effective hedges under the “consistent critical terms” and “quantitative methods” standards of the Governmental Accounting Standards Board Statement No. 53 (“GASB 53”).

DelVal received a payment of \$470,868 from a settlement with Citibank N.A under the *LIBOR-Based Financial Instruments Antitrust Litigation* in 2019, and DelVal has received notices of proposed settlements with other defendants in the lawsuit. The amounts and the dates of the payments, if any, are not yet known. DelVal received a \$100 payment in the *Alaska Electrical Pension Fund et al. vs. Bank of America et al* settlement on March 27, 2020.

The Program Administrator sets loan rates at levels sufficient to pay (i) debt service on the DelVal Series, (ii) any related Bond Swap or Loan Swap payments, and (iii) DelVal’s administrative costs. Below is a chart that depicts the cash flows for the DelVal Loan Program.

**Cash Flows of Debt Service, Swap, and Loan Payments**



DelVal has executed Master Agreements (collectively, the “DelVal Swap Agreement”) with six counterparties (each a “Counterparty”):

- 1) Bank of America, N.A. (“BANA”), dated as of November 12, 2009, and amended and restated as of January 27, 2015, and February 13, 2015,
- 2) Citibank, N.A. (“Citibank”), dated as of June 28, 2007,
- 3) Barclays Bank PLC (“Barclays”) dated as of April 17, 2012, and amended and restated as of July 2, 2012,
- 4) PNC Bank, National Association (“PNC”) dated as of January 28, 2015, and amended as of June 20, 2019,
- 5) Toronto-Dominion Bank (“T-D”) dated as of January 11, 2016, and
- 6) Royal Bank of Canada (“RBC”) dated as of July 16, 2019.

All of the Master Agreements are secured on a parity basis with bondholders.

A summary of the interest rate swap transactions and the reconciliation of the carrying values on the Balance Sheet and the fair market value of all interest rate swap transactions as of December 31, 2019, is set forth below.

**Carrying Value and Fair Value of Interest Rate  
Swap Transactions Outstanding**

<i>Series</i>	<i>Notional Amount</i>	<i>Carrying Value</i>	<i>Fair Value 31-Dec-19</i>
<b>1997 Series</b>			
Bond transactions	\$ 28,000,000	\$ 8,007,842	\$ 8,007,842
Loan transactions	11,845,000	(244,146)	(244,146)
<b>1998 Series</b>			
Bond transactions	500,000,000	72,484,900	72,484,900
Loan transactions	159,248,000	(3,643,186)	(3,643,186)
Unamortized prepaid swap expense	-	5,233,964	9,938,837
<b>2002 Series</b>			
Bond transactions	125,000,000	44,356,507	44,356,507
Loan transactions	132,395,000	(4,284,944)	(4,284,944)
<b>Master Series</b>			
Bond transactions	420,050,000	10,922,315	10,922,315
Loan transactions	545,921,500	(14,216,139)	(14,216,139)
<b>Total</b>	<b><u>\$ 1,922,459,500</u></b>	<b><u>\$ 118,617,113</u></b>	<b><u>\$ 123,321,986</u></b>

### Effectiveness of the Swap Agreements

As of December 31, 2019, eleven Bond Swap transactions in the notional amount of \$1.07 billion were executed with BANA, Citibank, and PNC. The Bond Swaps are effective under both the consistent critical terms and the quantitative methods standards of GASB 53:

- 1) The transactions hedge exposure to changes of long-term interest rates,
- 2) The transactions hedge exposure to basis risk,
- 3) The transactions allow DelVal to reduce the dependence on credit facilities to secure variable rate DelVal Series,
- 4) The transactions enable DelVal to diversify the types of debt instruments it issues to fund the Loan Program, and
- 5) The transactions enable DelVal to realize all-in costs comparable to a 7-day VRDB.

Below is a summary of the debt service payments and the related Bond Swap receipts and payments in 2019.

#### Bond Swap Payments Related to DelVal Series in 2019

<i>Debt Service Payments</i>	<i>Bond Swap Transactions Related to the DelVal Series</i>		<i>Net Payment</i>	<i>Spread over SIFMA Index</i>
	<u><i>Receipts</i></u>	<u><i>Payments</i></u>		
(\$33,308,504)	\$27,964,879	(\$11,422,224)	(\$16,765,849)	0.524%

The comparable average cost of funds of DelVal's VRDB's outstanding in 2019 was 0.561% over the SIFMA Index. The cost of funds of the VRDB's includes the letter of credit fees, remarketing fees, and the remarketing spread over the SIFMA Index.

As of December 31, 2019, 270 Loan Swap transactions in the notional amount of \$849 million (including \$61.5 million that were not yet effective) were executed with BANA, Barclays, PNC, RBC, and T-D to provide fixed rate loans to 112 Participants. These Loan Swaps were effective hedges under both the consistent critical terms and the quantitative standards of GASB 53:

- 1) The offsetting transactions allow DelVal to provide rate Loans without incurring the costs of issuance of remarketing a series of fixed rate bonds.
- 2) The offsetting transactions allow DelVal to provide fixed rate Loans that are competitive with bank loans and bond issues.

Below is a summary of the fixed rate loan repayments and the related Loan Swap receipts and payments in 2019.

#### Loan Swap Payments Related to Fixed Rate Loans in 2019

<i>Fixed Rate Loan Interest Repayments</i>	<i>Offsetting Swap Transactions for Fixed Rate Loans</i>		<i>SIFMA Index Payments Related to DelVal Series</i>	<i>Net Receipt</i>
	<u><i>Fixed Rate Payments</i></u>	<u><i>SIFMA Index Receipts</i></u>		
\$ 16,689,607	(\$13,905,942)	\$ 10,084,146	(\$10,084,146)	\$2,783,665

Below is a summary of the estimated net debt service of the DelVal Series and Bond Swap payments and the calculation of the estimated spread over the SIFMA Index that DelVal will pay.

### Estimated Net Bond and Swap Interest Payments

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025 and thereafter (2)</u>
<b>Debt service payments</b>						
1997 Series	\$ 1,801,000	\$ 1,801,000	\$ 1,801,000	\$ 1,801,000	\$ 1,801,000	\$ 1,801,000
1998 Series	13,750,000	13,750,000	13,750,000	13,750,000	13,750,000	13,750,000
2002 Series	7,187,500	7,187,500	7,187,500	7,187,500	7,187,500	7,187,500
Master Series (1)	<u>9,137,500</u>	<u>9,137,500</u>	<u>9,137,500</u>	<u>9,137,500</u>	<u>9,137,500</u>	<u>9,137,500</u>
Total	<u>31,876,000</u>	<u>31,876,000</u>	<u>31,876,000</u>	<u>31,876,000</u>	<u>31,876,000</u>	<u>31,876,000</u>
<b>Net swap receipts</b>						
1997 Bonds	(1,500,800)	(1,500,800)	(1,500,800)	(1,500,800)	(1,500,800)	(1,500,800)
1998 Bonds	(13,128,500)	(13,128,500)	(13,128,500)	(13,128,500)	(13,128,500)	(13,128,500)
2002 Bonds	(5,843,750)	(5,843,750)	(5,843,750)	(5,843,750)	(5,843,750)	(5,843,750)
Master Series (1)	<u>(6,910,236)</u>	<u>(6,910,236)</u>	<u>(6,910,236)</u>	<u>(6,910,236)</u>	<u>(6,910,236)</u>	<u>(6,910,236)</u>
Total	<u>(27,383,286)</u>	<u>(27,383,286)</u>	<u>(27,383,286)</u>	<u>(27,383,286)</u>	<u>(27,383,286)</u>	<u>(27,383,286)</u>
<b>Net spread of debt service over swap receipts</b>						
1997 Series	300,200	300,200	300,200	300,200	300,200	300,200
1998 Series	621,500	621,500	621,500	621,500	621,500	621,500
2002 Series	1,343,750	1,343,750	1,343,750	1,343,750	1,343,750	1,343,750
Master Series (1)	<u>2,227,264</u>	<u>2,227,264</u>	<u>2,227,264</u>	<u>2,227,264</u>	<u>2,227,264</u>	<u>2,227,264</u>
Total	<u>\$ 4,492,714</u>	<u>\$ 4,492,714</u>	<u>\$ 4,492,714</u>	<u>\$ 4,492,714</u>	<u>\$ 4,492,714</u>	<u>\$ 4,492,714</u>
<b>Bond principal and over-collateralization</b>						
1997 Series	\$ 28,000,000	\$ 28,000,000	\$ 28,000,000	\$ 28,000,000	\$ 28,000,000	\$ 28,000,000
1998 Series	250,000,000	250,000,000	250,000,000	250,000,000	250,000,000	250,000,000
2002 Series	153,159,000	153,159,000	153,159,000	153,159,000	153,159,000	153,159,000
Master Series (1)	<u>420,402,250</u>	<u>420,402,250</u>	<u>420,402,250</u>	<u>420,402,250</u>	<u>420,402,250</u>	<u>420,402,250</u>
Total	<u>\$851,561,250</u>	<u>\$851,561,250</u>	<u>\$851,561,250</u>	<u>\$851,561,250</u>	<u>\$851,561,250</u>	<u>\$851,561,250</u>
<b>Percentage spread over the SIFMA Index</b>						
1997 Series	1.072%	1.072%	1.072%	1.072%	1.072%	1.072%
1998 Series	0.249%	0.249%	0.249%	0.249%	0.249%	0.249%
2002 Series	0.877%	0.877%	0.877%	0.877%	0.877%	0.877%
Master Series (1)	0.530%	0.530%	0.530%	0.530%	0.530%	0.530%
All funds	0.528%	0.528%	0.528%	0.528%	0.528%	0.528%

(1) Assumes variable rates equal to the last reset in 2019. The spread is not sensitive to changes in the levels of the rates.

(2) Cash flows will change as bonds mature and swap transactions terminate.

Below is a summary of the provisions and risks of the interest rate swap agreements. None of the swap transactions executed by DelVal are payable or receivable in foreign currencies.

### LIBOR Indices

The future of LIBOR indices is uncertain at this time. International regulators, including the Federal Reserve Bank, are attempting to impose risk-free reference rates as replacements for LIBOR by year-end 2021. In the United States, the "Secured Overnight Financing Rate" ("SOFR") is the proposed successor rate. SOFR has not yet been widely accepted for the pricing of financial products, instruments, and derivatives. In 2019, the International Swaps and Derivatives Association, Inc. ("ISDA") estimates

that 683,146 dollar-denominated LIBOR trades with a notional amount of \$119,439.2 billion were executed. During this same period, ISDA estimates only 838 SOFR trades with a notional amount of \$198.9 billion were executed. LIBOR indices may still continue to be offered after 2021.

ISDA, in consultation with international central bank regulators and interest rate swap stakeholders, is developing protocols to amend prospective and legacy transactions with a risk-free reference rate replacement of LIBOR. The current approach would be to replace the dollar-denominated LIBOR rates with SOFR rates, compounded in arrears plus a spread. The Federal Reserve Bank and Bloomberg are expected to begin publishing these rates in 2020.

A meaningful yield curve has not begun to develop for any of the international risk-free reference rates, including SOFR. Most of the transactions that have been executed are for terms of one-year or less; few transactions have terms longer than five years. Regulators are attempting to spur the development of a yield curve by encouraging or mandating financial institutions to begin pricing financial products and calculating derivative termination values with risk-free reference rates.

As of December 31, 2019, DelVal had \$900 million notional amount of Bond Swaps that were indexed to a LIBOR rate. These are all either offsetting transactions or transactions executed to hedge the basis risk of the DelVal Series that are indexed to the same LIBOR rate. DelVal expects that the replacement of LIBOR indices will be consistent for debt and derivative instruments. If the replacement is not consistent, DelVal would be exposed to some basis risk, and the impact on DelVal's net LIBOR based Bond Swaps and debt service payments would be uncertain.

### **Interest Rate Risk**

The principal interest rate risk of a revolving loan program is the risk that the pool of funds available for loans will not be competitive with financing options in the future. If DelVal issued fixed rate bonds to fund the Loan Program, the risk would be that fixed rates could decline making DelVal's cost of funds uncompetitive with other financing options. If DelVal issued bonds indexed to a LIBOR rate or some other taxable index rate, the risk would be that the ratio of tax-exempt rates to the index rate could decrease making DelVal's cost of funds uncompetitive. The Bond Swaps effectively insulate DelVal from these types of interest rate risk. DelVal has executed swap transactions for all of the DelVal Series that are fixed rate to receive a fixed rate and to pay the SIFMA Index, and DelVal has executed swap transactions for the DelVal Series that are indexed to a LIBOR Rate under which DelVal receives a LIBOR payment and DelVal pays the SIFMA Index. DelVal's cost of funds moves with the SIFMA Index. This allows DelVal to offer variable rate loans at market levels. By entering into offsetting Loan Swap transactions, under which DelVal pays a fixed rate and receives the SIFMA Index, DelVal can always be on the market for fixed rate loans.

The second type of interest rate risk that faces a revolving loan program is the mismatching of assets and liabilities. This is the risk that loan revenues will not match DelVal's cost of funds. The use of interest rate swaps allows DelVal to match funds perfectly. Variable rate loans are matched to Bond Swap transactions or DelVal's VRDB's, and fixed rate loans are matched to Loan Swap transactions. The variable rate and fixed rate assets always match the variable rate and fixed rate liabilities.

### **Basis Risk**

A basis risk occurs when payments received under a swap transaction are based on a different index or type of interest rate than the related debt obligation. None of the swap transactions executed by DelVal

entails a basis risk. Transactions with basis risk are not permitted under DelVal's Interest Rate Swap Management Policy.

### **Termination Risk**

Termination risk is the risk that certain events occur that allow the Counterparty to a swap transaction to terminate that transaction. All or a portion of the transactions under the DelVal Swap Agreement may be terminated with the mutual consent of DelVal and the respective Counterparty. A termination of transactions could also be triggered in the event of (i) large payment defaults by one or more Participants, (ii) a payment default by DelVal or the Counterparty under the DelVal Swap Agreement, (iii) the occurrence of events that may precipitate a payment default by DelVal or the Counterparty, or (iv) the downgrading of the long-term, unsecured, senior debt ratings of the Counterparty or DelVal (See "CREDIT RISK" below.). None of the DelVal Swap Agreements were terminated in 2019.

In all instances of termination, except a Loan Swap termination due to a payment default by a Participant, DelVal would seek to replace the terminated transaction with new transactions on similar terms and conditions or novate the affected transactions to a different Counterparty. The payment or receipt of the terminated or novated transactions should largely offset the receipts or payments to replace or novate the transactions. Under the terms of the loan agreements, each Participant is obligated to pay the termination fee of the portion of the Bond Swap and Loan Swap transactions allocable to the Participant's Loan.

The most likely causes for termination of Loan Swap transactions are under the control of the Participants: (i) a Participant elects to prepay a its Loan before the termination or option date of the Loan Swap transaction executed to provide a fixed rate or (ii) a Participant defaults on its payments due under a fixed rate loan. All or a portion of a Bond Swap may be terminated with the mutual consent of DelVal and the Counterparty. This would normally occur if DelVal were redeeming a portion of the DelVal Series, restructuring the Bond Swaps, or replacing the Counterparty, and in these instances DelVal would be unlikely to consent if it would incur a Termination Payment. A global termination of the DelVal Swap Agreement without replacement or novation of the transactions would only occur if (i) a cataclysm in the interest rate swap market precipitated a default by the Counterparty and a replacement Counterparty could not be secured or (ii) an economic cataclysm triggered defaults by a large number of Participants.

During the 2008-2009 financial turmoil, neither DelVal nor any Counterparty defaulted on its payment obligations. Two counterparties were downgraded to levels that required them to post collateral if DelVal would have received payments from them upon termination, and the requisite collateral was posted. At a time that the primary bond market was disrupted, DelVal continued to execute Loan Swaps to provide fixed rate Loans to Participants, at rates significantly lower than rates in the primary bond market. No swap transactions or DelVal Swap Agreements were terminated.

Thus far in COVID-19 market disruption, the interest rate swap market has continued to function. DelVal has executed transactions to provide fixed interest rates on Loans at a time the tax-exempt bond market is non-existent.

The interest rate swap market functions during the periods of financial turmoil because it is arguably the most important international financial market. The Bank for International Settlements estimates that more than \$524 trillion (\$199 trillion denominated in dollars) notional amount of interest rate swap transactions were outstanding as of June 30, 2019. The interest rate swap market has become the

market of choice for the Federal Reserve Bank and international central banks to manage liquidity and interest rates in their respective economies.

DelVal has originated 544 loans, \$3.43 billion principal amount, to 203 different Participants. The weighted average rating of the Participants is “Aa/AA”. No Participant has ever defaulted on a single loan repayment.

### Credit Risk

Rating downgrades by Moody’s and S&P can precipitate a requirement to post collateral or to terminate under the DelVal Swap Agreement. The failure to post collateral when it is required constitutes an event of default under the DelVal Swap Agreement and may result in termination.

The BANA Agreements require BANA to post collateral equal to the market value of each of the swap agreements executed with DelVal if the long term, unsecured, senior debt ratings of BANA are reduced below “A2” by Moody’s or “A” by S&P. DelVal is not obligated to post collateral to BANA. If the long-term, unsecured, senior debt ratings of BANA or DelVal are downgraded below “Baa2” by Moody’s or “BBB” by S&P, the respective counterparty may terminate the BANA Agreements.

The Citibank Agreement requires Citibank to post collateral equal to the market value if the ratings of Citibank are reduced below “A2” by Moody’s and “A” by S&P. If the ratings of DelVal are downgraded below “A3” by Moody’s or “A-” by S&P, DelVal would be obligated to post collateral equal to the market value. If the long-term, unsecured, senior debt ratings of Citibank, or DelVal are downgraded below “Baa3” by Moody’s or “BBB-” by S&P, the respective counterparty may terminate the Citi Agreement.

The Barclays Agreement, PNC Agreement, T-D Agreement, and RBC Agreement allow DelVal or the Counterparty to terminate the agreement if the other counterparty is downgraded below “Baa1” by Moody’s or “BBB+” by S&P. Neither these Counterparties nor DelVal are obligated to post collateral.

A summary of the Counterparty ratings and the market values of the DelVal Swap Agreement are shown below.

### Counterparty Ratings and Market Values

<u>Counterparty</u>	<u>Counterparty ratings</u>				<u>Notional Amount</u>	<u>Market Value 31-Dec-19</u>
	<u>Fitch</u>	<u>Kroll</u>	<u>Moody's</u>	<u>S&amp;P</u>		
DelVal	***	***	A1	A+	<u>\$ 1,922,459,500</u>	<u>\$ 123,321,986</u>
Bank of America	A+	***	Aa3	A+	\$ 1,340,296,000	\$ 121,935,799
Barclays Bank	A	***	A1	A	48,419,000	(1,361,660)
Citibank	A+	***	Aa3	A+	110,050,000	6,224,620
PNC Bank	A+	AA-	A2	A	368,746,000	(3,252,087)
Royal Bank of Canada	AA	***	Aa2	AA-	50,323,000	(227,854)
Toronto-Dominion Bank	***	AA	Aa2	AA-	<u>4,625,500</u>	<u>3,168</u>
TOTAL					<u>\$ 1,922,459,500</u>	<u>\$ 123,321,986</u>

### Market Access

Market access risk is the risk that bonds that are related to swap transactions cannot be issued or remarketed. DelVal does not have market access risk related to the Bond Swaps. The DelVal Series related

to Bond Swaps have already been issued or remarketed. The DelVal Series that are subject to remarketing have staggered remarketing dates. The cash flow from loan repayments and deposits in the Debt Reserve Funds would be sufficient to redeem any tranche that could not be remarketed. DelVal does not execute Bond Swaps until the related DelVal Series has been issued or remarketed.

### **Rollover Risk**

Rollover risk is the risk that the termination dates of Bond Swaps do not match the scheduled maturity or remarketing dates of the related DelVal Series or loans and that, due to market disruptions or deterioration of credit quality, execution of new swap transactions or remarketing of the DelVal Series is not possible. DelVal does not have any rollover risk with the DelVal Series or the related Bonds Swaps. The scheduled termination dates of the Bond Swaps match or exceed the maturity or remarketing date of the related DelVal Series. The DelVal Series that are subject to remarketing have staggered remarketing dates. If a new Bond Swap were necessary to hedge DelVal's interest rate risks for a remarketing and if such a hedge could not be secured, DelVal would not remarket that series. The cash flow from loan repayments and deposits in the Debt Reserve Funds would be sufficient to redeem any tranche that could not be remarketed.

## **7. FAIR VALUE OF INVESTMENTS AND RESTRICTED INVESTMENTS**

The carrying value of investments and restricted investments is the fair value of those investments. Investments and restricted investments are valued using pricing models that maximize the use of observable inputs of transactions of those investments and restricted investments and observable inputs of similar securities.

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under authoritative guidance are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observables and minimize the use of unobservable inputs.

The schedule below shows the level of the fair value hierarchy of investments and restricted investments at fair value as of December 31, 2019. The floating rate notes are valued at Level 2 because the notes and similar notes are traded and quoted in the market, but trading is sporadic and often in small lots. The valuation is based on valuation models that incorporate the observed trades and other market parameters.

**Investments and Restricted Investments at Fair Value  
as of December 31, 2019**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Floating rate notes \$	-	\$ 34,273,433	-	\$ 34,273,433

**8. DIRECT BORROWINGS AND DIRECT PLACEMENTS**

The 2014 B Series and 2017 A Series evidence the direct placement of loans from Bank of America, N.A. (collectively, the “BANA Loan”), and the 2017 B, C, D, and E Series evidence the direct placement of a loan from TD Bank, N.A. (the “TD Loan” and, together with the BANA Loan, the “Bank Loans”). The dates that the Bank Loans must be remarketed or repaid are staggered from 2020 to 2024. The Bank Loans are equally and ratably secured with the other bondholders under the Master Series. Under the terms of the Bank Loans, in addition to the interest costs, certain costs (the “Increased Costs”) may be assessed if the costs to carry the Bank Loans are increased due to changes in law or regulations. Changes of income taxes, franchise taxes, and branch profit taxes are excluded from Increased Costs. Any Increased Costs are subordinate to debt service payments on all DelVal Series. Increased Costs have never been assessed.

DelVal may optionally redeem the Bank Loans, in whole or part, with no penalty, with 30 days of notice. DelVal expects to remarket or to optionally redeem the BANA Loan and all or a portion the TD Loan in 2020. Below is a schedule of the direct placements outstanding.

### Direct Placements Outstanding

<u>Direct Placements</u>	<u>Par Amount</u>	<u>Option Date (2)</u>	<u>Purchase or Remarketing Date</u>
2014 B Series (1)	\$ 20,000,000	Any date	1-Dec-20
2017 A Series (1)	75,000,000	Any date	3-May-21
2017 B Series (2)	25,000,000	Any date	3-May-21
2017 C Series (2)	25,000,000	Any date	3-May-22
2017 D Series (2)	25,000,000	Any date	1-May-23
2017 E Series (2)	<u>25,000,000</u>	Any date	1-May-24
Total	<u>\$ 195,000,000</u>		

(1) Direct placement of a loan from Bank of America, N.A.

(2) Direct placement of a loan from TD Bank, N.A.

## 9. PENDING ACCOUNTING PRINCIPLES

GASB issued Statement No. 91: Conduit Debt Obligations (“GASB 91”) in May 2019 that will be effective for reporting periods beginning after December 15, 2020. GASB 91 will provide a single method of reporting conduit debt obligations. GASB issued Statement No. 93: Replacement of Interbank Offered Rates (“GASB 93”) in March 2020 that will be effective for DelVal in 2021. GASB 93 removes LIBOR as an appropriate benchmark for the qualitative evaluation of the effectiveness of an interest rate swap transaction and addresses the treatment of hedge accounting after the replacement of “interbank offered rates” with risk-free reference rates. To the extent applicable to DelVal, DelVal expects to adopt the principles of GASB 91 and GASB 93,

## Independent Auditors' Report on Additional Information

To the Board of Directors of  
Delaware Valley Regional Finance Authority

Our report on our audit of the basic financial statements of the Delaware Valley Regional Finance Authority for 2019 appears on pages 34 and 35. Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The additional information on pages 68 through 70 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Baker Tilly Virchow Krause, LLP*

Philadelphia, Pennsylvania  
April 13, 2020

**DELAWARE VALLEY REGIONAL FINANCE AUTHORITY**  
**COMBINING BALANCE SHEET INFORMATION**  
**DECEMBER 31, 2019**

ASSETS	<u>1997 Series</u>	<u>1998 Series</u>	<u>2002 Series</u>	<u>Master Series*</u>	<u>Total</u>
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ 2,536,293	\$ 62,042,061	\$ 13,572,328	\$ 17,959,102	\$ 96,109,784
Restricted cash equivalents	2,800,000	25,000,000	12,500,000	-	40,300,000
Accrued interest receivable:					
Loans	23,757	78,013	76,090	214,532	392,392
Interest rate swaps	-	5,538,527	-	278,756	5,817,283
Cash equivalents and investments	2,042	39,328	8,757	151,919	202,046
Prepaid expenses	6,250	62,842	6,251	20,916	96,259
Loans to local governments	<u>6,512,000</u>	<u>24,302,000</u>	<u>9,122,000</u>	<u>35,298,093</u>	<u>75,234,093</u>
Total current assets	<u>11,880,342</u>	<u>117,062,771</u>	<u>35,285,426</u>	<u>53,923,318</u>	<u>218,151,857</u>
<b>NONCURRENT ASSETS:</b>					
Investments	-	-	-	1,532,239	1,532,239
Restricted investments	-	-	-	32,741,194	32,741,194
Loans to local governments	17,132,000	146,724,000	121,851,000	484,066,500	769,773,500
Unamortized prepaid interest rate swap expense	-	4,413,139	-	-	4,413,139
Fair value of derivative transactions	<u>7,763,696</u>	<u>68,819,342</u>	<u>40,198,340</u>	<u>(3,317,134)</u>	<u>113,464,244</u>
Total noncurrent assets	<u>24,895,696</u>	<u>219,956,481</u>	<u>162,049,340</u>	<u>515,022,799</u>	<u>921,924,316</u>
TOTAL	<u>\$ 36,776,038</u>	<u>\$ 337,019,252</u>	<u>\$ 197,334,766</u>	<u>\$ 568,946,117</u>	<u>\$ 1,140,076,173</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>					
<b>CURRENT LIABILITIES:</b>					
Accrued expenses	\$ -	\$ -	\$ -	\$ 9,398	\$ 9,398
Bond principal payable	-	-	-	20,000,000	20,000,000
Accrued interest payable:					
Interest rate swaps	29,956	154,976	133,695	84,913	403,540
Bonds	<u>954,387</u>	<u>6,400,535</u>	<u>3,879,797</u>	<u>1,228,450</u>	<u>12,463,169</u>
Total current liabilities	<u>984,343</u>	<u>6,555,511</u>	<u>4,013,492</u>	<u>21,322,761</u>	<u>32,876,107</u>
<b>LONG TERM LIABILITIES:</b>					
Bonds payable, net	28,349,235	255,079,288	128,281,727	552,278,062	963,988,312
Estimated rebate liability	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>150,000</u>
Total long term liabilities	<u>28,349,235</u>	<u>255,079,288</u>	<u>128,281,727</u>	<u>552,428,062</u>	<u>964,138,312</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Accumulated increase (decrease) in fair value of hedging derivatives	<u>7,763,696</u>	<u>68,819,342</u>	<u>40,198,340</u>	<u>(3,317,134)</u>	<u>113,464,244</u>
Total liabilities and deferred inflows of resources	37,097,274	330,454,141	172,493,559	570,433,689	1,110,478,663
NET POSITION	<u>(321,236)</u>	<u>6,565,111</u>	<u>24,841,207</u>	<u>(1,487,572)</u>	<u>29,597,510</u>
TOTAL	<u>\$ 36,776,038</u>	<u>\$ 337,019,252</u>	<u>\$ 197,334,766</u>	<u>\$ 568,946,117</u>	<u>\$ 1,140,076,173</u>

\* The 2007, 2014, 2017, and 2018 Series were all issued under the Master Indenture. These Series are equally and ratably secured by all of the assets held under the Master Indenture.

**DELAWARE VALLEY REGIONAL FINANCE AUTHORITY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET**  
**POSITION INFORMATION**  
**YEAR ENDED DECEMBER 31, 2019**

	<u>1997 Series</u>	<u>1998 Series</u>	<u>2002 Series</u>	<u>Master Series*</u>	<u>Total</u>
Revenues:					
Loan interest	\$ 484,870	\$ 4,319,093	\$ 3,383,781	\$ 10,833,763	\$ 19,021,507
Interest rate swap	1,500,800	11,892,500	5,843,750	3,006,871	22,243,921
Interest on investments and cash equivalents	<u>372,199</u>	<u>2,419,017</u>	<u>446,949</u>	<u>2,968,967</u>	<u>6,207,132</u>
Total revenues	<u>2,357,869</u>	<u>18,630,610</u>	<u>9,674,480</u>	<u>16,809,601</u>	<u>47,472,560</u>
Expenses:					
Interest expense:					
Bonds	1,747,260	13,080,465	6,902,234	12,942,540	34,672,499
Interest rate swaps	579,572	3,878,463	2,644,461	2,773,032	9,875,528
Credit or liquidity facility fees	-	-	-	226,121	226,121
Administrative expenses	<u>12,500</u>	<u>883,335</u>	<u>12,500</u>	<u>104,376</u>	<u>1,012,711</u>
Total expenses	<u>2,339,332</u>	<u>17,842,263</u>	<u>9,559,195</u>	<u>16,046,069</u>	<u>45,786,859</u>
Revenues over expenses	<u>18,537</u>	<u>788,347</u>	<u>115,285</u>	<u>763,532</u>	<u>1,685,701</u>
Other changes:					
Transfers in (out)	263,950	(1,507,772)	1,169,524	74,298	-
Decrease (increase) of estimated rebate liability	-	-	-	(20,000)	(20,000)
Class action settlement	-	470,868	-	-	470,868
Unrealized gain on investments and restricted investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>286,825</u>	<u>286,825</u>
Total other changes, net	<u>263,950</u>	<u>(1,036,904)</u>	<u>1,169,524</u>	<u>341,123</u>	<u>737,693</u>
Increase (decrease) in net position	282,487	(248,557)	1,284,809	1,104,655	2,423,394
Net position, beginning	<u>(603,723)</u>	<u>6,813,668</u>	<u>23,556,398</u>	<u>(2,592,227)</u>	<u>27,174,116</u>
Net position, ending	<u>\$ (321,236)</u>	<u>\$ 6,565,111</u>	<u>\$ 24,841,207</u>	<u>\$ (1,487,572)</u>	<u>\$ 29,597,510</u>

\* The 2007, 2014, 2017, and 2018 Series were all issued under the Master Indenture. These Series are equally and ratably secured by all of the assets held under the Master Indenture.

**DELAWARE VALLEY REGIONAL FINANCE AUTHORITY**  
**COMBINING STATEMENT OF CASH FLOWS INFORMATION**  
**YEAR ENDED DECEMBER 31, 2019**

	<u>1997 Series</u>	<u>1998 Series</u>	<u>2002 Series</u>	<u>Master Series*</u>	<u>Total</u>
Cash flows from operating activities					
Interest received on loans to local governments and interest rate swap agreements	\$ 1,974,568	\$ 16,278,308	\$ 9,210,789	\$ 13,920,066	\$ 41,383,731
Payment of interest on bonds and interest rate swap agreements	(2,391,473)	(17,145,603)	(9,878,458)	(16,156,343)	(45,571,877)
Loans to local governments	-	-	-	(138,602,000)	(138,602,000)
Principal repayments of loans to local governments	5,345,000	37,048,000	6,975,000	43,112,407	92,480,407
Administrative expenses paid	(12,501)	(883,389)	(12,500)	(113,000)	(1,021,390)
Interest received on investments and cash equivalents	373,993	2,408,376	443,928	3,122,237	6,348,534
Credit or liquidity facility fees paid	-	-	-	(226,121)	(226,121)
Transfers among Series	263,950	(1,507,772)	1,169,524	74,298	-
Class action settlement	-	470,868	-	-	470,868
Net cash used in operating activities and increase (decrease) in cash and cash equivalents	(3,715,463)	24,342,788	9,196,283	(74,561,456)	(44,737,848)
Cash and cash equivalents and restricted cash and cash equivalents, beginning	<u>9,051,756</u>	<u>62,699,273</u>	<u>16,876,045</u>	<u>92,520,558</u>	<u>181,147,632</u>
Cash and cash equivalents and restricted cash and cash equivalents, ending	<u>\$ 5,336,293</u>	<u>\$ 87,042,061</u>	<u>\$ 26,072,328</u>	<u>\$ 17,959,102</u>	<u>\$ 136,409,784</u>
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Change in net position	<u>\$ 282,487</u>	<u>\$ (248,557)</u>	<u>\$ 1,284,809</u>	<u>\$ 1,104,655</u>	<u>\$ 2,423,394</u>
Adjustments for other revenues, expenses, and transfers					
Increase of estimated rebate liability	-	-	-	20,000	20,000
Unamortized prepaid interest rate swap expense	-	583,319	-	-	583,319
Unrealized gain on restricted investments	-	-	-	(273,327)	(273,327)
Adjustments for changes in assets and liabilities					
Decrease (increase) in:					
Investments	-	-	-	(13,498)	(13,498)
Accrued interest receivable:					
Loans	(11,102)	66,715	(16,742)	54,217	93,088
Interest rate swaps	-	(1,594)	-	25,215	23,621
Cash equivalents and investments	1,793	(10,641)	(3,021)	153,270	141,401
Prepaid expenses	-	(54)	(1)	(4,249)	(4,304)
Loans to local governments	(3,924,000)	24,722,000	8,263,000	(75,182,593)	(46,121,593)
Increase (decrease) in:					
Accrued expenses	-	-	-	(4,375)	(4,375)
Accrued interest payable:					
Interest rate swaps	(10,901)	(98,865)	(46,496)	(98,211)	(254,473)
Bonds	147	1,833	782	(176,652)	(173,890)
Bonds payable	<u>(53,887)</u>	<u>(671,368)</u>	<u>(286,048)</u>	<u>(165,908)</u>	<u>(1,177,211)</u>
Total adjustments	<u>(3,997,950)</u>	<u>24,591,345</u>	<u>7,911,474</u>	<u>(75,666,111)</u>	<u>(47,161,242)</u>
Net cash provided by (used in) operating activities	<u>\$ (3,715,463)</u>	<u>\$ 24,342,788</u>	<u>\$ 9,196,283</u>	<u>\$ (74,561,456)</u>	<u>\$ (44,737,848)</u>

\* The 2007, 2014, 2017, and 2018 Series were all issued under the Master Indenture. These Series are equally and ratably secured by all of the assets held under the Master Indenture.