



**DELAWARE VALLEY REGIONAL  
FINANCE AUTHORITY**

---

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2022

REQUIRED SUPPLEMENTARY INFORMATION,  
INDEPENDENT AUDITORS' REPORTS,  
AND ADDITIONAL INFORMATION

## TABLE OF CONTENTS

REQUIRED SUPPLEMENTARY INFORMATION	
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED).....	1
Introduction .....	1
Loan Portfolio.....	5
City of Chester, Chapter 9 Bankruptcy Filing and Settlement .....	11
Extraordinary Mandatory Redemption Risks of the 1997 Series and 1998 Series.....	11
Impact of COVID-19 on the Loan Program.....	12
Economics of the Loan Program .....	12
Covenant Agreement.....	16
Financing Activities .....	18
Investments.....	24
Interest Rate Swap Agreements.....	26
Stress Tests .....	30
Summaries of the 2022 Financial Statements.....	32
Outlook.....	37
Exhibit I: Loans Outstanding as of December 31, 2022.....	38
INDEPENDENT AUDITORS' REPORT .....	41
BALANCE SHEET .....	43
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION.....	44
STATEMENT OF CASH FLOWS.....	45
NOTES TO FINANCIAL STATEMENTS, AS OF DECEMBER 31, 2022 .....	46
1. Nature of Operations and Summary of Significant Accounting Policies .....	46
2. Cash, Cash Equivalents, Investments, Restricted Cash Equivalents, and Restricted Investments ...	48
3. Loans to Local Governments.....	53
4. Bonds Payable .....	55
5. Credit Facilities .....	66
6. Derivative Financial Instruments .....	67
7. Fair Value of Investments and Restricted Investments .....	74
8. Pending Accounting Principles .....	75
INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION .....	76
COMBINING BALANCE SHEET INFORMATION.....	77
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION INFORMATION.....	78
COMBINING STATEMENT OF CASH FLOWS INFORMATION .....	79

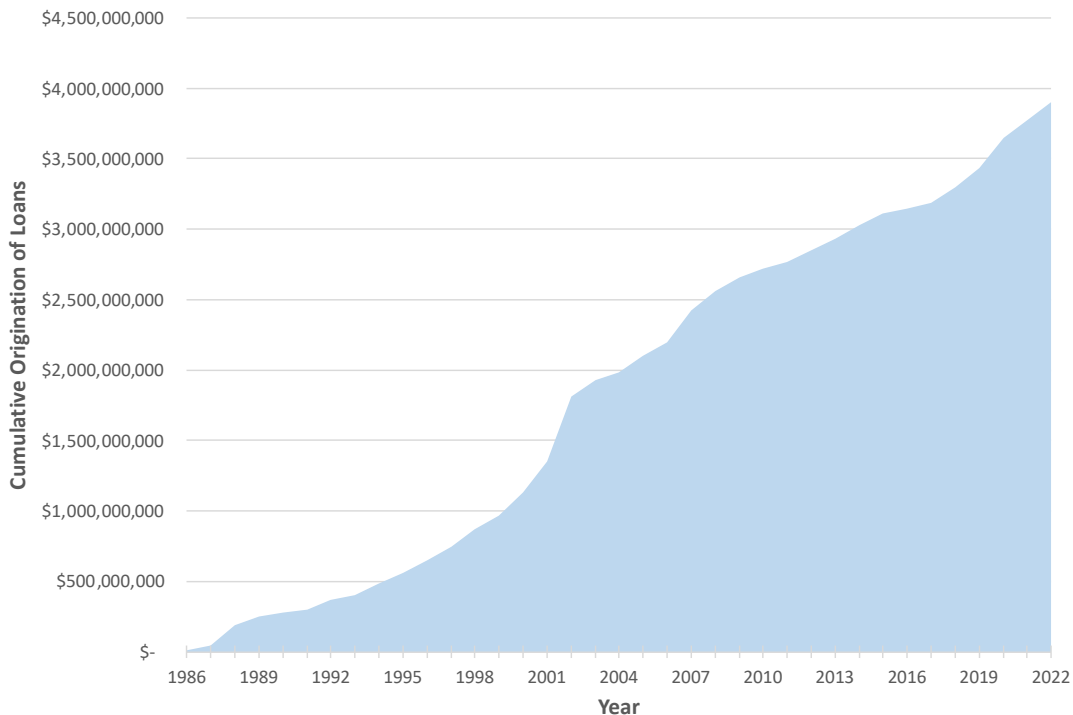


**DELAWARE VALLEY REGIONAL FINANCE AUTHORITY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)**

**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 Pennsylvania townships, boroughs, cities, school districts, and counties (each a “Local Government Unit”) and authorities (each an “Authority”) created under Pennsylvania statute by or on behalf of any one or more Local Government Units. DelVal has originated 614 loans (each a “Loan”) with an aggregate principal amount of \$3.91 billion to 212 different Local Government Units and Authorities (each a “Participant”) in 16 counties in Pennsylvania since its creation in 1985.

**Cumulative Loans Originated since 1985**



Source: Calhoun Baker Inc.

Each Loan to a Local Government Unit is secured by the pledge of its full faith, credit, and taxing power. DelVal may also require a Loan to a Local Government Unit to be additionally secured by a financial guaranty policy (each a “Participant Credit Enhancement”) issued by an insurer (each a “Participant Credit Enhancer”) with a rating of “Aa3” or higher from Moody’s Investors Service (“Moody’s”) or “AA-” or

higher from S&P Global Ratings (“S&P”). DelVal is the beneficiary of the Participant Credit Enhancements; the Participant Credit Enhancements do not secure the repayment of debt service on any bonds issued by DelVal.

Each Loan to an Authority must meet at least one of the following conditions: (i) rated “Aa3” or higher by Moody’s or “AA-” or higher by S&P, (ii) secured by a guaranty (each a “Guaranty”) with the pledge of the full faith, credit, and taxing power of a Local Government Unit (each a “Guarantor”), or (iii) secured by a Participant Credit Enhancement. The Master Indenture requires the Loan Agreement for any Loan to an Authority not secured by a Guaranty or Participant Credit Enhancement to include a covenant by the Authority to secure a Guaranty or Participant Credit Enhancement if its rating is reduced below “Aa3” by Moody’s or “AA-” by S&P. In the Master Indenture, DelVal has covenanted to restrict Loans to Authorities that are not secured by a Guaranty, to an aggregate principal amount not in excess of 20% of the total funding for Loan origination under the Master Indenture at the time the Loan is originated.

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 2022**

<u>Member</u>	<u>Office</u>	<u>Appointed by:</u>	<u>Term Expires</u>
John P. McBlain, Esq.	Chairman	Delaware County	2023
Joseph E. Brion, Esq.	Vice Chairman	Chester County	2024
James H. Shacklett, III	Secretary	Montgomery County	2025
Robert J. Harvie	Treasurer	Bucks County	2026
David E. Landau, Esq.	Secretary/Treasurer	Delaware County	2027

Source: Calhoun Baker Inc.

The Board oversees the operations of DelVal and appoints the Administrator, the Solicitor, the Bond Counsel, and the trustees (collectively, the “Trustees”) of the DelVal bond issues to conduct the Loan Program. The 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, the management of debt issuance, and the execution of interest rate swap transactions. The Solicitor, Carmen P. Belefonte, Esq., directs DelVal’s legal affairs. 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. Computershare Corporate Trust, a Trustee, invoices and collect the Loan repayments, principally through Automated Clearing House (“ACH”) debits of the Participants’ demand deposit accounts. TD Bank, N.A., as Trustee, holds all DelVal funds and makes all disbursements. Each disbursement must be authorized by the Board and directed by the Administrator.

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 Board of DelVal and the Administrator must approve any new Loan. Generally, DelVal requires any Local Government Unit, Authority, or Guarantor that does not have a published rating, applying for a Loan of \$1,000,000 or more, to secure a published rating of the Loan of “A-”, “A3”, or higher or a commitment of a Participant Credit Enhancement.

[Remainder of page intentionally left blank]

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.

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

DeIVal issues bonds or notes (collectively, the “DeIVal Series”), from time to time, generally in aggregate principal amounts greater than \$100 million in order to fund multiple Loans. By issuing in large principal amounts, DeIVal 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. This revolving loan structure reduces the incurrence of costs of issuance to fund the new Loans. Ten series issued by DeIVal were outstanding as of December 31, 2022:

- 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) \$110,000,000 Local Government Revenue Bonds, 2007 Series A, B and C (the “2007 Series”),
- 5) \$165,000,000 Local Government Revenue Bonds, 2018 Series A, C, D, and E (the “2018 Series”),
- 6) \$100,000,000 Local Government Revenue Bonds, 2020 Series A (the “2020 A Series”),
- 7) \$125,000,000 Local Government Revenue Bonds, 2020 Series B and D (the “2020 BD Series”),
- 8) \$45,000,000 Local Government Revenue Bonds, 2021 Series A (the “2021 A Series”), and
- 9) \$155,000,000 Local Government Revenue Bonds, 2022 Series A, B and C (the “2022 ABC Series”), and
- 10) \$97,000,000 Local Government Revenue Bonds, 2022 Series D and E (the “2022 DE Series”).

On February 22, 2023, a subsequent event, DeIVal issued the \$141,030,000 Local Government Revenue Bonds, 2023 Series A (the “2023 A Series”) and optionally redeemed the \$50,000,000 2018 C Series and the \$100,000,000 2020 A Series.

The 1997 Series, 1998 Series, and 2002 Series (collectively, the “Indenture Series”) were issued under separate indentures with separate trust estates. DeIVal executed the Covenant Agreement in 2001 to enhance the security of the bondholders by pledging to transfer any excess funds held under any DeIVal Series to cure any deficiency under any other DeIVal Series. The indentures of all DeIVal Series incorporate the Covenant Agreement.

All DeIVal Series issued since 2007 and that will be issued in the future (collectively, the “Master Series”) were or will be issued under the Master Trust Indenture and supplemental indentures. The Master Series are and will be secured with all other Master Series equally and ratably by all of the assets under the trust estate of the Master Indenture to the extent provided therein.

[Remainder of page intentionally left blank]

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

- 1) Bank of America, N.A.,
- 2) Barclays Bank PLC,
- 3) Citibank, N.A.,
- 4) PNC Bank, National Association,
- 5) Toronto-Dominion Bank, and
- 6) Royal Bank of Canada.

DeIVal has executed interest rate swap transactions related to the DeIVal Series (each a “Bond Swap”) to hedge its exposure to changes of fixed interest rates and to basis risk of floating interest rates. Under the Bond Swaps, DeIVal pays the Securities Industry and Financial Markets Association (“SIFMA”) Municipal Swap Index (the “SIFMA Index”), and DeIVal receives a fixed rate or floating rate with same basis as the related DeIVal Series. DeIVal’s net cost of funds is equal to the SIFMA Index plus a spread. DeIVal also executes interest rate swap transactions that offset the Bond Swaps to provide fixed rate Loans (each a “Loan Swap”) when requested by Participants. Under these transactions, DeIVal receives the SIFMA Index and pays a fixed interest rate that is the basis for the fixed rate of the Loan. DeIVal has also executed swaps to eliminate basis risk of investments (each an “Investment Swap”). Under these transactions, DeIVal pays a floating rate with the same basis as the related investment and receives the SIFMA Index.

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

- 1) Debt service payments on the DeIVal Series,
- 2) Net payments due under the Swap Agreement, and
- 3) Administrative costs and liquidity requirements necessary for the operation of the Loan Program.

[Remainder of page intentionally left blank]

## LOAN PORTFOLIO

During the period beginning January 1, 2022, and ending December 31, 2022, DelVal originated 15 Loans with an aggregate principal amount of approximately \$143 million. Demand was high at the beginning of the year due to the precipitous decline of interest rates after the COVID-19 outbreak and the relative advantages of DelVal Loans compared to bank loans and bond issues. Demand decreased significantly during the year due to rising interest rates, higher construction costs, greater availability of federal grants, and looming recession concerns. The relative advantages of DelVal Loans continued throughout the year.

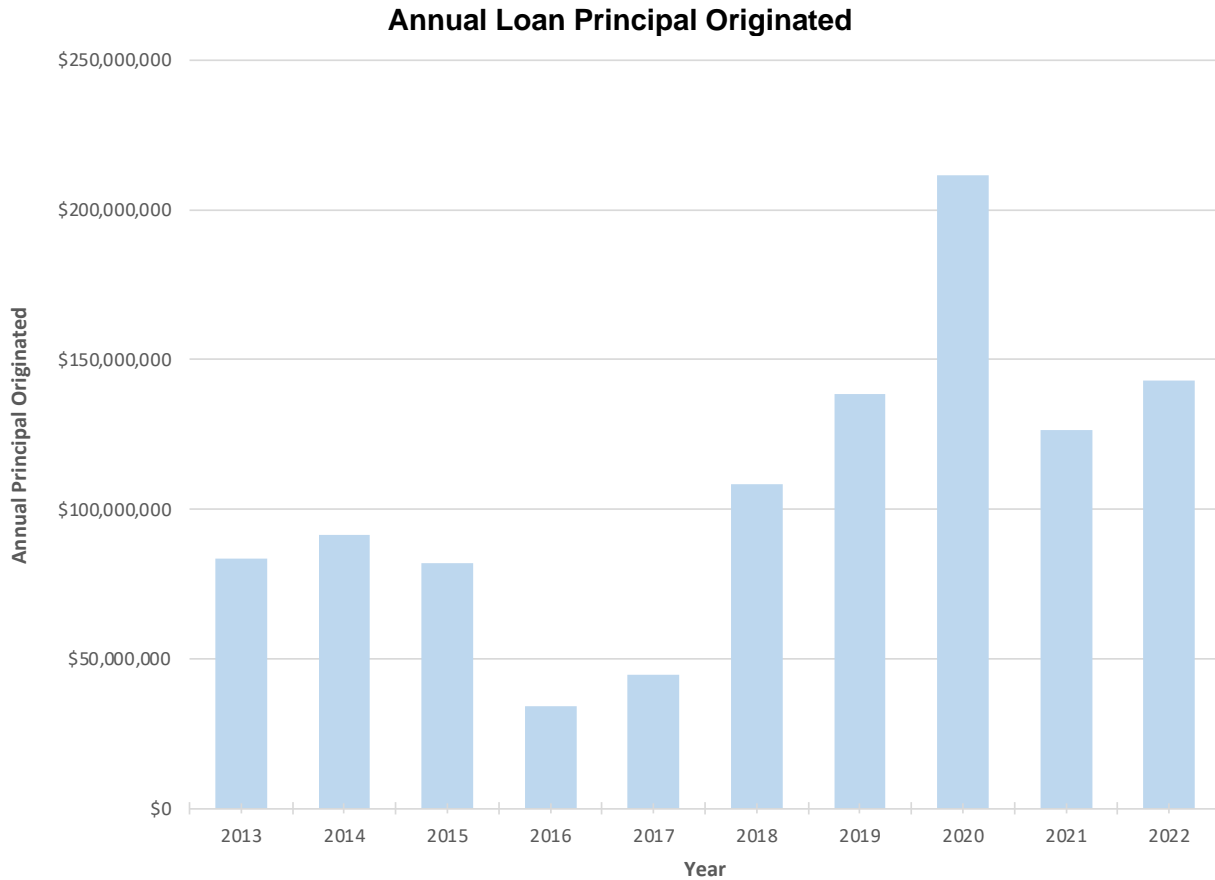
### Loans Originated from January 1, 2022, to December 31, 2022

<u>No.</u>	<u>Loans Closed</u>	<u>County</u>	<u>Insurer</u>	<u>Underlying Rating</u>		<u>Amount</u>	<u>Closing</u>
				<u>Moody's</u>	<u>S&amp;P</u>		
1	Concord Township	Delaware	---	Aa1	---	\$ 7,302,000	7-Jan-22
2	Upper Dublin Township	Montgomery	---	Aa1	---	5,416,000	1-Mar-22
3	Delaware County	Delaware	---	Aa1	AA+	40,000,000	7-Mar-22
4	Upper Providence Township Sewer Authority	Delaware	---	---	AA-	1,200,000	15-Mar-22
5	Caln Township	Chester	---	---	AA	8,100,000	2-May-22
6	Upper Dublin Township	Montgomery	---	Aa1	---	1,250,000	2-May-22
7	Marcus Hook Borough	Delaware	---	---	---	1,032,000	1-Jun-22
8	Nether Providence Tow	Delaware	---	---	---	500,000	1-Jun-22
9	Parkesburg Borough	Chester	BAM	---	---	2,812,000	1-Jun-22
10	Clifton Heights Borougl	Delaware	BAM	---	---	3,000,000	3-Jun-22
11	Folcroft Borough	Delaware	BAM	---	---	10,300,000	3-Jun-22
12	Rutledge Borough	Delaware	---	---	---	100,000	8-Jul-22
13	Bucks County Water and Sewer Authority	Bucks	AGM	---	A+	51,660,000	9-Aug-22
14	Montgomery County	Montgomery	---	Aaa	AAA	161,000	25-Aug-22
15	Aston Township	Delaware	---	---	AA-	10,000,000	25-Oct-22
	Total					<u>\$ 142,833,000</u>	

Source: Calhoun Baker Inc

[Remainder of page intentionally left blank]

Below is a chart of the principal amounts of Loans originated each year from 2012 to 2022. Loan origination was restricted in 2016 and 2017 due to large maturities of the 1997 Series and 2002 Series in 2017 and the 1998 Series in 2018. Origination increased after the issuance of new DeVal Series beginning in 2018. Fiscal year 2020 was the most active period for origination in the past decade due to the historically low interest rates following the COVID-19 outbreak.

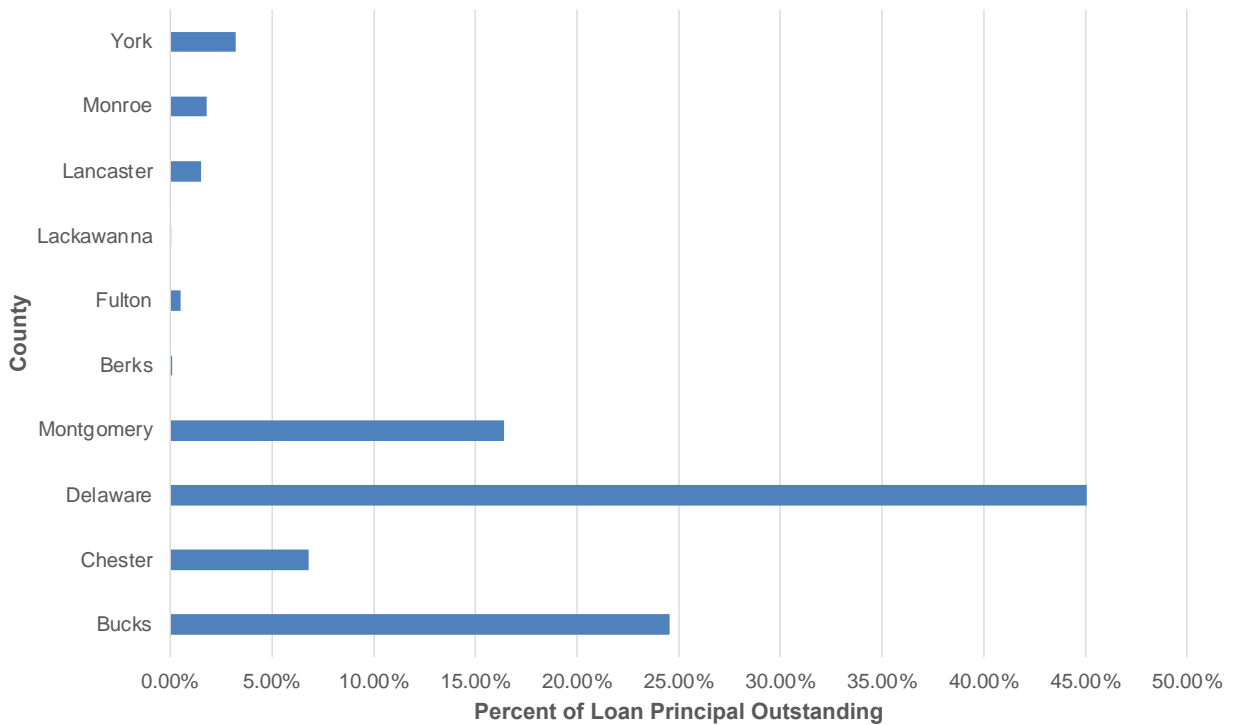


Source: Calhoun Baker Inc.

DeVal 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 Local Government Units and Authorities are located within the Counties. DeVal, as a matter of policy of the Board, limited its lending activities to Participants located within the Counties until 2002. Then, in order to provide geographic diversification to its portfolio, DeVal began lending outside the Counties, principally in the eastern half of the Commonwealth. Currently, 252 Loans, in the aggregate principal amount of approximately \$1.05 billion, are outstanding to 118 Participants located in ten different counties. Approximately, 92.86% of the outstanding Loan principal has been originated to Participants located within the Counties.

[Remainder of page intentionally left blank]

**Percentage of Loan Principal Outstanding by County as of December 31, 2022**



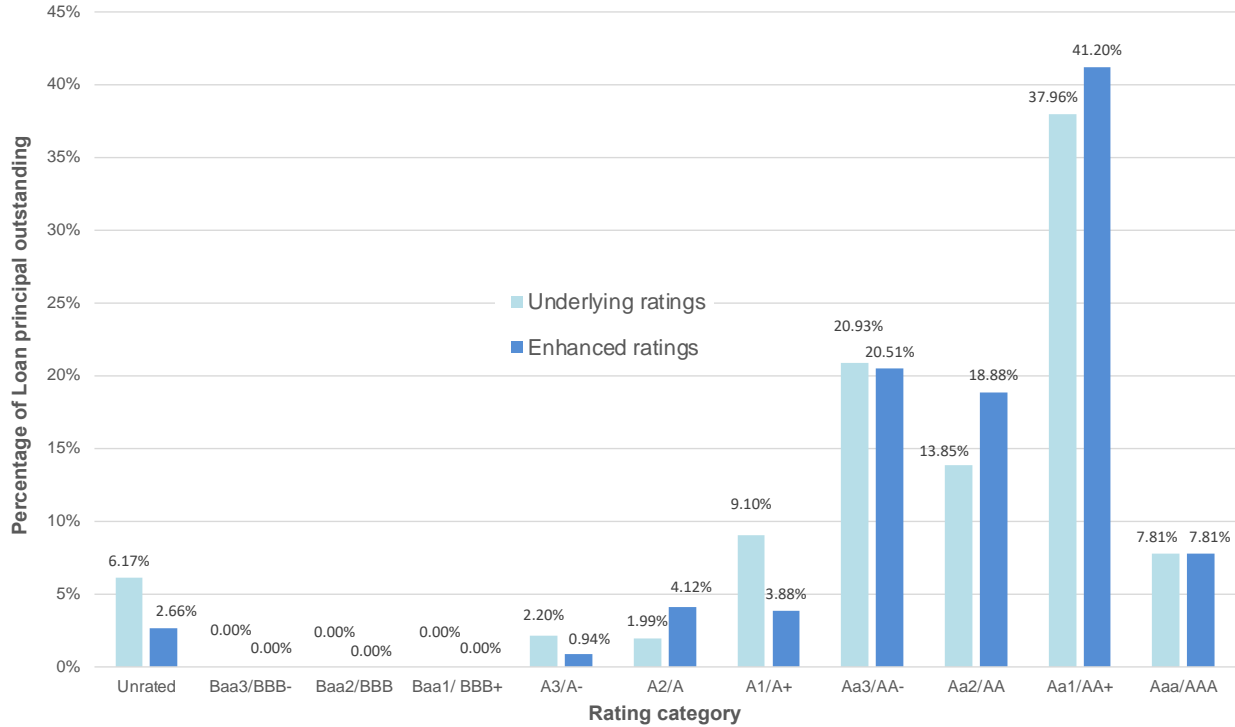
Source: Calhoun Baker Inc.

Currently, approximately 6.17% of the principal of the Loans outstanding has been originated to Participants that have no published, underlying ratings; no Loans have been originated to Participants that have a published, underlying rating below “A3” or “A-”; and 80.55% of the principal of the Loans has been originated to Participants with published, underlying ratings of “Aa3”, “AA-”, or higher. The weighted average underlying rating of the outstanding Loans is “Aa2/AA”.

DeIVal is the beneficiary of Participant Credit Enhancements issued by Assured Guaranty Municipal Corp. (“AGM”) and Build America Mutual Company (“BAM”) that secure loans equal to 14.28% of the Loan principal currently outstanding. AGM is rated “A2” with a stable outlook by Moody’s, “AA” with a stable outlook by S&P, and “AA+” with a stable outlook by Kroll Bond Rating Agency (“Kroll”). BAM is rated “AA” by S&P. Taking into consideration the financial guaranty policies, 2.66% of the Loan principal outstanding was uninsured and unrated or rated below “A3/A-”, and 88.39% of the Loan principal was rated “Aa3/AA-” or higher.

[Remainder of page intentionally left blank]

## Underlying and Enhanced Ratings of Loan Principal Outstanding as of December 31, 2022



Source: Calhoun Baker Inc.

Below is a schedule of the ten Participants with the highest concentration levels of Loans. Delaware County accounts for 27.674% of the Loan principal outstanding, and the ten highest account for 59.238% of the Loan principal outstanding. A complete listing of the Loans outstanding is attached as “EXHIBIT I: LOANS OUTSTANDING AS OF DECEMBER 31, 2022”.

### Ten Participants with the Highest Concentration of Loans as of December 31, 2022

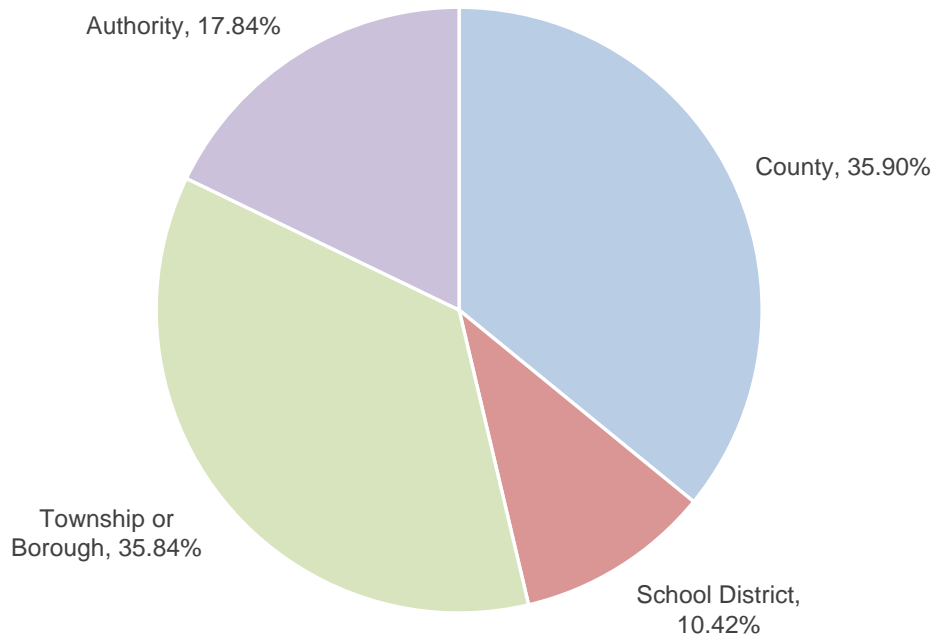
<u>No.</u>	<u>Borrower</u>	<u>County</u>	<u>Participant or Guarantor Ratings</u>		<u>Total Outstanding 31-Dec-22</u>	<u>Insured (1) Loan Principal</u>	<u>Concentration</u>	
			<u>Moody's</u>	<u>S&amp;P</u>			<u>Borrower</u>	<u>Cumulative</u>
1	Delaware County	Delaware	Aa1	AA+	\$ 290,178,000	\$ -	27.674%	27.674%
2	Bucks County	Bucks	Aa1	AAA	62,752,700	-	5.985%	33.658%
3	Bristol Township	Bucks	Aa3	---	61,714,000	-	5.886%	39.544%
4	Bucks County Water and Sewer Authority	Bucks	---	A+	51,660,000	51,660,000	4.927%	44.471%
5	Lower Perkiomen Valley Regional Sewer Authority	Montgomery	---	AA-	43,401,000	-	4.139%	48.610%
6	Upper Dublin Township	Montgomery	Aa1	---	28,816,000	-	2.748%	51.358%
7	Aston Township	Delaware	---	AA-	23,093,000	-	2.202%	53.560%
8	Montgomery Township	Montgomery	---	AAA	22,156,000	-	2.113%	55.673%
9	Stroudsburg Area School District	Monroe	Aa3	A+	18,775,000	5,986,000	1.791%	57.464%
10	Marple Township	Delaware	---	AA	18,606,000	-	1.774%	59.238%

(1) Certain loans are insured by Assured Guaranty Municipal Corp. ("AGM") and Build America Mutual Assurance Company ("BAM") 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. BAM is currently rated "AA" by S&P.

Source: Calhoun Baker Inc.

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

**Percentage of Loan Principal Outstanding  
by Type of Participant  
as of December 31, 2022**



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.

[Remainder of page intentionally left blank]

**Loan Amortization Schedule as of December 31, 2022**

<u>Year</u>	<u>1997 Series</u>	<u>1998 Series</u>	<u>2002 Series</u>	<u>Master Series</u>	<u>Total</u>
2023	\$ 4,566,000	\$ 36,061,000	\$ 7,872,000	\$ 56,599,500	\$ 105,098,500
2024	4,115,000	37,720,000	8,168,000	48,388,700	98,391,700
2025	4,058,000	37,668,000	8,352,000	48,084,900	98,162,900
2026	880,000	24,983,000	12,543,000	48,138,100	86,544,100
2027	663,000	24,732,000	12,202,000	46,254,300	83,851,300
2028	-	21,402,000	12,415,000	42,311,600	76,128,600
2029	-	-	18,412,000	38,027,700	56,439,700
2030	-	-	18,571,000	38,778,000	57,349,000
2031	-	-	9,823,000	38,271,000	48,094,000
2032	-	-	6,619,000	38,167,000	44,786,000
2033	-	-	-	38,270,000	38,270,000
2034	-	-	-	35,003,000	35,003,000
2035	-	-	-	34,674,000	34,674,000
2036	-	-	-	30,524,000	30,524,000
2037	-	-	-	29,426,000	29,426,000
2038	-	-	-	27,972,000	27,972,000
2039	-	-	-	22,943,000	22,943,000
2040	-	-	-	18,745,000	18,745,000
2041	-	-	-	14,556,000	14,556,000
2042	-	-	-	10,600,000	10,600,000
2043	-	-	-	5,653,000	5,653,000
2044	-	-	-	5,068,000	5,068,000
2045	-	-	-	5,226,000	5,226,000
2046	-	-	-	4,501,000	4,501,000
2047	-	-	-	4,642,000	4,642,000
2048	-	-	-	1,510,000	1,510,000
2049	-	-	-	1,537,000	1,537,000
2050	-	-	-	1,460,000	1,460,000
2051	-	-	-	1,020,000	1,020,000
2052	-	-	-	395,000	395,000
<b>Total</b>	<b><u>\$ 14,282,000</u></b>	<b><u>\$ 182,566,000</u></b>	<b><u>\$ 114,977,000</u></b>	<b><u>\$ 736,745,800</u></b>	<b><u>\$ 1,048,570,800</u></b>

Weighted Average Maturity (years):	1.60	2.60	5.34	8.64	7.26
------------------------------------	------	------	------	------	------

Source: Calhoun Baker Inc.

A schedule of the total funding of the Loan Program and the available funding for Loans is shown in the schedule below.

**Funds Available to Originate Loans as of December 31, 2022**

	<u>1997 Series</u>	<u>1998 Series</u>	<u>2002 Series</u>	<u>Master Series</u>	<u>Total</u>
De/Val Series at par	\$28,000,000	\$250,000,000	\$125,000,000	\$797,000,000	\$ 1,200,000,000
Overcollateralization	-	-	28,159,000	9,930,250	38,089,250
Debt Service Reserve Funds	<u>(2,800,000)</u>	<u>(25,000,000)</u>	<u>(12,500,000)</u>	<u>(39,022,000)</u>	<u>(79,322,000)</u>
Total funding for Loans	25,200,000	225,000,000	140,659,000	767,908,250	1,158,767,250
Loans outstanding	<u>(14,282,000)</u>	<u>(182,566,000)</u>	<u>(114,977,000)</u>	<u>(736,745,800)</u>	<u>(1,048,570,800)</u>
Funds available for Loans	<b><u>\$ 10,918,000</u></b>	<b><u>\$ 42,434,000</u></b>	<b><u>\$ 25,682,000</u></b>	<b><u>\$ 31,162,450</u></b>	<b><u>\$ 110,196,450</u></b>

Source: Calhoun Baker Inc.

A listing of the applications received and Loans in process is shown below.

**Applications Received and Loans in Process as of December 31, 2022**

<u>No.</u>	<u>Loans in Process</u>	<u>County</u>	<u>Insurer</u>	<u>Underlying Rating</u>			<u>Amount*</u>	<u>Scheduled Closing*</u>
				<u>Kroll</u>	<u>Moody's</u>	<u>S&amp;P</u>		
1	Delaware County	Delaware	---	---	Aa1	AA+	\$ 35,000,000	24-Feb-23
2	Eddystone Borough	Delaware	BAM	---	---	---	3,300,000	12-May-23
3	Lansdowne Borough	Delaware	---	A+	---	---	1,286,000	26-Jun-23
4	Pocopson Township	Chester	---	---	---	---	900,000	**
5	Hatfield Township	Montgomery	---	AA-	---	---	10,000,000	**
Total							<u>\$ 50,486,000</u>	

\* Preliminary, subject to change.

\*\* To be determined.

Source: Calhoun Baker Inc.

**CITY OF CHESTER, CHAPTER 9 BANKRUPTCY FILING AND SETTLEMENT**

The City of Chester (the “City”), Delaware County, Pennsylvania, filed a petition for an order of relief under Chapter 9 of the *Bankruptcy Code* on November 10, 2022, and hearings began on November 15, 2022. DelVal has one Loan outstanding to the City, the General Obligation Notes, 2010 B Series (the “City Loan”) in the outstanding principal amount of \$932,000, scheduled to mature on June 25, 2025. The City Loan was originated from DelVal’s 2002 Series, and the 2002 Series is overcollateralized by more than \$28 million.

The proceeds of the City Loan funded a sponsorship contribution to the Delaware County Community College that allowed students from the Chester-Upland School District to attend the Community College at the reduced tuition paid by sponsoring school districts. The City Loan was secured by: (i) a senior pledge under the Pennsylvania *Gaming Act* of host fees received from casino table games at the Harrah’s Philadelphia Casino (the “Harrah’s Table Games Revenues”), (ii) a senior pledge of the host fees from the Covanta solid waste disposal plant located in the City, (iii) a subordinate pledge of other host fees from Harrah’s, and (iv) the pledge of the City’s full faith, credit, and taxing power.

The City defaulted on its monthly interest payments of \$2,023 from November 25, 2022, to February 25, 2022. DelVal received a payment from the City of \$91,194 on March 3, 2023, under a stipulation of the Bankruptcy Court, for the delinquent interest payments, interest payments to accrue in 2023, and a portion of the principal payment due on June 25, 2023.

The City and DelVal negotiated a settlement agreement that was submitted to the Bankruptcy Court on April 17, 2023, and the Bankruptcy Judge approved a Stipulation and Consent Order (the “Stipulation”) on May 17, 2023. Under the terms of the Stipulation, the Harrah’s Table Game Revenues will be deposited and held in escrow until funds sufficient to pay the annual debt service on the City Loan are accumulated, and DelVal will disclaim and waive any liens on or interests in any other revenues of the City. DelVal expects the Harrah’s Table Game Revenues will be sufficient to make the payments of principal of and interest on the City Loan as scheduled.

**EXTRAORDINARY MANDATORY REDEMPTION RISKS OF THE 1997 SERIES AND 1998 SERIES**

The 1997 Series and 1998 Series are both insured by Ambac Assurance Corporation (“Ambac”). Ambac is currently in runoff operations. Under the terms of the 1997 Series and 1998 Series indentures and the respective bond insurance policies, Ambac, in its sole discretion, must consent to the use of any

proceeds from the 1997 Series and the 1998 Series to originate or acquire Loans. Consents of a third party are not required to originate or acquire Loans from proceeds of any other DelVal Series. If DelVal is unable to utilize the deposits in the Recycling Funds due to Ambac withholding its consent, the deposits would be used to extraordinarily redeem the 1997 Series and/or the 1998 Series (each, an “Extraordinary Mandatory Redemption”). Currently, Ambac has consented to DelVal’s requests.

DELVAL CAN GIVE NO ASSURANCE THAT AMBAC WILL CONSENT IN THE FUTURE TO DELVAL’S REQUESTS FOR THE ORIGINATION OR ACQUISITION OF LOANS FROM THE 1997 SERIES OR 1998 SERIES.

DelVal expects to receive \$40-\$50 million of Loan repayments annually under the 1997 Series and 1998 Series during the period from 2023 to 2025. These funds will be deposited in the Recycling Funds of the 1997 Series and 1998 Series and will be used, with the consent of Ambac, to originate or acquire Loans. The 1997 Series Indenture and the 1998 Series Indenture provide that if DelVal does not have a reasonable expectation to use funds that have been deposited in the Recycling Account of the 1997 Series or the 1998 Series for more than one year, those funds must be used for an Extraordinary Mandatory Redemption.

The Loans originated or acquired must have maturity dates on or before July 1, 2027, for the 1997 Series or August 1, 2028, for the 1998 Series. DelVal’s efforts to utilize all of the deposits have been hindered by the weak demand for Loans in 2023 and by the maturity constraints of the 1997 Series and 1998 Series.

On June 12, 2023, the DelVal Board of Directors authorized the Extraordinary Mandatory Redemptions, of the 1997 Series and 1998 Series, from time to time, as required by their respective Trust Indentures. DelVal expects to redeem \$11,185,000 of the \$28,000,000 outstanding 1997 Series on July 1, 2023, and DelVal expects to redeem \$30,465,000 of the \$250,000,000 outstanding 1998 Series on August 1, 2023.

ADDITIONAL EXTRAORDINARY MANDATORY REDEMPTIONS OF THE 1997 SERIES AND THE 1998 SERIES THAT REMAIN OUTSTANDING MAY OCCUR IN THE FUTURE; HOWEVER, NO ASSURANCE CAN BE GIVEN AS TO THE AMOUNT, IF ANY, AND THE TIMING OF ANY FUTURE REDEMPTION. THE EXTRAORDINARY MANDATORY REDEMPTION PRICES OF THE 1997 SERIES AND THE 1998 SERIES MAY BE LOWER THAN THE FAIR MARKET VALUE OF THOSE BONDS.

The foregoing discussion is subject to change, and DelVal undertakes no obligation to update or supplement the foregoing information.

### **IMPACT OF COVID-19 ON THE LOAN PROGRAM**

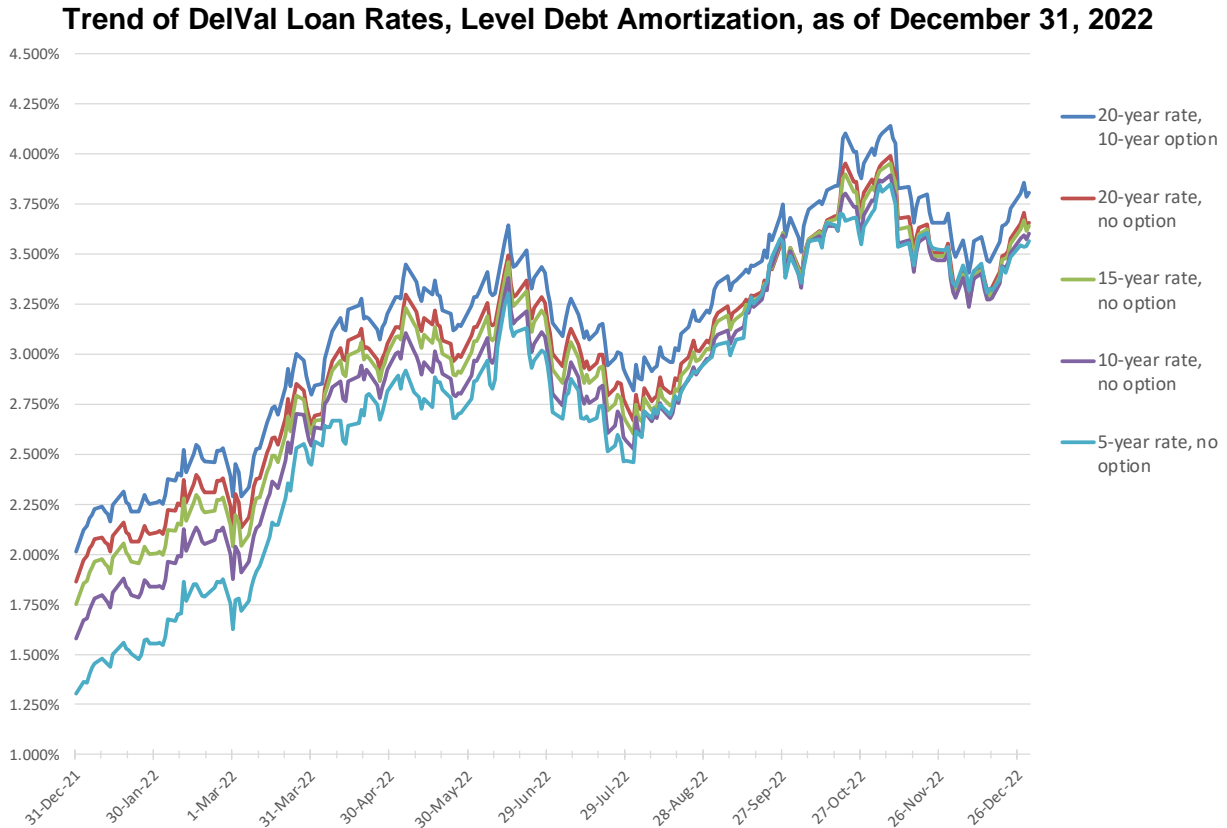
All Participants in the Loan Program made their Loan Repayments as scheduled during the COVID-19 Pandemic. Grants from the \$2.2 trillion *Coronavirus Aid, Relief and Economic Security Act* (“*CARES*”) and the \$1.9 trillion *ARPA* have allowed most Participants to maintain or increase their fund balances. In the near term, DelVal expects the grants will reduce the demand for Loans. The ultimate impacts of COVID-19 and the Federal grants on Participants and the Loan Program remain uncertain at this time.

### **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. DelVal utilizes interest rate swap transactions (each a “Loan Swap”) 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 of the Loan. Even the smallest Participants can reduce their interest costs, avoid unnecessary refunding costs, and manage their exposure to future changes of interest rates.

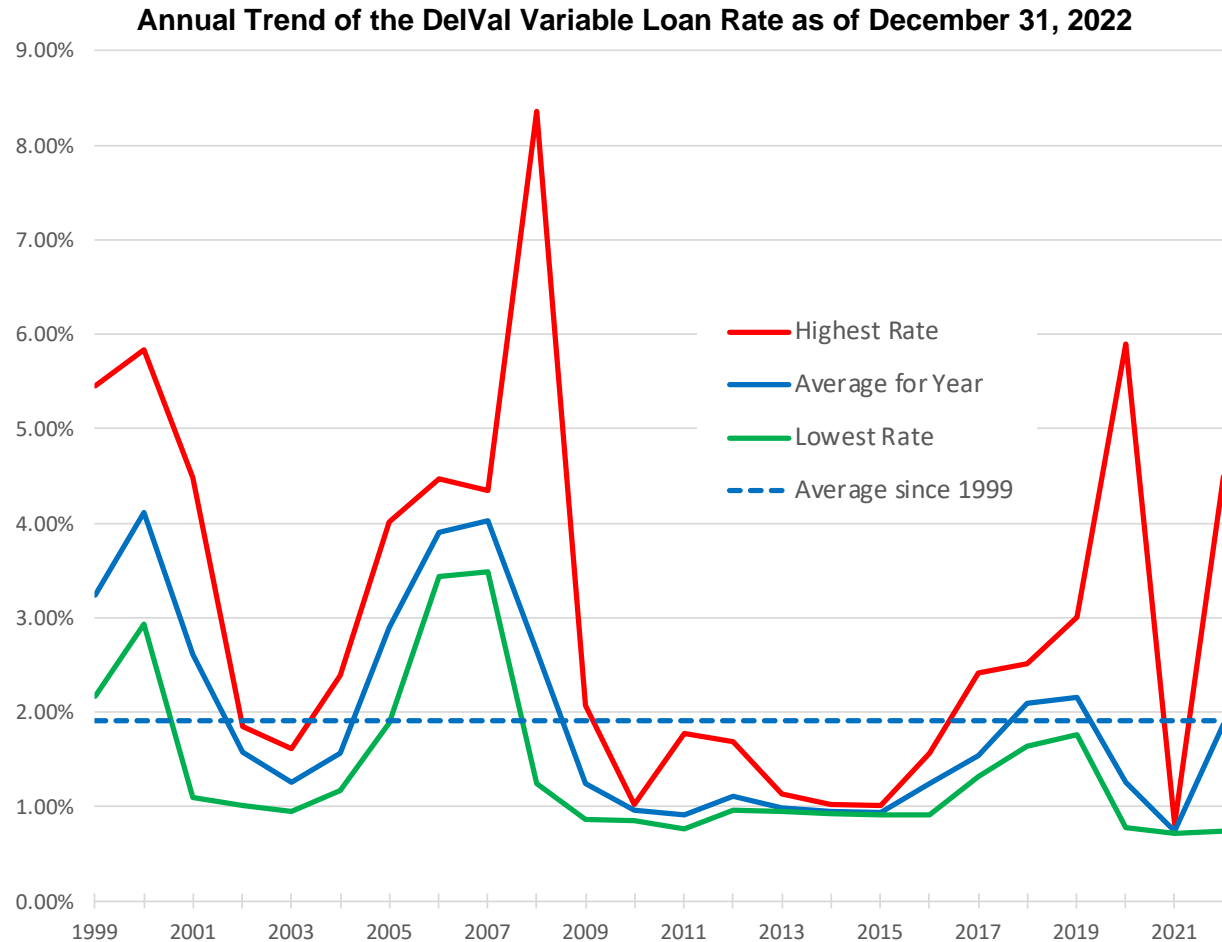
A chart of the trend of DeIVal fixed rates, for level-debt amortization, over the past year is shown below. Interest rates began to move higher in December 2021 and increased steadily throughout 2022. The rising rates were due to the capital market’s reaction to high inflation indicators and the onset of the Federal Reserve Bank’s policies to increase interest rates and to reduce holdings of Treasury and mortgage-backed securities. The yield curve rose and flattened dramatically over the course of the year.



<u>Loan Option</u>	<u>Average Loan Rate</u>			<u>Rate as of 30-Dec-22</u>
	<u>Past Year</u>	<u>Past 6-Months</u>	<u>Past 3-Months</u>	
20-year rate, 10-year option	3.16%	3.47%	3.75%	3.80%
20-year rate, no option	3.01%	3.32%	3.60%	3.65%
15-year rate, no option	2.95%	3.29%	3.58%	3.64%
10-year rate, no option	2.86%	3.23%	3.54%	3.60%
5-year rate, no option	2.76%	3.21%	3.54%	3.57%

Source: Calhoun Baker Inc.

The DelVal variable loan rate is linked to the SIFMA Index. In 2020, the SIFMA Index soared to the highest levels since 2008 due to the disruption of the capital markets caused by the COVID-19 pandemic and massive withdrawals from money market funds. The DelVal variable rate spiked to 4.50% in December 2022 due to seasonal outflows from money market funds and another rate hike of the Federal Reserve Bank. As of December 31, 2022, only 3.07% of the Loan principal outstanding bears the variable rate. A chart of the annual averages and volatility of the variable rate since 1999 is shown below.



Average variable loan rate since 1999: 1.91%  
 Average variable rate in 2022: 1.87%  
 Variable rate as of: 31-Dec-22 4.36%

*Source: Calhoun Baker Inc.*

[Remainder of page intentionally left blank]

The 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 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 estimated bond insurance premiums, if insurance would be required by the Administrator, rating fees, and the same option provisions as the bond issue. An annual summary of the comparison since 2019 is shown below. Total bond issuance in the Market Area in 2022 was approximately 50% lower than issuance in 2019.

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

<u>Bond issues in the Market Area*</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total par amount	\$3,653,830,000	\$ 3,262,220,000	\$ 2,972,060,000	\$ 1,884,440,000
Number of issues	261	211	194	95
Average par amount	\$ 13,999,349	\$ 15,460,758	\$ 15,319,897	\$ 19,836,211
Weighted average rating	AA	AA	AA	AA
Weighted average maturity (years)	10.93	10.58	12.39	14.74
Weighted costs of issuance (% of par amount)				
Bond issues	1.503%	1.484%	1.538%	1.442%
Comparable DelVal Loans**	<u>0.663%</u>	<u>0.662%</u>	<u>0.657%</u>	<u>0.652%</u>
Over comparable DelVal Loan	0.840%	0.822%	0.881%	0.790%
Average debt service costs				
Bond issues	\$ 19,720,912	\$ 20,601,150	\$ 21,418,197	\$ 31,892,269
Comparable DelVal Loans**	<u>18,743,721</u>	<u>19,117,668</u>	<u>20,609,115</u>	<u>30,274,900</u>
Over comparable DelVal Loan	<u>\$ 977,191</u>	<u>\$ 1,483,482</u>	<u>\$ 809,082</u>	<u>\$ 1,617,369</u>
Weighted average All-In True Interest Cost				
Bond issues	2.927%	2.404%	2.372%	3.750%
Comparable DelVal Loans**	<u>2.346%</u>	<u>1.566%</u>	<u>2.004%</u>	<u>3.263%</u>
Over comparable DelVal Loan	0.581%	0.837%	0.368%	0.487%

\* Some official statements may have been missed inadvertently.

\*\*DelVal Loan rates are based on actual end of day rates and include a comparable option and rating agency or insurance fees.

**Past results are not a predictor of future spreads and costs.**

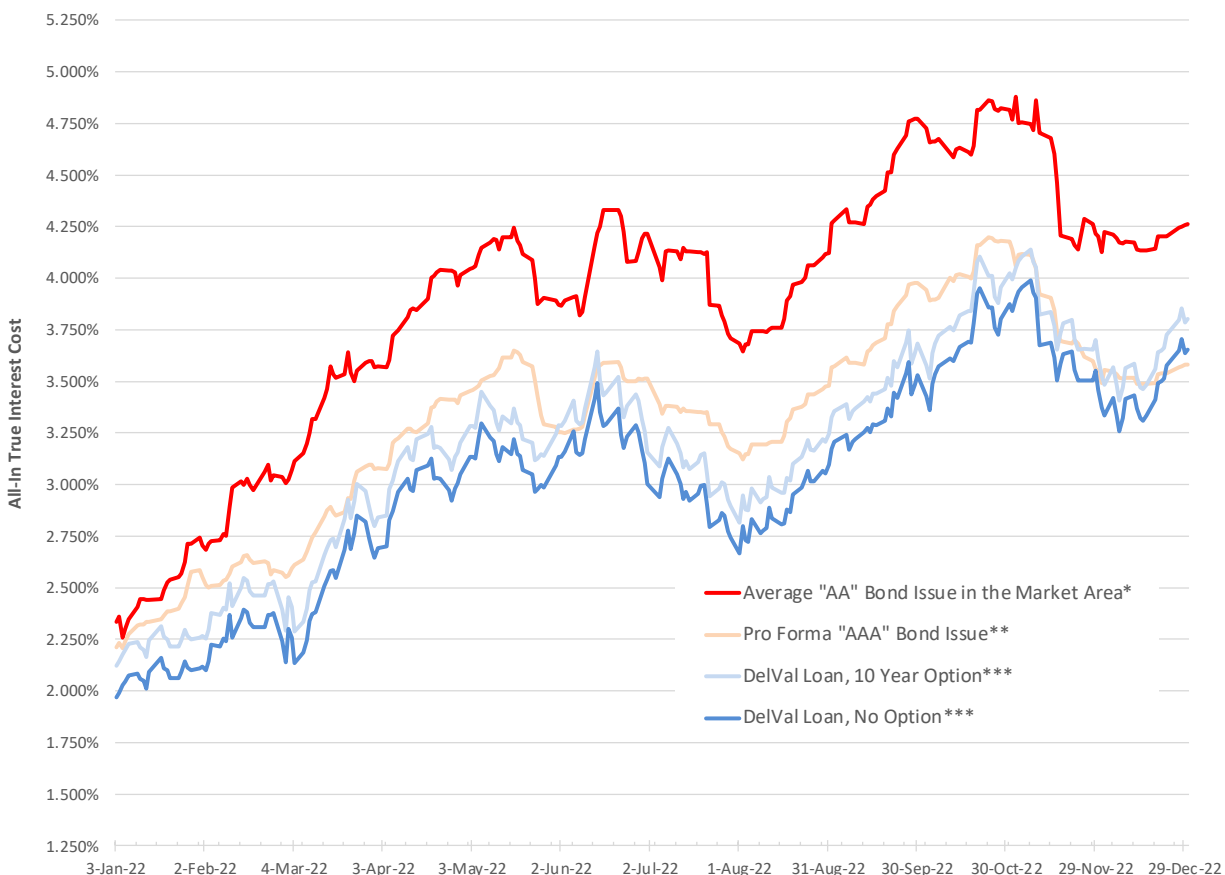
Source: Calhoun Baker Inc.

The DelVal Loan has enjoyed an advantage of lower costs of issuance and lower interest rates. Over the past year, the weighted average of DelVal’s All-In TIC was 0.487% below the weighted average of all bonds issued in the Market Area. DelVal’s costs of issuance averaged 55% less than the average costs of issuance of bonds in the Market Area.

A pro forma comparison of the All-In TIC of a 20-year level debt structure of the average “AA” rated bond issue sold in the Market Area (the “Average “AA” Bond”), a “AAA” Bond Issue, and a DelVal Loan is shown in the chart below. The Average “AA” Bond is based on actual sales of bonds in the Market Area with published ratings in the “AA” category and assumes costs of issuance equal to the rolling 30-day average of actual costs of issuance and coupons at par equal to the rolling 30-day average of actual spreads over the AAA Indices at par. The “AAA” Bond Issue assumes costs of issuance equal to the Average “AA” Bond and 5% coupons with a 10-year option and yields equal to the AAA Indices. The DelVal Loan is based on actual end-of-day rates and costs of issuance. The DelVal Loan is shown with and without a 10-year option. Generally, for Loan rates less than 2.50%, the option is not likely to be economic. The option breakeven rate, the interest rate after exercising the option that reduces the net present value of the debt

service payments below that of the Loan without an option, is so low and the window to economically execute the option is so short that it is unlikely to be realized.

**Pro Forma All-In True Interest Costs of the  
Average “AA” Bond Issue, “AAA” Bond Issue, and DeIVal Loan  
20-Year Level Debt Amortization for the Year Ended December 31, 2022**



\*Based on actual weighted average spreads to "AAA" indices and actual issuance costs.

\*\* Based on Bloomberg "AAA" general obligation bond indices, 5% coupon, 10-year option, and actual costs of issuance.

\*\*\*Based on actual rates and issuance costs. The option is not likely to be economic when the Loan rate is under 2.50%.

**Past results are not a predictor of future spreads and costs.**

*Source: Calhoun Baker Inc.*

**COVENANT AGREEMENT**

DeIVal originally adopted the Covenant Agreement on April 9, 2001, to improve the security of the bondholders of the DeIVal Series. Under the terms of the Covenant Agreement, DeIVal 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 annual trend of Excess Funds. 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, were over-collateralized by approximately \$38.1 million as of December 31, 2022. 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. The unrealized loss on restricted investments reduced the Excess Funds by approximately \$940,000.

**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>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<i>Assets</i>					
Cash and cash equivalents	\$ 140,847,632	\$ 57,200,213	\$ 55,208,582	\$ 52,947,186	\$ 121,111,001
Restricted cash and cash equivalents	40,300,000	40,300,000	40,513,000	55,706,000	57,622,000
Investments	1,518,741	1,532,239	-	1,247,212	-
Restricted investments	32,467,867	32,741,194	34,137,078	20,696,575	20,893,580
Loan interest receivable	485,480	390,255	339,657	340,788	1,087,379
Interest rate swaps receivable	5,259,179	5,262,924	5,167,042	5,154,005	5,008,388
Investment earnings receivable	343,447	169,819	68,321	40,896	255,686
Prepaid expenses	91,955	98,881	77,964	92,733	180,952
Loans to local governments	<u>798,886,000</u>	<u>884,685,593</u>	<u>973,003,500</u>	<u>1,016,168,000</u>	<u>1,048,570,800</u>
Total assets	<u>1,020,200,301</u>	<u>1,022,381,118</u>	<u>1,108,515,144</u>	<u>1,152,393,395</u>	<u>1,254,729,786</u>
<i>Liabilities and Deductions</i>					
Accrued expenses	13,773	21,898	43,473	11,472	37,555
Estimated rebate liability	130,000	150,000	150,000	200,000	400,000
Interest rate swaps payable	658,013	248,564	183,778	43,844	408,764
Bond interest payable	11,462,329	11,285,530	11,077,822	11,295,759	13,287,699
Bonds payable	<u>973,000,000</u>	<u>973,000,000</u>	<u>1,053,000,000</u>	<u>1,098,000,000</u>	<u>1,200,000,000</u>
Total liabilities	<u>985,264,115</u>	<u>984,705,992</u>	<u>1,064,455,073</u>	<u>1,109,551,075</u>	<u>1,214,134,018</u>
<i>Excess Funds</i>	<u>\$ 34,936,186</u>	<u>\$ 37,675,126</u>	<u>\$ 44,060,071</u>	<u>\$ 42,842,320</u>	<u>\$ 40,595,768</u>
<i>Fair Market Value of Interest Rate Swap Transactions (1)</i>					
	<u>\$ 111,485,546</u>	<u>\$ 123,403,081</u>	<u>\$ 110,484,725</u>	<u>\$ 99,334,725</u>	<u>\$ 130,802,459</u>

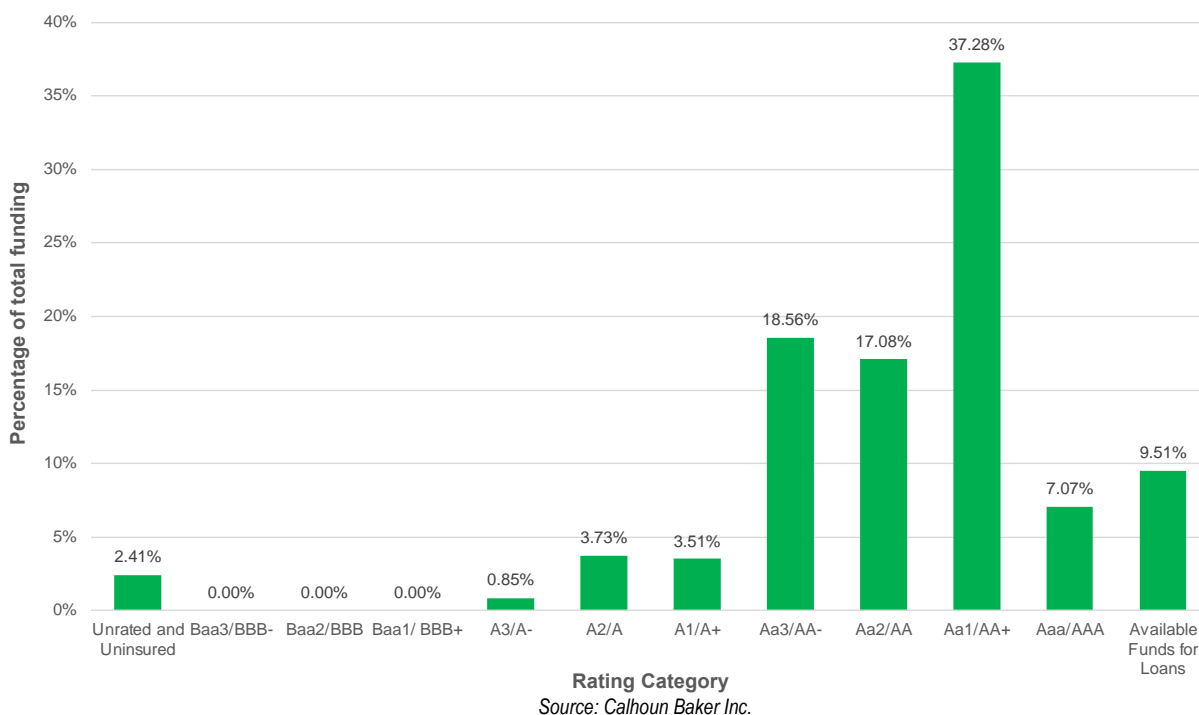
(1) Fair market value includes the unamortized prepaid interest rate swap expense of the 1998 Series.

Source: Calhoun Baker Inc.

The Covenant Agreement requires the Participant (or its Guarantor) of a new Loan, not secured by a Participant Credit Enhancement, 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 secured by a Participant Credit Enhancement, the analysis gives full weight to the higher of the rating of (i) the insurer or (ii) the Participant or Guarantor.

Below is a chart that shows the current Ratings Test. The chart shows the percentage of the Loan principal outstanding in each rating category. “Available Funds” are amounts deposited in the Recycling Fund that are available to originate new Loans. Approximately, 2.41% of the Available Funds were committed to Participants who were uninsured and unrated or rated below the Rating Threshold.

### Covenant Agreement Ratings Test of the Loan Portfolio as of December 31, 2022



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 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. The Ratings Test provisions are incorporated in the Master Indenture.

## FINANCING ACTIVITIES

DelVal accesses the capital markets periodically to fund the Loan Program. DelVal issues the type of debt that will minimize its cost of funds at that time. 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 7-day variable rate demand bond (“VRDB”) at that time. DelVal has outstanding issues of: (i) fixed rate bonds, (ii) floating rate bonds indexed to 1-Month LIBOR, 3-Month LIBOR, the SOFR Index, and the SIFMA Index, and (iii) 7-day remarketed bonds.

DelVal issued the \$155 million Local Government Revenue Bonds, 2022 Series A, B, and C on February 10, 2022. The proceeds of the 2022 ABC Series were used to fund: (i) the origination of new Loans, (ii) the acquisition of Loans from other DelVal Series, (iii) a deposit to the Debt Service Reserve Fund, and (iv) the costs of issuance. Proceeds from the acquisition of Loans by the 2022 ABC Series and

other DelVal Series, together with other available funds, were used to optionally redeem the \$50 million 2018 B Series and the \$50 million 2027 maturity of the 2007 C Series on February 10, 2022.

DelVal issued the \$97 million Local Government Revenue Bonds, 2022 Series D and E on July 14, 2022. The proceeds of the 2022 DE Series were used to fund: (i) the origination of new Loans, (ii) the acquisition of Loans from other DelVal Series, (iii) a deposit to the Debt Service Reserve Fund, (iv) a deposit to the Capitalized Interest Account, and (v) the costs of issuance. Proceeds from the acquisition of Loans by the 2022 DE Series and other DelVal Series, together with other available funds, were used to optionally redeem the \$50 million 2020 C Series on July 14, 2022.

DelVal issued the \$141,030,000 Local Government Revenue Bonds, 2023 Series A (the “2023 A Series”) on February 22, 2023. The 2023 A Series funded: (i) the acquisition of Loans from the 2018 Series, the 2020 A Series, and other DelVal Series, (ii) a deposit to the Debt Service Reserve Fund, and (iii) the costs of issuance. The 2023 A Series are fixed rate bonds maturing in 2033, 2034, and 2035, with optional redemption dates six months prior to their respective maturities. DelVal optionally redeemed the \$50,000,000 2018 C Series and the \$100,000,000 2020 A Series on February 22, 2023, with proceeds from the acquisition of Loans by the 2023 A Series and other DelVal Series and with other available funds.

All of the DelVal Series are subject to Extraordinary Mandatory Redemption under certain circumstances. The principal reasons for an Extraordinary Mandatory Redemption would be the inability of DelVal to lend proceeds or the necessity to comply with Treasury regulations.

The Financial Conduct Authority (the “FCA”) of the United Kingdom has authorized the publication of US Dollar LIBOR indices for 1, 3, 6, and 12 months until June 30, 2023. The FCA, other regulatory authorities, or legislation may extend or shorten that deadline in the future. In the event that representative LIBOR indices are no longer available, the Supplemental Indentures of the 2007 Series and 2018 Series provide that the LIBOR rates related to the 2007 C Series, 2018 D Series, and 2018 E Series be replaced by the fallback rates recognized by the International Swaps and Derivatives Association (“ISDA”) IBOR Fallback Protocol.

The 1997 Series, 1998 Series, 2002 Series, 2007 A Series, 2018 A Series, 2020 B Series, 2021 A Series, 2022 A Series, and 2022 D 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, 2018 A Series, 2020 B Series, 2021 A Series, 2022 A Series, and 2022 D Series are rated “A+” with a stable outlook by S&P. The 1997 Series and 1998 Series were originally rated by S&P based upon municipal bond insurance policies issued by Ambac. S&P withdrew the ratings for the 1997 Series and 1998 Series when Ambac filed for reorganization.

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 at par 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 C Series are set at spreads to the SIFMA Index, adjusted and payable monthly. The 2018 D and E Series are set at spreads to 67% of 1-Month LIBOR, adjusted and payable monthly. The 2018 Series are rated “A1” by Moody’s and “A+” by S&P. These Series may be optionally redeemed at par beginning one year prior to their respective purchase dates. The 2018 C Series was optionally redeemed on February 22, 2023.

The \$50 million 2007 B Series is currently remarketed by PNC Capital Markets as a 7-day, VRDB, secured by a Letter of Credit issued by PNC Bank, National Association (the “PNC LOC”). On May 19, 2022, DelVal extended the stated maturity of the PNC LOC from July 8, 2022, to May 19, 2026. The 2007

B Series is rated “AA+/A-1” by S&P, “A1/VMIG 1” by Moody’s, and “A+/F1” by Fitch Ratings (“Fitch”). The short-term ratings are all based on PNC’s short-term ratings. The long-term ratings of Moody’s and Fitch are also based solely on the long-term rating of PNC. The S&P long-term rating is based on the joint probability of a default by both DelVal and PNC. The remarketing rate has averaged 1.239% over the past year, 0.0067% over the average SIFMA Index.

The \$100 million 2020 A Series, \$75 million 2020 D Series, and \$75 million 2022 E Series, each remarketed by TD Securities, are 7-day, VRDB’s secured by Letters of Credit issued by TD Bank, N.A. (each, a “TD LOC”). The TD LOC for the 2020 A Series was scheduled to terminate on May 1, 2025, but DelVal optionally redeemed the 2020 A Series on February 22, 2023. On July 14, 2022, DelVal extended the stated maturity of the TD LOC that secures the remarketing of the 2020 D Series from November 1, 2023, to June 1, 2026. The TD LOC for the 2022 E Series is scheduled to terminate on July 14, 2027.

The 2020 A Series, 2020 D Series and 2022 E Series are rated “Aa3/VMIG 1” by Moody’s and “AA+/A-1” by S&P. The short-term ratings are based on TD’s short-term ratings. The Moody’s long-term ratings are based on TD’s long-term rating. The S&P long-term ratings are based on the joint probability of a default by both DelVal and TD. The remarketing rates for the 2020 A Series and 2020 D Series have averaged 1.225% over the past year, 0.0070% under the average SIFMA Index. The remarketing rates for the 2022 E Series has averaged 2.140% since July 14, 2022, 0.012% under the average SIFMA Index.

The interest rates on the 2022 B Series are set at spreads to the SIFMA Index, adjusted and payable monthly. The 2022 C Series are set at spreads to 67% of the Secured Overnight Financing Rate (“SOFR”), adjusted and payable monthly. The 2022 B and C Series are rated “A1” by Moody’s and “A+” by S&P. These Series may be optionally redeemed at par beginning one year prior to their respective purchase dates.

[Remainder of page intentionally left blank]

Below is a summary of the DeIVal Series outstanding as of December 31, 2022.

**DeIVal Series Outstanding as of December 31, 2022**

<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	<u>10,000,000</u>		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	19-May-26	1-Jun-42	7-day
2007 C Series	50,000,000		1-Jun-17	---	---	1-Jun-37	3M LIBOR (4)
2018 A Series	10,000,000		No option	---	---	1-Sep-33	Fixed rate
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 (4)
2018 E Series	75,000,000		1-Sep-24	1-Sep-25	---	1-Sep-48	1M LIBOR (4)
2020 A Series	100,000,000		Any date	Weekly	1-May-25	1-May-55	7-day
2020 B Series	50,000,000		No option	---	---	1-Nov-24	Fixed rate
2020 D Series	75,000,000		Any date	Weekly	1-Jun-26	1-Nov-65	7-day
2021 A Series	45,000,000		No option	---	---	1-Oct-29	Fixed rate
2022 A Series	5,000,000		No option	---	---	1-Mar-30	Fixed rate
2022 B Series	75,000,000		1-Mar-25	1-Mar-26	---	1-Mar-57	SIFMA Index
2022 C Series	75,000,000		1-Mar-26	1-Mar-27	---	1-Mar-57	SOFRA Index
2022 D Series	22,000,000		No option	---	---	1-Mar-29	Fixed rate
2022 E Series	<u>75,000,000</u>		Any date	Weekly	14-Jul-27	1-Mar-57	7-day
Total Master Series	<u>797,000,000</u>	<u>37,069,000</u> (3)					
<b>Total</b>	<b><u>\$ 1,200,000,000</u></b>	<b><u>\$ 77,369,000</u></b>					

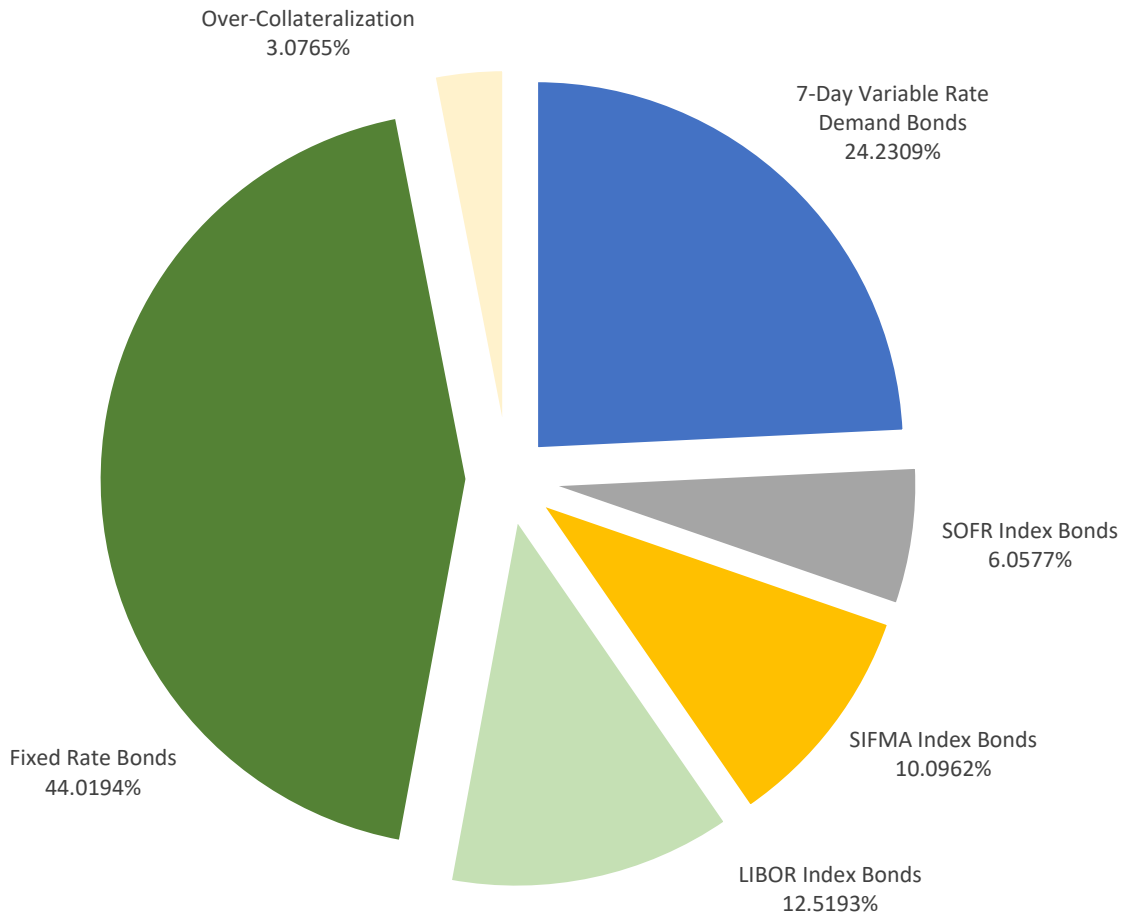
- (1) The Debt Service Reserve Funds are the maximum permissible amounts, the least of (i) 10% of the par amount, (ii) the maximum annual debt service payment, and (iii) 125% of average annual debt service.
- (2) Options can be exercised at a price of 100% of the principal amount, plus accrued interest. Exercise of the option to redeem or remarket requires 15 to 30 days of notice to Bondholders.
- (3) Held under the Master Indenture to secure all Series issued under the Master Indenture.
- (4) If a representative LIBOR index is no longer published, the LIBOR index will be replaced with the fallback rate recognized by the International Swap and Derivatives Association.

Source: Calhoun Baker Inc.

The total funding for the Loan Program, including the over-collateralization of \$38,089,250, is \$1,238,089,250, as of December 31, 2022. A chart of the composition of the funding as of December 31, 2022, is shown below.

[Remainder of page intentionally left blank]

## Composition of the Funding for the DelVal Loan Program



*Source: Calhoun Baker Inc.*

DelVal expects to issue one or more new DelVal Series within the next eighteen months to provide additional funding for the Loan Program or to refund outstanding DelVal Series. DelVal expects to optionally redeem or to remarket the \$30 million 2018 D Series that has an optional redemption date of September 1, 2023, and a mandatory purchase date of September 1, 2024, and DelVal expects to replace the funding of the \$50,000,000 2020 B Series that will mature on November 1, 2024.

The DelVal Board annually adopts a Post Issuance Compliance Policy, and under the policy, the Administrator monitors and reports any compliance issues with Treasury regulations or rules of the Municipal Securities Rulemaking Board. The Administrator has not reported any compliance issues. In a subsequent event, DelVal made a rebate payment of \$29,018 to the US Treasury on April 5, 2023, related to the 2020 A Series. The first rebate calculation period for the 2018 Series will end on June 27, 2023, and the next rebate calculation period for the 1998 Series will end on August 1, 2023.

The estimated debt service payments of the DelVal Series outstanding on December 31, 2022, are shown on the following page. The 2022 debt service payments are the actual payments. Interest rates on variable rate DelVal Series beginning in 2023 are based on the last rate resets of 2022. This schedule does not include the 2023 A Series and does not reflect the redemption of the 2018 C Series and the 2020 A Series.

**Delaware Valley Regional Finance Authority**  
**Estimated Debt Service Payments for the DeVal Series Outstanding on December 31, 2022**

Fiscal Year	1997 Series		1998 Series		2002 Series		Master Series		Total Debt Service		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2022*	\$ -	\$ 1,801,000	\$ -	\$ 13,750,000	\$ -	\$ 7,187,500	\$ -	\$ 12,961,982	\$ -	\$ 35,700,482	\$ 35,700,482
2023	-	1,801,000	-	13,750,000	-	7,187,500	-	26,171,154	-	48,909,654	48,909,654
2024	-	1,801,000	-	13,750,000	-	7,187,500	50,000,000	26,969,591	50,000,000	49,708,091	99,708,091
2025	-	1,801,000	-	13,750,000	-	7,187,500	-	24,469,591	-	47,208,091	47,208,091
2026	-	1,801,000	-	13,750,000	-	7,187,500	-	24,469,591	-	47,208,091	47,208,091
2027	28,000,000	1,801,000	-	13,750,000	-	7,187,500	-	24,469,591	28,000,000	47,208,091	75,208,091
2028	-	-	250,000,000	13,750,000	-	7,187,500	-	24,469,591	250,000,000	45,407,091	295,407,091
2029	-	-	-	-	-	7,187,500	67,000,000	24,019,591	67,000,000	31,207,091	98,207,091
2030	-	-	-	-	-	7,187,500	5,000,000	22,544,591	5,000,000	29,732,091	34,732,091
2031	-	-	-	-	-	7,187,500	-	22,419,591	-	29,607,091	29,607,091
2032	-	-	-	-	125,000,000	7,187,500	-	22,419,591	125,000,000	29,607,091	154,607,091
2033	-	-	-	-	-	-	10,000,000	22,169,591	10,000,000	22,169,591	32,169,591
2034	-	-	-	-	-	-	-	21,919,591	-	21,919,591	21,919,591
2035	-	-	-	-	-	-	-	21,919,591	-	21,919,591	21,919,591
2036	-	-	-	-	-	-	-	21,919,591	-	21,919,591	21,919,591
2037	-	-	-	-	-	-	100,000,000	20,298,334	100,000,000	20,298,334	120,298,334
2038	-	-	-	-	-	-	-	18,677,076	-	18,677,076	18,677,076
2039	-	-	-	-	-	-	-	18,677,076	-	18,677,076	18,677,076
2040	-	-	-	-	-	-	-	18,677,076	-	18,677,076	18,677,076
2041	-	-	-	-	-	-	-	18,677,076	-	18,677,076	18,677,076
2042	-	-	-	-	-	-	10,000,000	18,402,076	10,000,000	18,402,076	28,402,076
2043	-	-	-	-	-	-	-	18,127,076	-	18,127,076	18,127,076
2044	-	-	-	-	-	-	-	18,127,076	-	18,127,076	18,127,076
2045	-	-	-	-	-	-	-	18,127,076	-	18,127,076	18,127,076
2046	-	-	-	-	-	-	-	18,127,076	-	18,127,076	18,127,076
2047	-	-	-	-	-	-	-	18,127,076	-	18,127,076	18,127,076
2048	-	-	-	-	-	-	155,000,000	16,908,720	155,000,000	16,908,720	171,908,720
2049	-	-	-	-	-	-	-	13,253,653	-	13,253,653	13,253,653
2050	-	-	-	-	-	-	-	13,253,653	-	13,253,653	13,253,653
2051	-	-	-	-	-	-	-	13,253,653	-	13,253,653	13,253,653
2052	-	-	-	-	-	-	75,000,000	11,200,528	75,000,000	11,200,528	86,200,528
2053	-	-	-	-	-	-	-	10,516,153	-	10,516,153	10,516,153
2054	-	-	-	-	-	-	-	10,516,153	-	10,516,153	10,516,153
2055	-	-	-	-	-	-	175,000,000	8,158,861	175,000,000	8,158,861	183,158,861
2056	-	-	-	-	-	-	-	4,128,653	-	4,128,653	4,128,653
2057	-	-	-	-	-	-	150,000,000	1,032,163	150,000,000	1,032,163	151,032,163
<b>Total</b>	<b>\$28,000,000</b>	<b>\$ 10,806,000</b>	<b>\$250,000,000</b>	<b>\$ 96,250,000</b>	<b>\$ 125,000,000</b>	<b>\$ 79,062,500</b>	<b>\$ 797,000,000</b>	<b>\$ 649,579,103</b>	<b>\$1,200,000,000</b>	<b>\$835,697,603</b>	<b>\$2,035,697,603</b>

\*Actual payments in 2022. Variable rate bonds in 2023 and thereafter are estimated using the last rate reset of 2022.

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. 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 of 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 certain 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 are recorded at fair value. The funds not invested in GIC’s have been invested in floating rate notes, indexed to SOFR, or variable rate demand obligations. DelVal has executed interest rate swaps related to the SOFR floating rate notes to eliminate the SOFR basis risk; DelVal pays SOFR and receives the SIFMA Index under these transactions. A summary of the cash equivalents and investments is shown on the following page.

[Remainder of page intentionally left blank]

**Cash Equivalents, Restricted Cash Equivalents, Investments, and  
Restricted Investments as of December 31, 2022**

<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>Fair Value Restricted Investments</i>	<i>Total 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>										
National Australia Bank	Aa3	AA-	***	12-Jan-27	4.950%	\$ -	\$ -	\$ 4,607,410	\$ 4,607,410	2.308%
Pacific Life Global Funding	Aa3	AA-	AA-	4-Jun-26	4.920%	-	-	16,286,170	16,286,170	8.158%
<i>Variable Rate Demand Obligations</i>										
New York City Water Finance Authority	A-1+	P-1	F1+	15-Jun-49	3.600%	12,707,000	4,793,000	-	17,500,000	8.766%
<i>GIC's (2)</i>										
BayernLB	Aa3	***	A-	1-Jul-26	4.040%	-	12,529,000	-	12,529,000	
BayernLB (3)	Aaa	***	AAA	27-Jul-28	5.290%	46,570,807	25,000,000	-	71,570,807	42.129%
CFPI (4)	A3	BBB+	A	28-May-42	4.831%	20,391,226	-	-	20,391,226	10.215%
Natixis (5)	Aa2	AA	AA	28-Jun-27	5.240%	11,890,061	2,800,000	-	14,690,061	
Natixis (5)	Aa2	AA	AA	28-Jun-32	4.830%	29,551,907	12,500,000	-	42,051,907	28.424%
Total						<u>\$ 121,111,001</u>	<u>\$ 57,622,000</u>	<u>\$ 20,893,580</u>	<u>\$ 199,626,581</u>	100.000%

(1) Notes pay a spread over SOFR, 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, 2022.

*Source: Calhoun Baker Inc.*

## INTEREST RATE SWAP AGREEMENTS

DeVal utilizes Bond Swaps to hedge its interest rate and basis risk. When DeVal issued fixed rate bonds, DeVal executed Bond Swaps under which it received a fixed rate and paid the SIFMA Index. This hedged the risk that the future market rates to the maturity dates of the fixed rate bonds would be lower than the fixed rates of the bonds, which would make that fixed rate bond issue uncompetitive with other financing options. When DeVal issued LIBOR index or SOFR index bonds, DeVal executed Bond Swaps under which it received the LIBOR or SOFR rate and paid the SIFMA Index. This eliminated the basis risk of changes in the ratio of tax-exempt rates to the LIBOR and SOFR rates. DeVal did not need to hedge the SIFMA Index bonds or the VRDB's.

DeVal utilizes Loan Swaps to provide fixed rate Loans. When a Participant requests a fixed rate, DeVal executes a Loan Swap that offsets payments on the Bond Swaps under which DeVal receives a SIFMA Index payment and pays a fixed rate. The notional reductions of the Loan Swap 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 tranches with multiple fixed rates or a combination of variable and fixed rates.

DeVal has also executed interest rate swaps (each an "Investment Swap") to eliminate the basis risk of investments in SOFR indexed floating rate notes. Under these transactions, DeVal pays SOFR and receives the SIFMA Index.

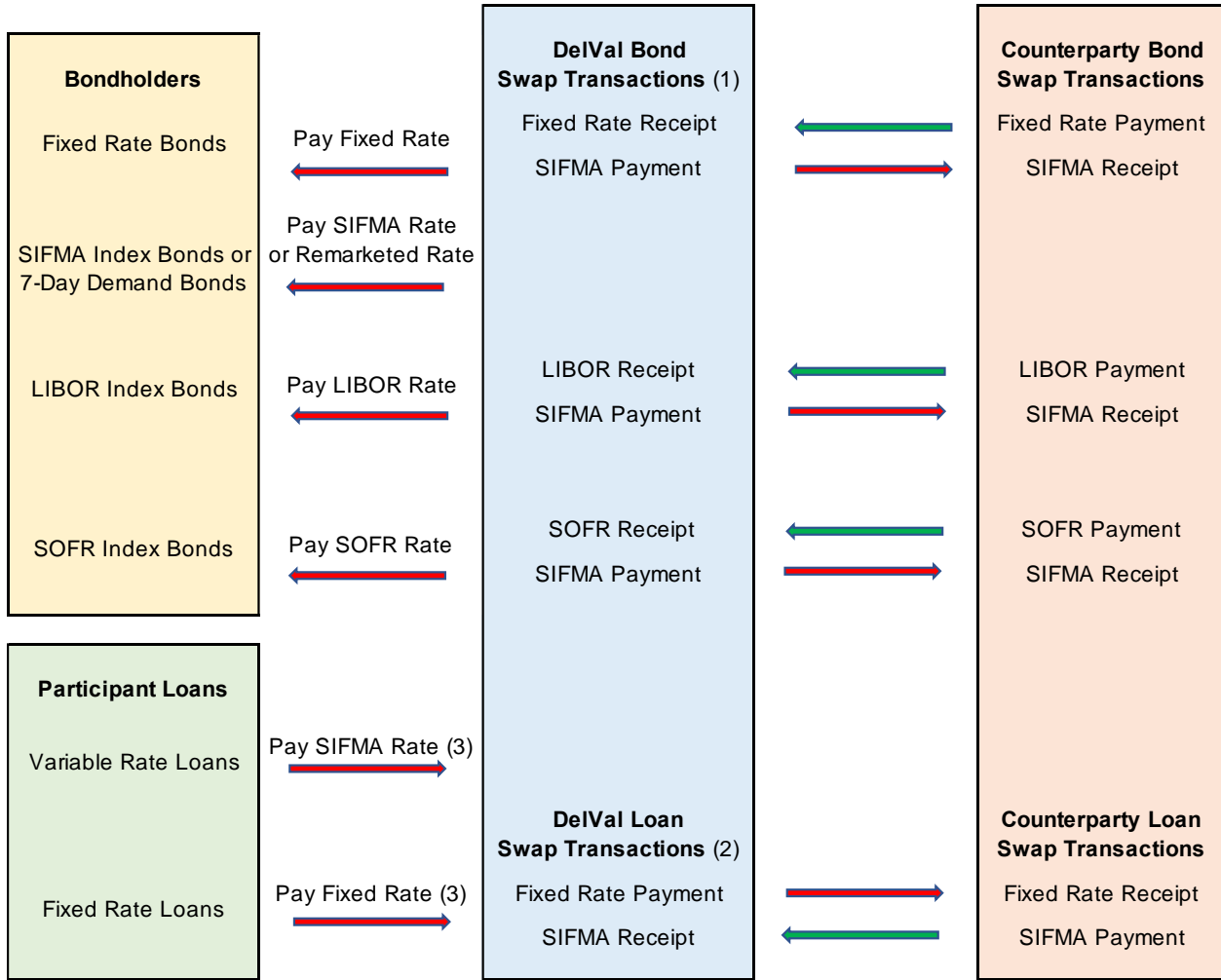
All of the Bond Swaps, Loan Swaps, and Investment Swaps are effective hedges under the "consistent critical terms" and "quantitative methods" standards of the *Governmental Accounting Standards Board Statement No. 53, Accounting and Financial Reporting for Derivative Instruments*.

The DeVal 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.

Below is a chart that depicts the cash flows for the DeVal Loan program.

[Remainder of page intentionally left blank]

## Cash Flows of Debt Service, Interest Rate Swap, and Loan Payments



- (1) Transactions executed to create a pool of funds with a net cost of funds equal to the SIFMA Index plus a spread to hedge changes in long-term interest rates and basis risks.
- (2) Transactions that offset Bond Swaps executed to provide fixed interest rate Loans.
- (3) The Loan Rate is set monthly by the Administrator at levels sufficient to pay (i) debt service on DeVal's Bonds, (ii) net swap payments, and (iii) administrative expenses.

[Remainder of page intentionally left blank]

A summary of the outstanding transactions and their market values is shown below.

### Interest Rate Swap Transactions as of December 31, 2022

	<u>Fitch</u>	<u>Kroll</u>	<u>Moody's</u>	<u>S&amp;P</u>	<u>Notional Amount</u>	<u>Fair Value 31-Dec-22</u>
<b>Bond Swaps</b>						
1997 Series	***	***	A1	***	\$ 28,000,000	\$ 2,633,390
1998 Series*	***	***	A1	***	250,000,000	26,804,273
2002 Series	***	***	A1	A+	125,000,000	15,045,510
Master Series	***	***	A1	A+	<u>422,050,000</u>	<u>(12,537,696)</u>
Total Bond Swaps					<u>825,050,000</u>	<u>31,945,477</u>
<b>Loan swaps</b>						
1997 Series	***	***	A1	***	13,095,000	274,783
1998 Series	***	***	A1	***	186,916,000	6,394,974
2002 Series	***	***	A1	A+	106,682,000	7,127,800
Master Series	***	***	A1	A+	<u>752,327,800</u>	<u>85,580,737</u>
Total Loan Swaps					<u>1,059,020,800</u>	<u>99,378,294</u>
Investment swaps					<u>21,700,000</u>	<u>(521,312)</u>
TOTAL					<u>\$ 1,905,770,800</u>	<u>\$ 130,802,459</u>
<b>Counterparty</b>						
Bank of America*	A+	***	Aa3	A+	\$ 1,097,274,100	\$ 96,445,822
Barclays Bank PLC	A	***	A1	A	30,771,000	1,614,597
Citibank	A+	***	Aa3	A+	110,050,000	(649,504)
PNC Bank	A+	AA-	A1	A	450,908,000	20,577,630
Royal Bank of Canada	AA	***	Aa2	AA-	216,014,700	12,789,741
Toronto-Dominion Bank	***	AA	Aa2	AA-	<u>753,000</u>	<u>24,173</u>
Total					<u>\$ 1,905,770,800</u>	<u>\$ 130,802,459</u>

\*Includes the fair value of the unamortized prepaid swap expense.

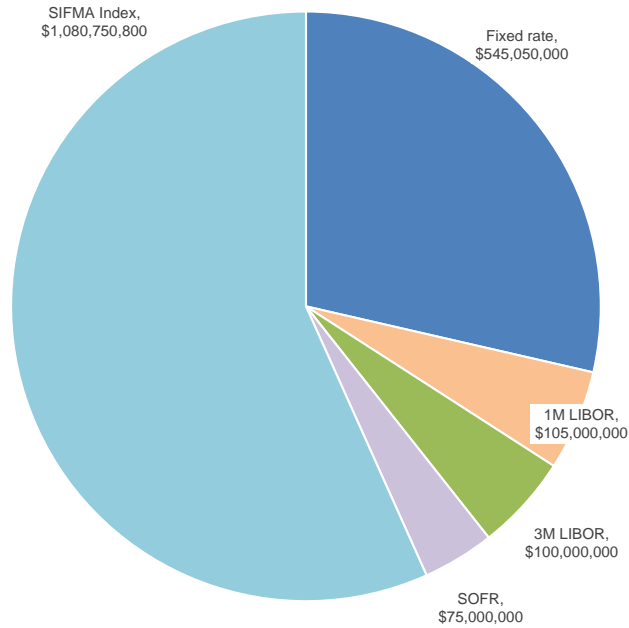
Source: Calhoun Baker Inc.

DeIVal has executed Bond Swaps to hedge the basis risk of the 2007 C, 2018 D, and 2018 E Series bond interest payments that are indexed to LIBOR. Under these Bond Swaps, DeIVal receives LIBOR and pays the SIFMA Index. The FCA of the United Kingdom has authorized publishing the US Dollar LIBOR indices for 1, 3, 6, and 12 months until June 30, 2023. DeIVal and the related counterparties for these Bond Swaps, PNC Bank and Citibank, have all adhered to the ISDA IBOR Fallback Protocol to replace LIBOR rates with risk-free reference rates based on SOFR when representative LIBOR rates are no longer published. When the FCA determines that representative LIBOR indices are no longer published, the supplemental indentures of the 2007 and 2018 Series provide that the LIBOR rates paid on the bonds will be replaced with the fallback rates adopted by ISDA.

Charts of the notional amounts of swap receiver and payor rates are shown below.

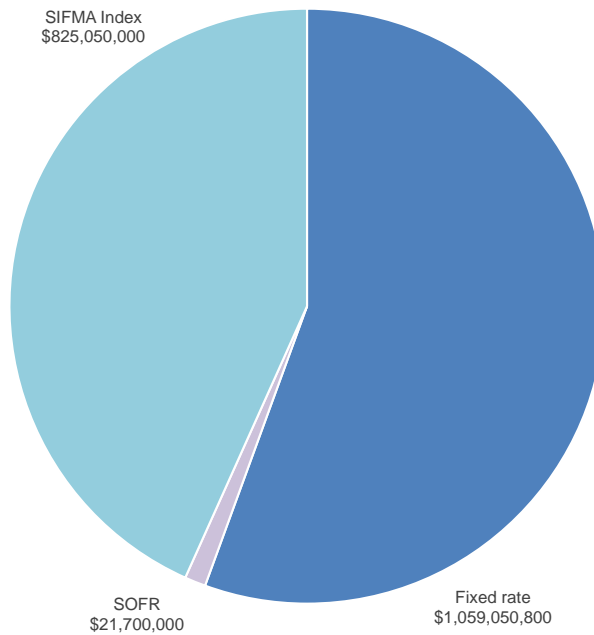
Remainder of page intentionally left blank]

**Notional Amount of Interest Rate Swap Receiver Rates  
as of December 31, 2022**



Source: Calhoun Baker Inc.

**Notional Amount of Interest Rate Swap Payor Rates  
as of December 31, 2022**



Source: Calhoun Baker Inc.

## 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. The stress tests are based upon certain assumptions, including, but not limited to, changes of interest rates and Loan origination, which may or may not occur, and actual results will differ from those shown below. The purpose of the analysis is not to predict the actual results of DelVal, but to identify potential weaknesses in the structure of the Loan Program, particularly vulnerabilities to interest rate shocks.

The base case scenario assumes the DelVal Series are repaid on their respective maturity dates, based on the Loans, debt, and swaps outstanding as of December 31, 2022. The analysis assumes that new Loans are originated when funds are available and that the SIFMA Index changes in a straight line from an assumed average rate of 2.00% in 2023 to the assumed average rates below:

- 1) SIFMA Index decreases to 1.50% in 2033,
- 2) SIFMA Index increases to 3.00% in 2033,
- 3) SIFMA Index increases to 5.00% in 2033 and
- 4) SIFMA Index increases to 8.00% in 2033.

Coverage of debt service is tightest in the years with large bond principal payments. The projections show that coverage of debt service in these years is not sensitive to changes in the interest rate assumptions. The results are robust because (i) the Loan Program is over-collateralized by \$38,089,250, (ii) each DelVal Series has a Debt Service Reserve Fund funded from proceeds, and (iii) the amortization of 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 principal circumstances under which coverage would be inadequate would be: (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.

Under the scenario with the SIFMA Index at 3.00% in 2033, the funds available for coverage in 2028 would be sufficient to cover the debt service payments if:

- 1) Every Participant defaulted on principal and interest payments for nine months,
- 2) Every swap counterparty defaulted on payments for 46 months, or
- 3) Every investment counterparty defaulted on interest payments for ten years.

These measures are heuristic. If any such cataclysmic events occurred, other factors would weigh on DelVal and the capital markets, but they do demonstrate the resilience of the Loan Program.

A summary, assuming the SIFMA Index rises to 3.00% in 2033, is shown in the schedule below. The schedule also shows comparisons of the coverage to the other interest rate assumptions.

**Estimated Debt Service Coverage for the Scheduled Debt Service Repayment Scenario  
with the Average SIFMA Index Rising to 3.00% in 2033**

Year	Funds Available for Debt Service				Debt Service			Annual Coverage of Debt Service (4)		Coverage Percentage if the SIFMA Index in 2033 averages:		
	Revenue Fund (1)	Recycling Fund (2)	Debt Service Reserve	Total	Interest (3)	Principal	Total	Amount in Excess of Debt Service	Coverage Percentage	1.50%	5.00%	8.00%
2023	\$44,595,686	\$215,294,950	\$79,322,000	\$339,212,636	\$ 44,957,810	\$ -	\$ 44,957,810	\$294,254,826	755%	751%	760%	767%
2024	44,375,283	217,044,650	79,322,000	340,741,933	45,618,575	50,000,000	95,618,575	245,123,358	356%	358%	355%	352%
2025	44,766,350	174,035,550	77,310,000	296,111,900	43,769,315	-	43,769,315	252,342,585	677%	702%	646%	607%
2026	45,670,519	170,960,650	77,310,000	293,941,169	44,433,765	-	44,433,765	249,507,404	662%	700%	618%	566%
2027	46,717,562	214,540,950	77,310,000	338,568,512	45,084,505	28,000,000	73,084,505	265,484,007	463%	482%	442%	414%
2028	43,432,793	278,510,550	74,510,000	396,453,343	43,944,270	250,000,000	293,944,270	102,509,073	135%	135%	134%	134%
2029	29,893,896	123,529,250	49,510,000	202,933,146	30,391,660	67,000,000	97,391,660	105,541,486	208%	215%	200%	191%
2030	29,985,685	130,885,250	46,642,000	207,512,935	29,584,460	5,000,000	34,584,460	172,928,475	600%	725%	495%	400%
2031	30,631,415	115,197,250	46,326,000	192,154,665	30,110,200	-	30,110,200	162,044,465	638%	829%	499%	388%
2032	30,813,067	162,971,250	46,326,000	240,110,317	30,767,615	125,000,000	155,767,615	84,342,702	154%	157%	151%	146%
2033	25,055,885	107,806,250	33,826,000	166,688,135	24,237,890	10,000,000	34,237,890	132,450,245	487%	644%	379%	297%
2034	24,992,937	106,333,250	33,264,000	164,590,187	23,737,890	-	23,737,890	140,852,297	693%	1117%	481%	348%
2035	24,995,232	108,621,250	33,264,000	166,880,482	23,737,890	-	23,737,890	143,142,592	703%	1135%	486%	351%
2036	24,993,900	107,284,250	33,264,000	165,542,150	23,737,890	-	23,737,890	141,804,260	697%	1127%	482%	347%
2037	23,636,987	109,085,250	33,264,000	165,986,237	22,437,890	60,000,000	82,437,890	83,548,347	201%	216%	187%	173%
2038	22,444,999	111,648,250	29,641,000	163,734,249	21,137,890	-	21,137,890	142,596,359	775%	1296%	523%	370%
2039	22,431,794	107,295,250	29,641,000	159,368,044	21,137,890	-	21,137,890	138,230,154	754%	1250%	513%	364%
2040	22,431,170	106,665,250	29,641,000	158,737,420	21,137,890	-	21,137,890	137,599,530	751%	1247%	510%	362%
2041	22,430,874	106,366,250	29,641,000	158,438,124	21,137,890	-	21,137,890	137,300,234	750%	1246%	509%	360%
2042	21,427,419	106,678,250	29,641,000	157,746,669	20,280,390	50,000,000	70,280,390	87,466,279	224%	245%	204%	184%
2043	20,554,289	113,624,250	26,515,000	160,693,539	19,422,890	-	19,422,890	141,270,649	827%	1297%	550%	381%
2044	20,525,877	101,425,250	26,515,000	148,466,127	19,422,890	-	19,422,890	129,043,237	764%	1272%	517%	365%
2045	20,538,566	99,297,250	26,515,000	146,350,816	19,422,890	-	19,422,890	126,927,926	753%	1254%	510%	366%
2046	20,623,633	117,548,250	26,515,000	164,686,883	19,422,890	-	19,422,890	145,263,993	848%	1379%	588%	445%
2047	20,768,897	160,514,250	26,515,000	207,798,147	19,422,890	-	19,422,890	188,375,257	1070%	1786%	721%	522%
2048	17,340,658	202,203,250	26,515,000	246,058,908	17,911,386	155,000,000	172,911,386	73,147,522	142%	146%	138%	138%
2049	15,462,709	99,058,250	18,317,000	132,837,959	13,376,875	-	13,376,875	119,461,084	993%	1712%	652%	468%
2050	15,457,487	100,943,250	18,317,000	134,717,737	13,376,875	-	13,376,875	121,340,862	1007%	1713%	671%	466%
2051	15,491,010	105,073,250	18,317,000	138,881,260	13,376,875	-	13,376,875	125,504,385	1038%	1765%	692%	481%
2052	14,175,621	158,767,250	18,317,000	191,259,871	11,447,500	75,000,000	86,447,500	104,812,371	221%	230%	211%	199%
2053	13,007,646	142,886,250	14,985,000	170,878,896	10,804,375	-	10,804,375	160,074,521	1582%	2746%	1026%	688%
2054	13,172,793	197,398,250	14,985,000	225,556,043	10,804,375	-	10,804,375	214,751,668	2088%	3638%	1348%	896%
2055	10,033,477	249,918,250	14,985,000	274,936,727	8,589,167	175,000,000	183,589,167	91,347,560	150%	152%	147%	144%
2056	6,951,166	133,817,250	6,327,000	147,095,416	4,801,875	-	4,801,875	142,293,541	3063%	5312%	1977%	1308%
2057	4,268,002	181,762,250	6,327,000	192,357,252	1,200,469	150,000,000	151,200,469	41,156,783	127%	127%	128%	130%
Total					<u>\$ 814,187,797</u>	<u>\$ 1,200,000,000</u>	<u>\$ 2,014,187,797</u>					

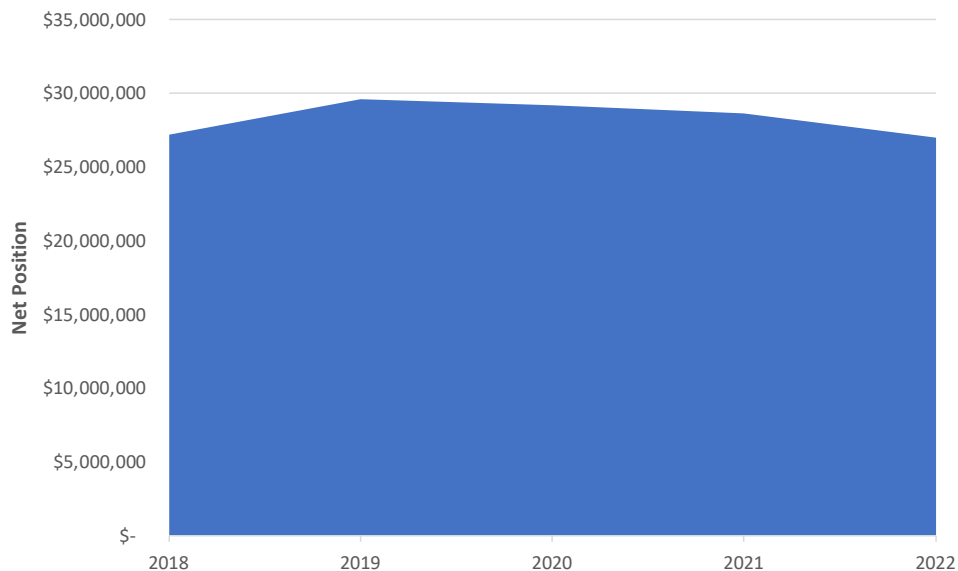
- (1) Excess of annual revenues over administrative expenses and net swap payments.
- (2) Recycling Fund deposits before origination of Loans. Includes over-collateralization of: \$ 38,089,250
- (3) Includes letter of credit and remarketing fees.
- (4) Assumes the SIFMA Index changes in straight-line increments.

Source: Calhoun Baker Inc.

## SUMMARIES OF THE 2022 FINANCIAL STATEMENTS

The net position of DelVal declined in 2022 by \$1.6 million to \$27.0 million. The reduction was principally attributable to the costs of issuance of the 2022 ABC Series and 2022 DE Series and the unrealized loss on restricted investments. The incurrence of costs of issuance also affected the net position in 2020 and 2021.

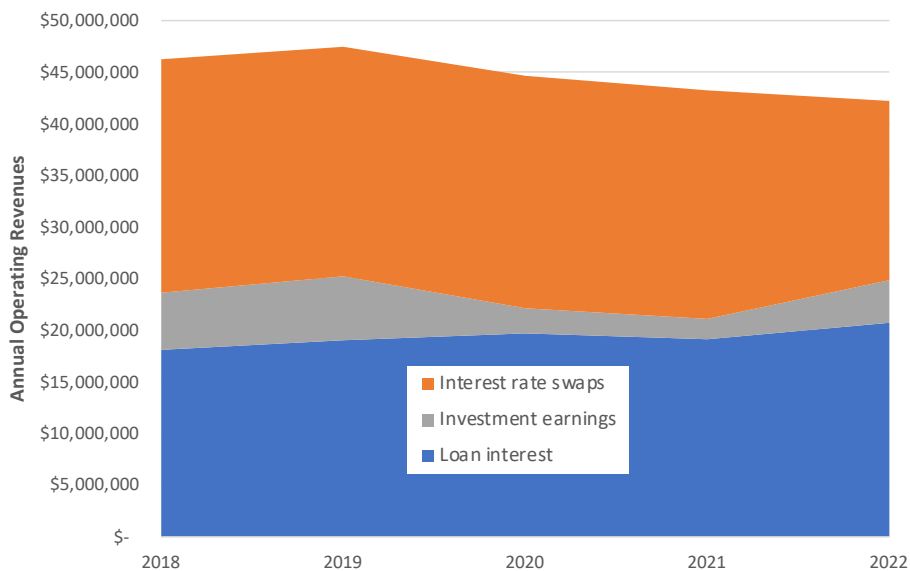
**Trend of Net Position**



Source: Calhoun Baker Inc.

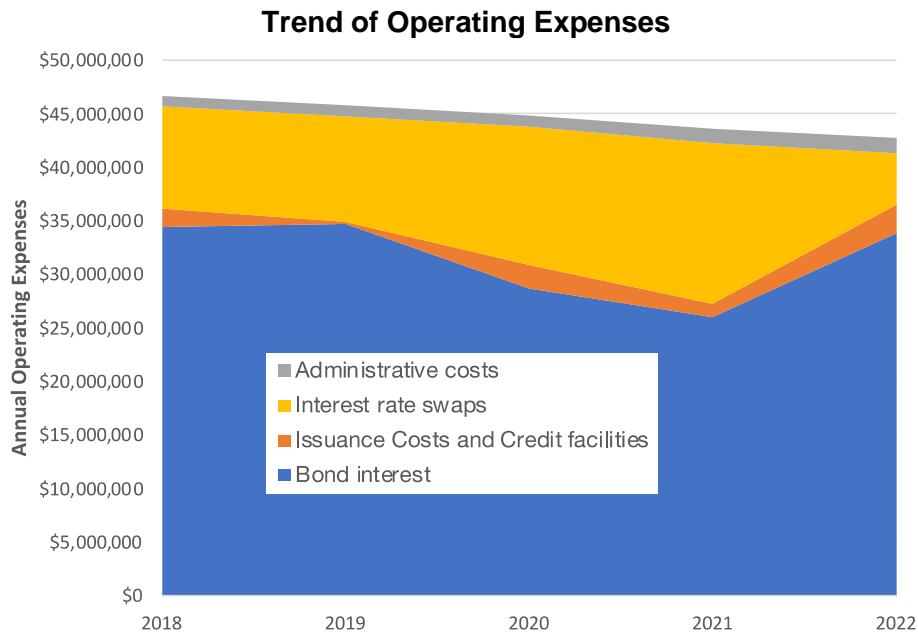
Operating revenues declined by \$1.04 million in 2022. Loan interest revenues increased by \$1.66 million, investment earnings increased by \$2.10 million, and swap interest revenues, principally Bond Swaps, declined by \$4.8 million, primarily due to the relative increase of the SIFMA Index that DelVal pays in those transactions.

**Trend of Operating Revenues**



Source: Calhoun Baker Inc.

Operating expenses decreased by \$887,000 in 2022. Bond interest expenses increased by \$7.89 million due to the increasing variable interest rates. Swap interest expenses, principally Loan Swaps, declined by \$10.24 million due to the increase of the SIFMA Index that DelVal receives in those transactions. Issuance costs increased by \$1.4 million principally due to the issuance of the 2022 ABC Series and the 2022 DE Series.



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 large payments in 2019 from settlements of class action lawsuits on bid rigging of investments and interest rate swap transactions. DelVal received a settlement of \$18,529 from another class action lawsuit on January 10, 2022.

[Remainder of page intentionally left blank]

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Revenues:					
Loan interest	\$ 18,072,213	\$ 19,021,507	\$ 19,699,151	\$ 19,083,168	\$ 20,742,238
Interest rate swaps	22,677,698	22,243,921	22,544,794	22,156,246	17,352,594
Interest on investments and cash equivalents	<u>5,516,547</u>	<u>6,207,132</u>	<u>2,417,252</u>	<u>2,046,366</u>	<u>4,148,042</u>
Total revenues	<u>46,266,458</u>	<u>47,472,560</u>	<u>44,661,197</u>	<u>43,285,780</u>	<u>42,242,874</u>
Expenses:					
Interest expense:					
Bonds	34,423,104	34,672,499	28,721,683	25,966,172	33,851,795
Interest rate swaps	9,505,514	9,875,528	12,878,576	15,016,371	4,771,582
Costs of issuance	1,488,776	-	1,710,190	442,750	1,806,840
Credit or liquidity facility fees	283,086	226,121	456,109	877,515	916,941
Rebate expense	-	-	29,331	-	-
Administrative expenses	<u>952,258</u>	<u>1,012,711</u>	<u>1,120,707</u>	<u>1,336,623</u>	<u>1,404,808</u>
Total expenses	<u>46,652,738</u>	<u>45,786,859</u>	<u>44,916,596</u>	<u>43,639,431</u>	<u>42,751,966</u>
Revenues over (under) expenses	<u>(386,280)</u>	<u>1,685,701</u>	<u>(255,399)</u>	<u>(353,651)</u>	<u>(509,092)</u>
Other changes:					
Increase of estimated rebate liability	(60,000)	(20,000)	-	(50,000)	(200,000)
Class action settlements	-	470,868	101	-	18,530
Unrealized gain (loss) on investments and restricted investments	<u>(325,511)</u>	<u>286,825</u>	<u>(136,355)</u>	<u>(193,291)</u>	<u>(938,918)</u>
Total other changes, net	<u>(385,511)</u>	<u>737,693</u>	<u>(136,254)</u>	<u>(243,291)</u>	<u>(1,120,388)</u>
Increase (decrease) in net position	(771,791)	2,423,394	(391,653)	(596,942)	(1,629,480)
Net position, beginning	<u>27,945,907</u>	<u>27,174,116</u>	<u>29,597,510</u>	<u>29,205,857</u>	<u>28,608,915</u>
Net position, ending	<u>\$ 27,174,116</u>	<u>\$ 29,597,510</u>	<u>\$ 29,205,857</u>	<u>\$ 28,608,915</u>	<u>\$ 26,979,435</u>

Comparative Balance Sheet Information for the past five years is set forth below. The \$100 million Bond principal payable in 2021 was recognition of the scheduled termination on July 8, 2022, of the PNC LOC that secured the \$50 million 2007 B Series and the mandatory purchase date on September 1, 2022, of the \$50 million 2018 B Series. The term of the PNC LOC was extended four years on May 19, 2022, and the 2018 B Series was redeemed on February 10, 2022. The \$50 million Bond principal payable in 2022 is recognition of the mandatory purchase date on September 1, 2023, of the \$50 million 2018 C Series. The 2018 C Series was optionally redeemed on February 22, 2023.

[Remainder of page intentionally left blank]

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ 140,847,632	\$ 96,109,784	\$ 55,208,582	\$ 52,947,186	\$ 121,111,001
Restricted cash equivalents	40,300,000	40,300,000	40,513,000	55,706,000	57,622,000
Investments	-	-	-	1,247,212	-
Restricted investments	-	-	-	20,696,575	-
Accrued interest receivable:					
Loans	485,480	392,392	339,657	340,788	1,087,379
Interest rate swaps	5,840,904	5,817,283	5,748,766	5,735,730	5,590,113
Cash equivalents and investments	343,447	202,046	68,321	40,896	255,686
Prepaid expenses	91,955	96,259	77,964	92,733	180,952
Loans to local governments	<u>66,460,500</u>	<u>75,234,093</u>	<u>79,351,300</u>	<u>100,003,200</u>	<u>105,098,500</u>
Total current assets	<u>254,369,918</u>	<u>218,151,857</u>	<u>181,307,590</u>	<u>236,810,320</u>	<u>290,945,631</u>
<b>NONCURRENT ASSETS:</b>					
Investments	1,518,741	1,532,239	-	-	-
Restricted investments	32,467,867	32,741,194	34,137,078	-	20,893,580
Loans to local governments	732,425,500	769,773,500	893,652,200	916,164,800	943,472,300
Unamortized prepaid interest rate swap expense	4,996,458	4,413,139	3,831,415	3,249,690	2,667,965
Fair value of derivative transactions	<u>101,018,546</u>	<u>113,464,244</u>	<u>101,189,440</u>	<u>91,562,935</u>	<u>124,640,844</u>
Total noncurrent assets	<u>872,427,112</u>	<u>921,924,316</u>	<u>1,032,810,133</u>	<u>1,010,977,425</u>	<u>1,091,674,689</u>
<b>TOTAL</b>	<u><b>\$1,126,797,030</b></u>	<u><b>\$1,140,076,173</b></u>	<u><b>\$1,214,117,723</b></u>	<u><b>\$1,247,787,745</b></u>	<u><b>\$1,382,620,320</b></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>					
<b>CURRENT LIABILITIES:</b>					
Accrued expenses	\$ 13,773	\$ 9,398	\$ 43,473	\$ 11,472	\$ 37,555
Bond principal payable	-	20,000,000	-	100,000,000	50,000,000
Estimated rebate liability	-	-	-	-	300,000
Accrued interest payable:					
Interest rate swaps	658,013	403,540	183,778	43,844	408,764
Bonds	<u>12,637,059</u>	<u>12,463,169</u>	<u>14,412,450</u>	<u>14,905,494</u>	<u>17,265,614</u>
Total current liabilities	<u>13,308,845</u>	<u>32,876,107</u>	<u>14,639,701</u>	<u>114,960,810</u>	<u>68,011,933</u>
<b>LONG TERM LIABILITIES:</b>					
Bonds payable, net	985,165,523	963,988,312	1,068,932,725	1,012,455,085	1,162,888,108
Estimated rebate liability	<u>130,000</u>	<u>150,000</u>	<u>150,000</u>	<u>200,000</u>	<u>100,000</u>
Total long term liabilities	<u>985,295,523</u>	<u>964,138,312</u>	<u>1,069,082,725</u>	<u>1,012,655,085</u>	<u>1,162,988,108</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Accumulated increase in fair value of hedging derivatives	<u>101,018,546</u>	<u>113,464,244</u>	<u>101,189,440</u>	<u>91,562,935</u>	<u>124,640,844</u>
Total liabilities and deferred inflows of resources	1,099,622,914	1,110,478,663	1,184,911,866	1,219,178,830	1,355,640,885
<b>NET POSITION</b>	<u>27,174,116</u>	<u>29,597,510</u>	<u>29,205,857</u>	<u>28,608,915</u>	<u>26,979,435</u>
<b>TOTAL</b>	<u><b>\$1,126,797,030</b></u>	<u><b>\$1,140,076,173</b></u>	<u><b>\$1,214,117,723</b></u>	<u><b>\$1,247,787,745</b></u>	<u><b>\$1,382,620,320</b></u>

The Comparative Statement of Cash Flows Information for the past five years is set forth on the following page. 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>2018*</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Cash flows from operating activities					
Interest received on loans to local governments and interest rate swap agreements	\$ 41,085,590	\$ 41,383,731	\$ 42,363,602	\$ 41,251,320	\$ 37,493,858
Payment of interest on bonds and interest rate swap agreements	(44,805,257)	(45,571,877)	(42,976,008)	(43,908,099)	(39,525,419)
Loans to local governments	(107,870,000)	(138,602,000)	(211,558,000)	(126,267,000)	(142,833,000)
Repayments of loan principal from local governments	97,278,024	92,480,407	83,562,031	83,102,500	110,430,200
Administrative expenses paid	(948,391)	(1,021,390)	(1,068,337)	(1,383,393)	(1,466,944)
Interest received on investments and cash equivalents	5,367,262	6,348,534	2,550,977	2,073,791	3,933,252
Credit or liquidity facility fees paid	(353,682)	(226,121)	(456,109)	(877,515)	(916,941)
Rebate payment	-	-	(29,331)	-	-
Proceeds of bond issues	216,832,000	-	283,633,000	47,382,750	254,641,830
Transfers from restricted accounts	3,967,000	-	-	-	-
Class action settlement	-	470,868	101	-	18,530
Bond issuance costs	(1,488,776)	-	(1,710,128)	(442,750)	(1,806,840)
Redemption (purchase) of investments and restricted investments	2,183,000	-	-	12,000,000	111,289
Payment of bond principal	<u>(155,000,000)</u>	<u>-</u>	<u>(195,000,000)</u>	<u>-</u>	<u>(150,000,000)</u>
Net cash provided by (used in) operating activities and increase (decrease) in cash and cash equivalents	56,246,770	(44,737,848)	(40,688,202)	12,931,604	70,079,815
Cash and cash equivalents and restricted cash and cash equivalents, beginning	<u>124,900,862</u>	<u>181,147,632</u>	<u>136,409,784</u>	<u>95,721,582</u>	<u>108,653,186</u>
Cash and cash equivalents and restricted cash and cash equivalents, ending	<u>\$ 181,147,632</u>	<u>\$ 136,409,784</u>	<u>\$ 95,721,582</u>	<u>\$ 108,653,186</u>	<u>\$ 178,733,001</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET					
Cash and cash equivalents, ending	\$ 140,847,632	\$ 96,109,784	\$ 55,208,582	\$ 52,947,186	\$ 121,111,001
Restricted cash and cash equivalents, ending	<u>40,300,000</u>	<u>40,300,000</u>	<u>40,513,000</u>	<u>55,706,000</u>	<u>57,622,000</u>
Cash and cash equivalents and restricted cash and cash equivalents, ending	<u>\$ 181,147,632</u>	<u>\$ 136,409,784</u>	<u>\$ 95,721,582</u>	<u>\$ 108,653,186</u>	<u>\$ 178,733,001</u>
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Change in net position	<u>\$ (771,791)</u>	<u>\$ 2,423,394</u>	<u>\$ (391,653)</u>	<u>\$ (596,942)</u>	<u>\$ (1,629,480)</u>
Adjustments for other revenues, expenses, and transfers					
Increase (decrease) of estimated rebate liability	60,000	20,000	-	50,000	200,000
Unamortized prepaid interest rate swap expense	581,725	583,319	581,724	581,725	581,725
Adjustments for changes in assets and liabilities					
Decrease (increase) in:					
Investments	7,241,263	(13,498)	1,532,239	(1,247,212)	1,247,212
Restricted investments	(765,752)	(273,327)	(1,395,884)	13,440,503	(197,005)
Accrued interest receivable:					
Loans	(46,182)	93,088	52,735	(1,131)	(746,591)
Interest rate swaps	381,860	23,621	68,517	13,036	145,617
Cash equivalents and investments	(149,285)	141,401	133,725	27,424	(214,790)
Prepaid expenses	(507)	(4,304)	18,294	(14,769)	(88,219)
Loans to local governments	(10,591,976)	(46,121,593)	(127,995,907)	(43,164,500)	(32,402,800)
Increase (decrease) in:					
Accrued expenses	(66,222)	(4,375)	34,075	(32,001)	26,083
Accrued interest payable:					
Interest rate swaps	260,142	(254,473)	(219,762)	(139,934)	364,920
Bonds	(278,203)	(173,890)	1,949,281	493,044	2,360,120
Bonds payable	<u>60,391,698</u>	<u>(1,177,211)</u>	<u>84,944,414</u>	<u>43,522,361</u>	<u>100,433,023</u>
Total adjustments	<u>57,018,561</u>	<u>(47,161,242)</u>	<u>(40,296,549)</u>	<u>13,528,546</u>	<u>71,709,295</u>
Net cash provided by (used in) operating activities	<u>\$ 56,246,770</u>	<u>\$ (44,737,848)</u>	<u>\$ (40,688,202)</u>	<u>\$ 12,931,604</u>	<u>\$ 70,079,815</u>

\*Restated to include Restricted Cash and Cash Equivalents.

## OUTLOOK

DelVal expects to originate \$60 to \$80 million of new Loans in 2023. DelVal expects the demand for Loans to decline in 2023 due to: (i) higher construction costs, (ii) reduced refunding opportunities, (iii) higher interest rates, (iv) recession concerns, and (v) continued availability of grant proceeds from the \$2.2 trillion CARES and the \$1.9 trillion ARPA programs.

DelVal expects to redeem or remarket the \$30 million 2018 D Series on or after its optional redemption date of September 1, 2023. The 2018 D Series is subject to mandatory purchase on September 1, 2024. DelVal will continue to monitor the market for opportunities to provide funding for Loans and to restructure its debt obligations.

A handwritten signature in blue ink that reads "Calhoun Baker Inc." with a period at the end.

Calhoun Baker Inc.

Program Administrator

Delaware Valley Regional Finance Authority

June 27, 2023

## EXHIBIT I: LOANS OUTSTANDING AS OF DECEMBER 31, 2022

(Continued on the next page)

No.	Borrower	County	Participant or Guarantor Ratings			Loans Outstanding				Total Outstanding 31-Dec-22	Insured (1) Loan Principal	Concentration	
			Kroll	Moody's	S&P	1997 Series	1998 Series	2002 Series	Master Series			Borrower	Cumulative
1	Aston Township	Delaware	---	---	AA-	\$ -	\$ -	\$ 1,558,000	\$ 21,535,000	\$ 23,093,000	\$ -	2.202%	2.202%
2	Bensalem Township	Bucks	---	Aa1	---	-	11,649,000	-	6,747,000	18,396,000	-	1.754%	3.957%
3	Benton Township	Lackawanna	---	---	---	-	-	-	190,000	190,000	-	0.018%	3.975%
4	Bethel Township Sewer Authority	Delaware	A+	---	---	-	-	-	1,147,000	1,147,000	-	0.109%	4.084%
5	Bridgeport Borough	Montgomery	---	A2	---	241,000	-	2,080,000	2,180,000	4,501,000	3,687,000	0.429%	4.513%
6	Bristol Borough	Bucks	A+	---	---	-	308,000	-	-	308,000	-	0.029%	4.543%
7	Bristol Borough School District	Bucks	---	---	A-	-	-	-	9,114,000	9,114,000	9,114,000	0.869%	5.412%
8	Bristol Township	Bucks	---	---	Aa3	-	-	1,804,000	59,910,000	61,714,000	-	5.886%	11.298%
9	Bristol Township School District	Bucks	---	---	A1	71,000	-	-	-	71,000	-	0.007%	11.304%
10	Brookhaven Borough	Delaware	---	---	---	-	-	1,335,000	-	1,335,000	-	0.127%	11.432%
11	Bucks County	Bucks	---	Aa1	AAA	-	52,068,000	10,651,000	33,700	62,752,700	-	5.985%	17.416%
12	Bucks County Airport Authority	Bucks	---	Aa1	AAA	-	-	-	908,000	908,000	-	0.087%	17.503%
13	Bucks County Community College	Bucks	---	Aa1	AAA	-	1,478,000	-	-	1,478,000	-	0.141%	17.644%
14	Bucks County Community College Authority	Bucks	---	Aa1	AAA	-	3,774,000	-	-	3,774,000	-	0.360%	18.004%
15	Bucks County Water and Sewer Authority	Bucks	---	---	A+	-	-	-	51,660,000	51,660,000	51,660,000	4.927%	22.930%
16	Caln Township	Chester	---	---	AA	-	-	-	12,232,000	12,232,000	-	1.167%	24.097%
17	Caln Township Municipal Authority	Chester	---	---	AA	-	-	-	2,467,000	2,467,000	-	0.235%	24.332%
18	Chadds Ford Township Sewer Authority	Delaware	---	---	---	66,000	-	-	1,674,000	1,740,000	1,674,000	0.166%	24.498%
19	Chalfont Borough	Bucks	---	---	A1	-	-	-	2,420,000	2,420,000	-	0.231%	24.729%
20	Chester City	Delaware	---	---	---	-	-	932,000	-	932,000	-	0.089%	24.818%
21	Chichester School District	Delaware	---	---	A+	-	-	6,675,000	6,285,000	12,960,000	-	1.236%	26.054%
22	Clifton Heights Borough	Delaware	---	---	---	-	-	-	3,000,000	3,000,000	3,000,000	0.286%	26.340%
23	Collegeville Borough	Montgomery	---	---	---	-	-	-	188,000	188,000	-	0.018%	26.358%
24	Concord Township	Delaware	---	Aa1	---	-	-	-	9,880,000	9,880,000	-	0.942%	27.300%
25	Delaware County	Delaware	---	Aa1	AA+	-	79,597,000	43,044,000	167,537,000	290,178,000	-	27.674%	54.974%
26	Delaware County Solid Waste Authority	Delaware	---	Aa1	AA+	-	-	5,697,000	-	5,697,000	1,032,000	0.543%	55.517%
27	Dover Area School District	York	---	A1	---	8,697,000	-	-	-	8,697,000	-	0.829%	56.346%
28	Doylestown Borough	Bucks	AA	---	---	-	-	-	6,408,000	6,408,000	-	0.611%	56.958%
29	East Bradford Township	Chester	---	---	AA	-	-	-	6,485,000	6,485,000	387,000	0.618%	57.576%
30	East Goshen Municipal Authority	Chester	AAA	Aaa	---	-	-	5,053,000	1,567,000	6,620,000	5,053,000	0.631%	58.207%
31	East Goshen Township	Chester	AAA	Aaa	---	-	387,000	-	-	387,000	-	0.037%	58.244%
32	Eddystone Borough	Delaware	---	---	---	-	-	1,627,000	249,000	1,876,000	-	0.179%	58.423%
33	Folcroft Borough, 2022 A and B Notes	Delaware	---	---	---	-	-	-	8,546,000	8,546,000	8,546,000	0.815%	59.238%
34	Folcroft Borough, 2022 A Note v	Delaware	---	---	---	-	-	-	1,457,000	1,457,000	1,457,000	0.139%	59.377%
35	Forbes Road School District	Fulton	---	---	---	-	-	-	5,029,000	5,029,000	5,029,000	0.480%	59.857%
36	Franconia Sewer Authority	Montgomery	---	---	AA-	-	-	-	11,051,000	11,051,000	-	1.054%	60.911%
37	Franconia Township	Montgomery	---	---	AA-	1,470,000	-	269,000	2,312,000	4,051,000	2,027,000	0.386%	61.297%
38	Franklin Township	Chester	---	A2	---	-	-	-	2,449,000	2,449,000	-	0.234%	61.531%
39	Gamet Valley School District	Delaware	---	---	AA	-	4,238,000	-	5,057,000	9,295,000	4,238,000	0.886%	62.417%
40	Glen Rock Sewer Authority	York	---	---	---	-	-	-	2,063,000	2,063,000	2,063,000	0.197%	62.614%
41	Glenolden Borough	Delaware	---	---	A+	55,000	27,000	-	-	82,000	-	0.008%	62.622%
42	Great Valley School District	Chester	---	Aaa	---	-	-	-	4,151,000	4,151,000	-	0.396%	63.017%
43	Hatfield Borough	Montgomery	---	---	---	-	269,000	-	5,327,000	5,596,000	3,395,000	0.534%	63.551%
44	Hatfield Township	Montgomery	AA-	---	---	231,000	628,000	734,000	1,831,000	3,424,000	-	0.327%	63.878%
45	Highland Township	Chester	---	---	---	-	397,000	-	-	397,000	-	0.038%	63.916%

(1) Certain loans are insured by Assured Guaranty Municipal Corp. ("AGM") and Build America Mutual Assurance Company ("BAM") 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. BAM is rated "AA" by S&P.

## EXHIBIT I: LOANS OUTSTANDING AS OF DECEMBER 31, 2022

(Continued on the next page)

No.	Borrower	County	Participant or Guarantor Ratings			Loans Outstanding				Total Outstanding 31-Dec-22	Insured (1) Loan Principal	Concentration	
			Kroll	Moody's	S&P	1997 Series	1998 Series	2002 Series	Master Series			Borrower	Cumulative
46	Kennett Square Borough	Chester	---	A3	---	-	-	-	8,220,000	8,220,000	8,220,000	0.784%	64.699%
47	Lancaster County	Lancaster	---	Aa2	---	-	-	16,095,000	-	16,095,000	16,095,000	1.535%	66.234%
48	Lansdowne Borough	Delaware	A+	---	---	-	221,000	-	722,000	943,000	-	0.090%	66.324%
49	London Britain Township	Chester	---	---	---	81,000	-	-	337,000	418,000	-	0.040%	66.364%
50	London Grove Township	Chester	---	---	AA	123,000	-	-	4,878,000	5,001,000	-	0.477%	66.841%
51	London Grove Township Municipal Authority	Chester	---	---	AA	-	-	1,491,000	3,548,000	5,039,000	-	0.481%	67.322%
52	Lower Oxford Township	Chester	---	---	---	312,000	-	-	644,000	956,000	-	0.091%	67.413%
53	Lower Perkiomen Valley Regional Sewer Authority	Montgomery	---	---	AA-	-	8,412,000	-	34,989,000	43,401,000	-	4.139%	71.552%
54	Lower Pottsgrove Township Authority	Montgomery	---	---	AA	-	-	5,222,000	-	5,222,000	-	0.498%	72.050%
55	Lower Providence Township	Montgomery	---	Aa2	---	-	-	220,000	729,000	949,000	610,000	0.091%	72.140%
56	Lower Providence Township Sewer Authority	Montgomery	---	Aa2	---	-	-	-	9,998,000	9,998,000	-	0.953%	73.094%
57	Lower Salford Township	Montgomery	---	Aa2	---	-	1,392,000	-	-	1,392,000	-	0.133%	73.227%
58	Malvern Borough	Chester	---	---	---	-	-	-	32,000	32,000	-	0.003%	73.230%
59	Marcus Hook Borough	Delaware	---	---	---	-	552,000	-	1,069,000	1,621,000	-	0.155%	73.384%
60	Marple Township	Delaware	---	---	AA	-	-	-	18,606,000	18,606,000	-	1.774%	75.159%
61	Montgomery County	Montgomery	---	Aaa	---	-	-	-	219,100	219,100	-	0.021%	75.180%
62	Montgomery Township	Montgomery	---	---	AAA	-	-	-	22,156,000	22,156,000	-	2.113%	77.293%
63	Morton Borough	Delaware	---	---	---	83,000	-	-	-	83,000	-	0.008%	77.301%
64	Nether Providence Township	Delaware	---	---	---	-	-	675,000	1,577,000	2,252,000	1,105,000	0.215%	77.515%
65	New Britain Township	Bucks	---	---	---	117,000	-	-	-	117,000	-	0.011%	77.526%
66	Newtown Township	Delaware	---	Aaa	---	-	-	-	12,078,000	12,078,000	-	1.152%	78.678%
67	Norristown Municipality	Montgomery	---	---	A+	-	-	-	708,000	708,000	-	0.068%	78.746%
68	North Coventry Township	Chester	---	---	AA	-	-	-	1,051,000	1,051,000	-	0.100%	78.846%
69	North Coventry Water Authority	Chester	---	---	AA	-	-	-	258,000	258,000	258,000	0.025%	78.871%
70	North Wales Borough	Montgomery	---	---	---	-	-	-	1,819,000	1,819,000	-	0.173%	79.044%
71	Northeastern York County Sewer Authority	York	---	---	---	-	-	403,000	8,034,000	8,437,000	3,241,000	0.805%	79.849%
72	Northeastern York School District	York	---	---	A+	-	-	-	1,399,000	1,399,000	-	0.133%	79.982%
73	Norwood Borough	Delaware	---	---	---	-	-	-	220,000	220,000	-	0.021%	80.003%
74	Ontelaunee Township	Berks	---	---	AA-	-	-	-	978,000	978,000	978,000	0.093%	80.096%
75	Parkeburg Borough	Chester	---	---	---	-	-	-	2,812,000	2,812,000	2,812,000	0.268%	80.365%
76	Pennndel Borough	Bucks	---	---	---	-	-	-	1,059,000	1,059,000	-	0.101%	80.466%
77	Pennsbury Township	Chester	AA	---	---	-	-	-	2,650,000	2,650,000	-	0.253%	80.718%
78	Perkasie Borough	Bucks	---	---	---	527,000	164,000	-	1,386,000	2,077,000	-	0.198%	80.916%
79	Pocopson Township	Chester	---	Aa2	---	-	-	924,000	468,000	1,392,000	468,000	0.133%	81.049%
80	Prospect Park Borough	Delaware	---	---	---	-	-	-	1,282,000	1,282,000	-	0.122%	81.171%
81	Quakertown Community School District	Bucks	---	Aa3	---	402,000	-	-	-	402,000	-	0.038%	81.210%
82	Red Lion Area School District	York	---	Aa3	AA-	-	-	-	10,243,000	10,243,000	-	0.977%	82.187%
83	Ridley School District	Delaware	---	---	A-	-	-	-	5,176,000	5,176,000	-	0.494%	82.680%
84	Ridley Township	Delaware	---	---	AA-	500,000	-	-	11,393,000	11,893,000	-	1.134%	83.814%
85	Rockledge Borough	Montgomery	---	---	---	130,000	-	-	-	130,000	-	0.012%	83.827%
86	Rose Tree Media School District	Delaware	---	---	AA	-	-	-	7,550,000	7,550,000	-	0.720%	84.547%
87	Rutledge Borough	Delaware	---	---	---	-	-	-	152,000	152,000	-	0.014%	84.561%
88	Solebury Township	Bucks	---	Aa1	---	-	1,790,000	-	-	1,790,000	-	0.171%	84.732%
89	South Coventry Township	Chester	---	---	---	288,000	-	-	-	288,000	-	0.027%	84.760%
90	Southern Delaware County Authority	Delaware	---	---	---	215,000	-	-	-	215,000	-	0.021%	84.780%

(1) Certain loans are insured by Assured Guaranty Municipal Corp. ("AGM") and Build America Mutual Assurance Company ("BAM") 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. BAM is rated "AA" by S&P.

## EXHIBIT I: LOANS OUTSTANDING AS OF DECEMBER 31, 2022

No.	Borrower	County	Participant or Guarantor Ratings			Loans Outstanding				Total Outstanding 31-Dec-22	Insured (1) Loan Principal	Concentration	
			Kroll	Moody's	S&P	1997 Series	1998 Series	2002 Series	Master Series			Borrower	Cumulative
91	Spring Grove Borough	York	---	---	A	-	-	-	52,000	52,000	-	0.005%	84.785%
92	Springfield Township	Delaware	---	---	---	-	559,000	-	-	559,000	-	0.053%	84.838%
93	Springfield Township, York County, Sewer Authority	York	---	---	---	-	-	2,867,000	-	2,867,000	2,867,000	0.273%	85.112%
94	Stroudsburg Area School District	Monroe	---	Aa3	A+	-	5,986,000	-	12,789,000	18,775,000	5,986,000	1.791%	86.902%
95	Swarthmore Borough	Delaware	---	---	---	-	220,000	-	473,000	693,000	220,000	0.066%	86.968%
96	Tinicum Township (Bucks)	Bucks	A+	---	---	-	-	-	5,574,000	5,574,000	-	0.532%	87.500%
97	Tinicum Township (Delaware)	Delaware	---	Aa3	---	-	405,000	-	8,767,000	9,172,000	688,000	0.875%	88.375%
98	Towamencin Municipal Authority	Montgomery	---	---	AA	-	-	-	6,718,000	6,718,000	-	0.641%	89.015%
99	Towamencin Township	Montgomery	---	---	AA	-	-	-	8,555,000	8,555,000	2,370,000	0.816%	89.831%
100	Towamencin Township Infrastructure Authority	Montgomery	---	---	AA	-	-	-	4,077,000	4,077,000	-	0.389%	90.220%
101	Upland Borough	Delaware	A-	---	---	-	-	-	555,000	555,000	-	0.053%	90.273%
102	Upper Dublin Township	Montgomery	---	Aa1	---	-	3,601,000	-	25,215,000	28,816,000	-	2.748%	93.021%
103	Upper Dublin Township Municipal Authority	Montgomery	---	Aa1	---	-	-	-	5,290,000	5,290,000	-	0.504%	93.526%
104	Upper Providence Township (Delaware)	Delaware	---	---	AA-	-	-	-	641,000	641,000	-	0.061%	93.587%
105	Upper Providence Township Sewer Authority	Delaware	---	---	AA-	-	1,322,000	-	8,280,000	9,602,000	-	0.916%	94.502%
106	Upper Salford Township	Montgomery	---	---	---	-	-	-	510,000	510,000	-	0.049%	94.551%
107	Upper Southampton Municipal Authority	Bucks	AA	---	---	278,000	104,000	4,480,000	7,029,000	11,891,000	-	1.134%	95.685%
108	Upper Southampton Township	Bucks	AA	---	---	-	583,000	26,000	1,303,000	1,912,000	102,000	0.182%	95.867%
109	Uwchlan Township	Chester	---	Aa1	---	395,000	-	-	-	395,000	-	0.038%	95.905%
110	Wallingford-Swarthmore School District	Delaware	---	---	AA-	-	-	-	16,363,000	16,363,000	-	1.561%	97.466%
111	Warminster Township	Bucks	---	---	A	-	-	-	13,815,000	13,815,000	-	1.318%	98.783%
112	West Fallowfield Township	Chester	---	---	---	-	277,000	-	-	277,000	-	0.026%	98.810%
113	West Goshen Township	Chester	AA+	---	AA+	-	-	-	3,121,000	3,121,000	-	0.298%	99.107%
114	West Pottsgrove Township	Montgomery	---	---	---	-	-	-	1,345,000	1,345,000	1,345,000	0.128%	99.235%
115	West Sadsbury Township	Chester	---	---	---	-	354,000	-	-	354,000	-	0.034%	99.269%
116	West Vincent Township	Chester	---	Aa3	---	-	-	-	4,069,000	4,069,000	-	0.388%	99.657%
117	Whitpain Township	Montgomery	---	Aaa	---	-	1,804,000	-	-	1,804,000	-	0.172%	99.829%
118	Yeadon Borough	Delaware	---	---	---	-	-	1,115,000	675,000	1,790,000	-	0.171%	100.000%
Total Loans Outstanding							<u>\$ 14,282,000</u>	<u>\$ 182,566,000</u>	<u>\$ 114,977,000</u>	<u>\$ 736,745,800</u>	<u>\$ 1,048,570,800</u>	<u>\$ 149,727,000</u>	100.000%

(1) Certain loans are insured by Assured Guaranty Municipal Corp. ("AGM") and Build America Mutual Assurance Company ("BAM") 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. BAM is rated "AA" by S&P.

## **Independent Auditors' Report**

To the Board of Directors of  
Delaware Valley Regional Finance Authority

### **Opinion**

We have audited the accompanying financial statements of Delaware Valley Regional Finance Authority (DeVal), which comprise the balance sheet as of December 31, 2022, and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Delaware Valley Regional Finance Authority as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of DeVal and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about DeVal's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of DeVal's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about DeVal's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 US, LLP*

Philadelphia, Pennsylvania  
June 27, 2023

**DELAWARE VALLEY REGIONAL FINANCE AUTHORITY**  
**BALANCE SHEET**  
**DECEMBER 31, 2022**

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 121,111,001
Restricted cash equivalents	57,622,000
Accrued interest receivable:	
Loans	1,087,379
Interest rate swaps	5,590,113
Cash equivalents and investments	255,686
Prepaid expenses	180,952
Loans to local governments	<u>105,098,500</u>
Total current assets	<u>290,945,631</u>
NONCURRENT ASSETS:	
Restricted investments	20,893,580
Loans to local governments	943,472,300
Unamortized prepaid interest rate swap expense	2,667,965
Fair value of derivative transactions	<u>124,640,844</u>
Total noncurrent assets	<u>1,091,674,689</u>
TOTAL	<u><u>\$ 1,382,620,320</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
CURRENT LIABILITIES:	
Accrued expenses	\$ 37,555
Bond principal payable	50,000,000
Estimated rebate liability	300,000
Accrued interest payable:	
Interest rate swaps	408,764
Bonds	<u>17,265,614</u>
Total current liabilities	<u>68,011,933</u>
LONG TERM LIABILITIES:	
Bonds payable, net	1,162,888,108
Estimated rebate liability	<u>100,000</u>
Total long term liabilities	<u>1,162,988,108</u>
DEFERRED INFLOWS OF RESOURCES:	
Accumulated increase in fair value of hedging derivatives	<u>124,640,844</u>
Total liabilities and deferred inflows of resources	1,355,640,885
NET POSITION	<u>26,979,435</u>
TOTAL	<u><u>\$ 1,382,620,320</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, 2022**

Revenues:	
Loan interest	\$ 20,742,238
Interest rate swap	17,352,594
Interest on investments and cash equivalents	<u>4,148,042</u>
Total revenues	<u>42,242,874</u>
Expenses:	
Interest expense:	
Bonds	33,851,795
Interest rate swaps	4,771,582
Costs of issuance	1,806,840
Credit or liquidity facility fees	916,941
Administrative expenses	<u>1,404,808</u>
Total expenses	<u>42,751,966</u>
Revenues under expenses	<u>(509,092)</u>
Other changes:	
Increase of estimated rebate liability	(200,000)
Class action settlement	18,530
Unrealized loss on restricted investments	<u>(938,918)</u>
Total other changes, net	<u>(1,120,388)</u>
Decrease in net position	(1,629,480)
Net position, beginning	<u>28,608,915</u>
Net position, ending	<u><u>\$ 26,979,435</u></u>

---

See Notes to Financial Statements

**DELAWARE VALLEY REGIONAL FINANCE AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2022**

Cash flows from operating activities	
Interest received on loans to local governments and interest rate swap agreements	\$ 37,493,858
Payment of interest on bonds and interest rate swap agreements	(39,525,419)
Loans to local governments	(142,833,000)
Repayments of loan principal from local governments	110,430,200
Administrative expenses paid	(1,466,944)
Interest received on investments and cash equivalents	3,933,252
Credit or liquidity facility fees paid	(916,941)
Proceeds of bond issues	254,641,830
Class action settlement proceeds	18,530
Bond issuance costs	(1,806,840)
Redemption of investments and restricted investments	111,289
Payment of bond principal	<u>(150,000,000)</u>
 Net cash provided by operating activities and increase in cash and cash equivalents	 70,079,815
 Cash and cash equivalents and restricted cash and cash equivalents, beginning	 <u>108,653,186</u>
 Cash and cash equivalents and restricted cash and cash equivalents, ending	 <u>\$ 178,733,001</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS  
AND RESTRICTED CASH AND CASH EQUIVALENTS  
TO THE BALANCE SHEET

Cash and cash equivalents, ending	\$ 121,111,001
Restricted cash and cash equivalents, ending	<u>57,622,000</u>
Cash and cash equivalents and restricted cash and cash equivalents, ending	<u>\$ 178,733,001</u>

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

Change in net position	<u>\$ (1,629,480)</u>
Adjustments for other revenues, expenses, and transfers	
Increase of estimated rebate liability	200,000
Unamortized prepaid interest rate swap expense	581,725
Adjustments for changes in assets and liabilities	
Decrease (increase) in:	
Investments	1,247,212
Restricted investments	(197,005)
Accrued interest receivable:	
Loans	(746,591)
Interest rate swaps	145,617
Cash equivalents and investments	(214,790)
Prepaid expenses	(88,219)
Loans to local governments	(32,402,800)
Increase (decrease) in:	
Accrued expenses	26,083
Accrued interest payable:	
Interest rate swaps	364,920
Bonds	2,360,120
Bonds payable	<u>100,433,023</u>
Total adjustments	<u>71,709,295</u>
Net cash provided by operating activities	<u>\$ 70,079,815</u>

See Notes to Financial Statements

## NOTES TO FINANCIAL STATEMENTS, AS OF DECEMBER 31, 2022

### 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 (the “Loan Program”). Eligible borrowers (each a “Participant”) include school districts, townships, boroughs, cities, and counties (each a “Local Government Unit”) and authorities (each an “Authority”). Since its inception, DelVal has originated 614 loans (each a “Loan”) in the aggregate principal amount of approximately \$3.91 billion to 212 different Participants located in 16 counties of Pennsylvania.

Each Loan to a Local Government Unit is secured by the pledge of its full faith, credit, and taxing power. DelVal may also require a Loan to a Local Government Unit to be additionally secured by a financial guaranty policy (each a “Participant Credit Enhancement”) issued by an insurer (each a “Participant Credit Enhancer”) with a rating of “Aa3” or higher from Moody’s Investors Service (“Moody’s”) or “AA-” or higher from S&P Global Ratings (“S&P”). DelVal is the beneficiary of the Participant Credit Enhancements; the Participant Credit Enhancements do not secure the repayment of debt service on any bonds issued by DelVal.

Each Loan to an Authority must meet at least one of the following conditions: (i) rated “Aa3” or higher by Moody’s or “AA-” or higher by S&P, (ii) secured by a guaranty (each a “Guaranty”) with the pledge of the full faith, credit, and taxing power of a Local Government Unit (each a “Guarantor”), or (iii) secured by a Participant Credit Enhancement. Any Loan to an Authority not secured by a Guaranty or Participant Credit Enhancement must include a covenant by the Authority to secure a Guaranty or Participant Credit Enhancement if its rating is reduced below “Aa3” by Moody’s or “AA-” by S&P. All Loans to Authorities outstanding as of December 31, 2022, were either secured by a Guaranty or a Participant Credit Enhancement.

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 administrator (the “Administrator”), solicitor, bond counsel, remarketing agents, credit facility providers, and trustees who manage the daily operations of DelVal and its Loan Program.

Ten series of bonds (each a “DelVal Series”) in the aggregate par amount of approximately \$1.2 billion were outstanding to fund the Loan Program as of December 31, 2022:

- 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) \$110,000,000 Local Government Revenue Bonds, 2007 Series A, B and C (the “2007 Series”),
- 5) \$165,000,000 Local Government Revenue Bonds, 2018 Series A, C, D, and E (the “2018 Series”),
- 6) \$100,000,000 Local Government Revenue Bonds, 2020 Series A (the “2020 A Series”),
- 7) \$125,000,000 Local Government Revenue Bonds, 2020 Series B and D (the “2020 BD Series”),
- 8) \$45,000,000 Local Government Revenue Bonds, 2021 Series A (the “2021 A Series”),
- 9) \$155,000,000 Local Government Revenue Bonds, 2022 Series A, B and C (the “2022 ABC Series”), and
- 10) \$97,000,000 Local Government Revenue Bonds, 2022 Series D and E (the “2022 DE Series”).

On February 22, 2023, DelVal issued the \$141,030,000 Local Government Revenue Bonds, 2023 Series A, (the “2023 A Series”) and optionally redeemed the \$50,000,000 2018 C Series and the \$100,000,000 2020 A Series.

The 1997, 1998, and 2002 Series are secured by the Loan agreements (each a “Loan Agreement”) and other assets related to each respective series. All DelVal Series issued since 2007 (collectively, the “Master Series”) were issued under a master indenture (the “Master Indenture”), and they are equally and ratably secured by all of the Loan Agreements and other assets under the Master Indenture. Bondholders of the DelVal Series are also secured by the Covenant Agreement. Under the Covenant Agreement, DelVal is obligated to transfer any available unrestricted funds (the “Excess Funds”) from any DelVal Series to cover any deficiency of any other DelVal Series. The Covenant Agreement also requires DelVal to maintain a Loan portfolio with no more than 10% of its available funding originated to Participants that are not rated or insured or rated below “A3” by Moody’s Investors Service (“Moody’s”) or “A-” by S&P Global Ratings (“S&P”).

### **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 generally accepted accounting principles in the United States of America (“GAAP”) 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 (each a “GIC”) 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. DelVal assesses an origination fee, currently 0.10% of the principal amount, 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 historical rarity of any payment defaults, DelVal has not provided 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 an expense or revenue. The Administrator is responsible for the calculations. In a subsequent event, DelVal made a rebate payment of \$29,018 to the US Treasury on April 5, 2023, related to the 2020 A Series. The first rebate calculation period for the 2018 Series will end on June 27, 2023, and the next rebate calculation period for the 1998 Series will end on August 1, 2023.

### **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, 2022, 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.

### **Use of Estimates**

The preparation of financial statements in conformity with GAAP 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 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. 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 GIC’s. 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 restricted investments consist of floating rate notes (each an “FRN”) with interest rates indexed to SOFR adjusted daily. DelVal’s cash, cash equivalents, restricted cash equivalents, and restricted investments on December 31, 2022, are set forth below.

[Remainder of page intentionally left blank]

**Cash Equivalents, Restricted Cash Equivalents, and  
Restricted Investments as of December 31, 2022**

	<u>1997 Series</u>	<u>1998 Series</u>	<u>2002 Series</u>	<u>Master Series</u>	<u>Total</u>
Cash equivalents	<u>\$ 11,890,061</u>	<u>\$ 46,570,807</u>	<u>\$ 29,551,907</u>	<u>\$ 33,098,226</u>	<u>\$ 121,111,001</u>
Restricted accounts					
Cash equivalents	\$ 2,800,000	\$ 25,000,000	\$ 12,500,000	\$ 17,322,000	\$ 57,622,000
Investments (1)	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,893,580</u>	<u>20,893,580</u>
Total	<u>\$ 2,800,000</u>	<u>\$ 25,000,000</u>	<u>\$ 12,500,000</u>	<u>\$ 38,215,580</u>	<u>\$ 78,515,580</u>

(1) Recorded at fair value.

The DelVal Board of Directors has not adopted a formal investment policy; however, the Indentures of the DelVal Series serve the same purpose. Eligible investments under the Master Indenture must, at the time of the purchase or execution, meet the following rating thresholds: (i) for investments with a maturity or option to tender of 360 days or less, a rating of “A-1” or “A-1+” by S&P, “P-1” or “VMIG 1” by Moody’s, “F1” or “F1+” by Fitch Ratings (“Fitch”), or an equivalent rating by any other Nationally Recognized Statistical Rating Organization (each an “NRSRO”) and (ii) for investments with a maturity or option to tender greater than 360 days, counterparty or equivalent ratings of “Aa3” or higher by Moody’s, “AA-” or higher by S&P or Fitch, or an equivalent rating by any other NRSRO. Eligible investments include the following:

- 1) Cash,
- 2) Direct obligations of the U.S. Treasury,
- 3) U.S. dollar denominated deposit accounts, federal funds and bankers’ acceptances with domestic commercial banks,
- 4) Commercial paper,
- 5) Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P, “Aaa-mf” by Moody’s, “AAAmmf” by Fitch, or an equivalent rating by any other NRSRO with a published rating on the Bonds (without regard to whether the Trustee controls such money market fund),
- 6) Bonds or notes issued by federal agencies, state or local governments, or financial institutions or other corporations,
- 7) Investment agreements with an Investment Agreement Provider, approved in writing by the Administrator, and
- 8) Other forms of investments, including repurchase agreements, approved in writing by the Administrator.

The Indentures require the 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 to: (i) collateralize its obligations under the respective GIC with cash, U.S. Treasury obligations, or certain Agency securities or (ii) terminate the respective GIC and 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, 2022, the Natixis obligations guaranteed by CDC were rated “Aa2” by Moody’s, “AA” by S&P, and “AA” by 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, 2022, 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, FRN’s, and restricted cash equivalents, variable rate demand obligations. The remaining funds of the Master Series are invested principally in a GIC provided by Citigroup Financial Products Inc. (“CFPI”) or in variable rate demand obligations. The obligations of CFPI are secured by a 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, 2022, 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.

Funds held to originate new Loans were provided originally from the proceeds of the DelVal Series. Other funds were provided from DelVal’s operations. DelVal’s cash, cash equivalents, and investments as of December 31, 2022, allocated by use are set forth below.

[Remainder of page intentionally left blank]

**Cash, Cash Equivalents, and Investments by Use of Funds as of December 31, 2022**

	<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)	\$ 10,918,000	\$ 42,434,000	\$ 25,682,000	\$ 31,162,450	\$ 110,196,450
Available for any purpose	<u>972,061</u>	<u>4,136,807</u>	<u>3,869,907</u>	<u>1,935,776</u>	<u>10,914,551</u>
Total	<u>\$ 11,890,061</u>	<u>\$ 46,570,807</u>	<u>\$ 29,551,907</u>	<u>\$ 33,098,226</u>	<u>\$ 121,111,001</u>

(1) The funds to originate loans are over-collateralized by \$38,089,250.

The fair value of the instruments that constitute the cash equivalents, investments, restricted cash equivalents, and restricted investments held by DeVal on December 31, 2022, are summarized in the following table. DeVal 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. DeVal records investments and restricted investments at fair value. As of December 31, 2022, the concentration of cash equivalents, restricted cash equivalents, investments, and restricted investments in the obligations of the Pacific Life Global Funding, the New York City Municipal Water Finance Authority, BayernLB, and Natixis exceeded 5%.

[Remainder of page intentionally left blank]

**Cash Equivalents, Investments, Restricted Cash Equivalents,  
and Restricted Investments as of December 31, 2022**

<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>Fair Value Restricted Investments</i>	<i>Total 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>										
National Australia Bank	Aa3	AA-	***	12-Jan-27	4.950%	\$ -	\$ -	\$ 4,607,410	\$ 4,607,410	2.308%
Pacific Life Global Funding	Aa3	AA-	AA-	4-Jun-26	4.920%	-	-	16,286,170	16,286,170	8.158%
<i>Variable Rate Demand Obligations</i>										
New York City Water Finance Authority	A-1+	P-1	F1+	15-Jun-49	3.600%	12,707,000	4,793,000	-	17,500,000	8.766%
<i>GIC's (2)</i>										
BayernLB	Aa3	***	A-	1-Jul-26	4.040%	-	12,529,000	-	12,529,000	
BayernLB (3)	Aaa	***	AAA	27-Jul-28	5.290%	46,570,807	25,000,000	-	71,570,807	42.129%
CFPI (4)	A3	BBB+	A	28-May-42	4.831%	20,391,226	-	-	20,391,226	10.215%
Natixis (5)	Aa2	AA	AA	28-Jun-27	5.240%	11,890,061	2,800,000	-	14,690,061	
Natixis (5)	Aa2	AA	AA	28-Jun-32	4.830%	29,551,907	12,500,000	-	42,051,907	28.424%
Total						<u>\$ 121,111,001</u>	<u>\$ 57,622,000</u>	<u>\$ 20,893,580</u>	<u>\$ 199,626,581</u>	100.000%

(1) Notes pay a spread over SOFR, 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, 2022.

### 3. LOANS TO LOCAL GOVERNMENTS

DelVal originates Loans to Participants to fund various capital projects pursuant to the terms, conditions, covenants and restrictions contained in the respective Trust Indentures, Promissory Notes, and Loan Agreements. Loans to Participants with taxing power are secured by pledges of the full faith, credit, and taxing power of the Participants. Loans to Participants that do not enjoy taxing power must be secured by a Participant Credit Enhancement or a Guaranty if the Participants are not rated “Aa3” or higher by Moody’s or “AA-” or higher by S&P. Currently, all of the outstanding Loans are secured by pledges of the full faith, credit and taxing power of the Participants or their Guarantors. Principal repayments of the Loans are paid in accordance with amortization schedules established at closing. The interest rates on variable rate Loans vary with market conditions, linked to the SIFMA Index. The average interest rate on variable rate Loans during 2022 was 1.890%, and interest rates on fixed rate Loans ranged from 0.632% 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.

As of December 31, 2022, 252 Loans in the aggregate principal amount of \$1.05 billion were outstanding to 118 different Participants located in 10 counties. Loans to Delaware County accounted for 27.681% of the total principal outstanding.

A Participant pays an origination fee at the closing of the Loan, currently 0.50% of the principal amount, to pay the professional fees for preparation of advertisements, ordinances, resolutions, and closing documents. From this origination fee, DelVal retains an amount equal to 0.10% of the principal amount, less a \$500 fee for the Trustee, that is recognized as Loan interest income at the closing of the Loan.

The City of Chester (the “City”) filed for relief under Chapter 9 of the *Bankruptcy Code* on November 10, 2022. The City issued its \$932,000 General Obligation Notes, 2010 B Series (the “City Loan”) to DelVal, and the City defaulted of its monthly interest payments of \$2,023 due to DelVal from November 25, 2022, to February 25, 2023. Under a stipulation of the Bankruptcy Court, DelVal received a payment of \$91,194 on March 3, 2022, for the delinquent interest payments, interest to be accrued in 2023, and a portion of the principal payment due on June 25, 2023. Under a stipulation approved by the Bankruptcy Court on May 17, 2023, DelVal and the City settled on the repayment of the City Loan. The City recognized and consented to the priority of the pledge of the Harrah’s Table Games Revenues to repay the City Loan, and DelVal waived any claims on any other revenues. DelVal expects the receipts from the Harrah’s Table Games Revenues will be sufficient to repay the City Loan as scheduled.

A schedule of the Loan principal outstanding as of December 31, 2022, is shown below.

[Remainder of page intentionally left blank]

**Loans Outstanding on December 31, 2022**

	<u>1997 Series</u>	<u>1998 Series</u>	<u>2002 Series</u>	<u>Master Series</u>	<u>Total</u>
Principal outstanding	\$ 14,282,000	\$ 182,566,000	\$ 114,977,000	\$ 736,745,800	\$ 1,048,570,800
Less current amount	<u>(4,566,000)</u>	<u>(36,061,000)</u>	<u>(7,872,000)</u>	<u>(56,599,500)</u>	<u>(105,098,500)</u>
Net amount	<u>\$ 9,716,000</u>	<u>\$ 146,505,000</u>	<u>\$ 107,105,000</u>	<u>\$ 680,146,300</u>	<u>\$ 943,472,300</u>

Interest on the Loans 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 Administrator to provide funds sufficient to pay (i) debt service due on the DelVal Series, (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**

<u>Year</u>	<u>1997 Series</u>	<u>1998 Series</u>	<u>2002 Series</u>	<u>Master Series</u>	<u>Total</u>
2023	\$ 4,566,000	\$ 36,061,000	\$ 7,872,000	\$ 56,599,500	\$ 105,098,500
2024	4,115,000	37,720,000	8,168,000	48,388,700	98,391,700
2025	4,058,000	37,668,000	8,352,000	48,084,900	98,162,900
2026	880,000	24,983,000	12,543,000	48,138,100	86,544,100
2027	663,000	24,732,000	12,202,000	46,254,300	83,851,300
Thereafter	<u>-</u>	<u>21,402,000</u>	<u>65,840,000</u>	<u>489,280,300</u>	<u>576,522,300</u>
Total	<u>\$ 14,282,000</u>	<u>\$ 182,566,000</u>	<u>\$ 114,977,000</u>	<u>\$ 736,745,800</u>	<u>\$ 1,048,570,800</u>

**Covenant Agreement**

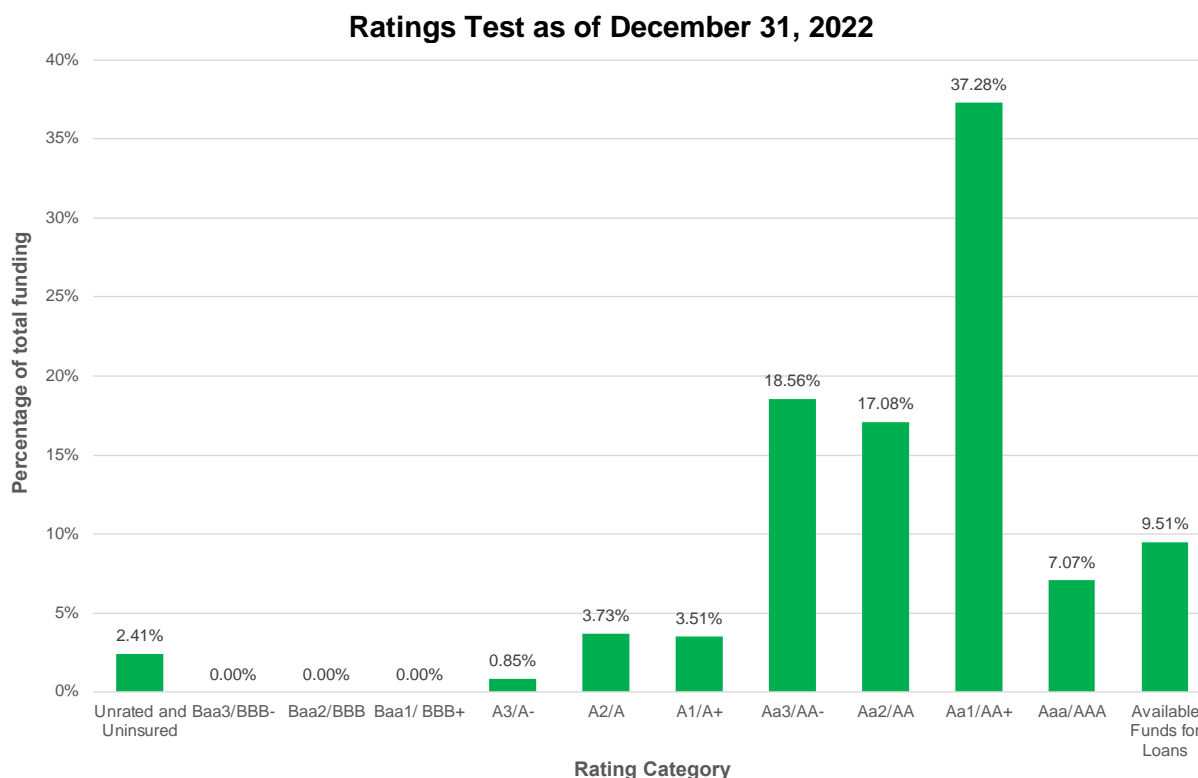
DelVal adopted the Covenant Agreement in 2001 to improve the security of the bondholders of the DelVal Series. Under the terms of the Covenant Agreement, DelVal pledged to use any Excess Funds to cure any deficiency in any trust estate. Excess Funds can only be used for the Loan Program as long as any 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 Participant Credit Enhancement 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 Administrator.

Assured Guaranty Municipal Corp. (“AGM”), currently rated “A2” by Moody’s, “AA” by S&P, and “AA+” by Kroll Bond Rating Agency (“Kroll”) 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, 2022, the repayment of 14.28% 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 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, 2022, 2.41% 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.



#### 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. Currently, no direct placements or borrowings are outstanding; all of the outstanding bond series have been issued through public sales. DelVal has no taxing power. 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. 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.

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. Seven series outstanding as of December 31, 2022, 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 2018 Series was issued under the Fifth Supplemental Indenture on June 27, 2018; the 2020 A Series was issued under the Sixth Supplemental Indenture on May 1, 2020; the 2020 BCD Series was issued under the Seventh Supplemental Indenture on November 2, 2020; the 2021 A Series was issued under the Eighth Supplemental Indenture on February 3, 2021; the 2022 ABC Series was issued under the Ninth Supplemental Indenture on February 10, 2022; and the 2022 DE Series was issued under the Tenth Supplemental Indenture on July 14, 2022. In a subsequent event on February 22, 2023, DelVal issued the 2023 A Series under the Eleventh Supplemental Indenture and optionally redeemed \$50,000,000 of the 2018 Series and all \$100,000,000 of the 2020 A Series.

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 apply the idle repayments to fund an Extraordinary Mandatory Redemption of the Ambac Series. The market price of the Ambac Series may be higher than the price bondholders would receive under an Extraordinary Mandatory Redemption.

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, 2022**

	<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-Nov-2055	
Par amount outstanding	\$ 28,000,000	\$ 250,000,000	\$ 125,000,000	\$ 797,000,000	\$ 1,200,000,000
Bond principal, current	-	-	-	(50,000,000)	(50,000,000)
Unamortized amounts					
Insurance premium	(143,438)	(276,242)	-	-	(419,680)
Original issue premium	<u>331,453</u>	<u>3,346,928</u>	<u>2,425,930</u>	<u>7,203,477</u>	<u>13,307,788</u>
Net amount	<u>\$ 28,188,015</u>	<u>\$ 253,070,686</u>	<u>\$ 127,425,930</u>	<u>\$ 754,203,477</u>	<u>\$ 1,162,888,108</u>

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	\$ 28,241,755	\$ 253,740,220	\$ 127,711,196	\$ 602,761,914	\$ 1,012,455,085
Amortized amounts					
Insurance premium (1)	40,998	60,232	-	-	101,230
Original issue premium	(94,738)	(729,766)	(285,266)	(2,601,196)	(3,710,966)
Extension of Letter of Credit (2)	-	-	-	50,000,000	50,000,000
Bond principal, current (3)	-	-	-	(50,000,000)	(50,000,000)
New debt issued					
Par amount	-	-	-	252,000,000	252,000,000
Net original issue premium	-	-	-	2,042,759	2,042,759
Net amount redeemed (4)	-	-	-	(100,000,000)	(100,000,000)
Ending net amount	<u>\$ 28,188,015</u>	<u>\$ 253,070,686</u>	<u>\$ 127,425,930</u>	<u>\$ 754,203,477</u>	<u>\$ 1,162,888,108</u>

(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 Reimbursement Agreement was amended on May 19, 2022, and the stated expiration date of the facility was extended from July 8, 2022, to May 18, 2026.

(3) 2018 C Series, with a mandatory purchase date in 2023 was optionally redeemed on February 22, 2023.

(4) A portion of the 2007 C Series and all of the 2020 B Series were optionally redeemed in 2022.

The DelVal Board has adopted a Post Issuance Compliance Policy, and under the policy, the Administrator monitors and reports any compliance issues with Treasury regulations or rules of the Municipal Securities Rulemaking Board. The Administrator has not reported any compliance issues.

The principal amortization schedules and the estimated interest payments of the DelVal Series outstanding as of December 31, 2022, are shown in the following schedule. Estimates of the interest payments on the variable rate bonds are based on the final rate resets in 2022. Letter of credit and remarketing expenses are not included in the estimates. The schedule does not reflect the issuance of the 2023 A Series nor the optional redemption of the 2018 C Series and the 2020 A Series.

[Remainder of page intentionally left blank]

**Bond Principal Amortization Schedules and Estimated Interest Payments  
Debt Outstanding as of December 31, 2022**

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
2023	\$ -	\$ 1,801,000	\$ -	\$ 13,750,000	\$ -	\$ 7,187,500	\$ -	\$ 26,171,154	\$ -	\$ 48,909,654	\$ 48,909,654
2024	-	1,801,000	-	13,750,000	-	7,187,500	50,000,000	26,969,591	50,000,000	49,708,091	99,708,091
2025	-	1,801,000	-	13,750,000	-	7,187,500	-	24,469,591	-	47,208,091	47,208,091
2026	-	1,801,000	-	13,750,000	-	7,187,500	-	24,469,591	-	47,208,091	47,208,091
2027	28,000,000	1,801,000	-	13,750,000	-	7,187,500	-	24,469,591	28,000,000	47,208,091	75,208,091
2028 to 2032	-	-	250,000,000	13,750,000	125,000,000	35,937,500	72,000,000	115,872,955	447,000,000	165,560,455	612,560,455
2033 to 2037	-	-	-	-	-	-	110,000,000	108,226,698	110,000,000	108,226,698	218,226,698
2038 to 2042	-	-	-	-	-	-	10,000,000	93,110,380	10,000,000	93,110,380	103,110,380
2043 to 2047	-	-	-	-	-	-	-	90,635,380	-	90,635,380	90,635,380
2048 to 2052	-	-	-	-	-	-	230,000,000	67,870,205	230,000,000	67,870,205	297,870,205
2053 to 2057	-	-	-	-	-	-	325,000,000	34,351,981	325,000,000	34,351,981	359,351,981
<b>Total</b>	<b>\$ 28,000,000</b>	<b>\$ 9,005,000</b>	<b>\$ 250,000,000</b>	<b>\$ 82,500,000</b>	<b>\$ 125,000,000</b>	<b>\$ 71,875,000</b>	<b>\$ 797,000,000</b>	<b>\$ 636,617,117</b>	<b>\$ 1,200,000,000</b>	<b>\$ 799,997,117</b>	<b>\$ 1,999,997,117</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 May 19, 2026.

The \$50,000,000 2018 C Series, with a mandatory purchase date of September 1, 2023, was optionally redeemed on February 22, 2023.

The \$100,000,000 2020 A Series, secured by a direct-draw, letter of credit issued by TD Bank N.A., was optionally redeemed on February 22, 2023.

A direct-draw, letter of credit issued by TD Bank N.A., secures the remarketing of the \$75,000,000 2020 D Series Bonds. The stated expiration date of the facility is June 1, 2026.

A direct-draw, letter of credit issued by TD Bank N.A., secures the remarketing of the \$75,000,000 2022 E Series Bonds. The stated expiration date of the facility is July 14, 2027.

The \$141,030,000 Local Government Revenue Bonds, 2023 A Series was issued on February 22, 2023.

This schedule does not reflect the optional redemptions of the 2018 C Series and 2020 A Series or the issuance of the 2023 A 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. 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, 2022, Moody’s had assigned a rating of “A1” with a stable outlook 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 Trust Indenture requires the 1997 B Series to 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 maturity 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 \$25,000,000 Local Government Revenue Bonds, 1998 Series B and the \$25,000,000 Local Government Revenue Bonds, 1998 Series C matured on August 1, 2018. 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 1998 A Series was issued at an original issue premium of \$18,060,000.

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, 2022, Moody’s had assigned a rating of “A1” with a stable outlook 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 maturity 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 in the par amount of \$375,000,000. The \$125,000,000 Local Government Revenue Bonds, 2002 Series A matured on July 1, 2012, and the \$125,000,000 Local Government Revenue Bonds, 2002 Series B 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. The 2002 C Series was issued at an original issue premium of \$9,391,250. The 2002 Series was rated “A1” with a stable outlook by Moody’s and “A+” with a stable outlook by S&P as of December 31, 2022.

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 maturity 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 2007 Series were issued under the Master Indenture and the First Supplemental Indenture on June 28, 2007, 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 as a variable rate demand bond (“VRDB”) in a weekly rate mode, secured by a letter of credit issued by PNC Bank, National Association (“PNC”). 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 3-Month LIBOR. On February 10, 2022, DelVal optionally redeemed the \$50,000,000 2007 C Series maturing on June 1, 2027. A principal amount of \$50,000,000 of the 2007 C Series remains outstanding and 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” with a stable outlook by Moody’s and “A+” with a stable outlook by S&P as of December 31, 2022. 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 as of December 31, 2022.

The 2007 Series is subject to 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 3-Month LIBOR 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.

The Financial Conduct Authority (the “FCA”) of the United Kingdom has announced that the publication of representative 3-Month LIBOR rates will end on June 30, 2023. Under the terms of the First Supplemental Indenture, the 3-Month LIBOR interest rate on the 2007 C Series will be replaced by the rate prescribed under the protocol (the “IBOR Fallback Protocol”) of the International Swaps and Derivatives Association (“ISDA”), currently based on the Secured Overnight Financing Rate Index (the “SOFR Index”) published by the New York Federal Reserve Bank. Both DelVal and Citibank, N.A., the Counterparty to the swaps related to the 2007 C Series, have adhered to the IBOR Fallback Protocol and will use the ISDA protocol to replace 3-Month LIBOR.

## **2018 Series**

On June 27, 2018, DelVal issued the 2018 Series 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 Local Government Revenue Bonds, 2014 Series (the “2014 Series”), which together with proceeds from the acquisition of Loans by other DelVal Series and other available funds, were used to redeem a portion of the Local Government Revenue Bonds, 2014 Series (the “2014 Series”). Proceeds of the 2018 Series were also used to fund a Debt Service Reserve Fund, provide additional funds to originate Loans, and pay the costs of issuance. The 2018 Series was assigned ratings of “A1” by Moody’s and “A+” by S&P as of December 31, 2022.

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 the risks of changes in long-term interest rates, DelVal executed a swap transaction 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 was payable monthly. DelVal optionally redeemed the 2018 B Series on February 10, 2022. In a subsequent event on February 22, 2023, DelVal optionally redeemed the 2018 C Series.

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 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 FCA has announced that the publication of representative 1-Month LIBOR rates will end on June 30, 2023. Under the terms of the Fifth Supplemental Indenture, the 1-Month LIBOR interest rate on the 2018 D Series and 2018 E Series will be replaced by the rate prescribed under the IBOR Fallback Protocol of ISDA, currently based on SOFR. Both DelVal and PNC Bank, National Association., the Counterparty to the swaps related to the 2018 D Series and 2018 E Series, have adhered to the IBOR Fallback Protocol and will use the ISDA protocol to replace 1-Month LIBOR.

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.

## **2020 A Series**

The 2020 A Series was issued under the Master Indenture and the Sixth Supplemental Indenture on May 1, 2020, in the par amount of \$100,000,000, maturing on May 1, 2055, as a VRDB in a weekly rate mode, secured by a letter of credit issued by TD Bank, N.A. ("TD"). The remarketing agent, TD Securities LLC, resets the interest rates on the 2020 A 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 Sixth Supplemental Indenture, is 15%. Interest on the weekly rate bonds is paid monthly. Holders of the 2020 A Series may, with seven days of notice, tender the bonds to the tender agent at par. The 2020 A Series is subject to optional redemption, in whole or part, and purchase by DelVal at par. The 2020 A 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. See "Note 5. Credit Facilities" for additional information. The 2020 A Series was assigned ratings of "A1/VMIG 1" by Moody's and "AA+/A-1" by S&P as of December 31, 2022. In a subsequent event on February 22, 2023, DelVal optionally redeemed the 2020 A Series. DelVal made a rebate payment of \$29,018 related to the 2020 A Series to the US Treasury on April 5, 2023.

The proceeds of the 2020 A Series were used to: (i) fund the origination of new Loans, (ii) acquire Loans from the Local Government Revenue Bonds, 2017 Series (the "2017 Series"), and (iii) fund a deposit to the Debt Service Reserve Fund. The costs of issuance were paid from available, unrestricted funds of DelVal. A portion of the 2017 Series, evidencing the direct placement of a loan from TD Bank, N.A., was redeemed with the proceeds from the acquisition of Loans by the 2020 A Series and other DelVal Series and other available funds.

## **2020 BCD Series**

The 2020 BCD Series were issued under the Master Indenture and the Seventh Supplemental Indenture in the par amount of \$175,000,000 on November 2, 2020. The proceeds of the 2020 BCD Series were used to: (i) fund the origination of new Loans, (ii) acquire Loans from the 2014 Series and the 2017 Series, (iii) fund a deposit to the Debt Service Reserve Fund, and (iv) pay the costs of issuance. Portions of the 2014 Series and the 2017 Series, evidencing the direct placement of loans from Bank of America, N.A. and TD Bank, N.A., were redeemed from the proceeds of the acquisition of Loans by the 2020 BCD Series and other DelVal Series and other available funds.

The \$50,000,000 2020 B Series was issued with a coupon of 5.00% to yield 0.62% with an original issue premium of \$8,633,000 maturing on November 1, 2024. In order to hedge the risk of changes in long-term interest rates, DelVal executed a swap transaction on April 19, 2021, related to the 2020 B Series under which DelVal receives a fixed rate and pays the SIFMA Index.

The \$50,000,000 2020 C Series was issued as a weekly R-FLOATs security maturing on November 1, 2055. BofA Securities, the remarketing agent of the 2020 C Series, resets the interest rates effective every Thursday. The 2020 C Series are subject to optional redemption, in whole or part, and purchase by DelVal at par. On July 14, 2022, DelVal optionally redeemed the 2020 C Series.

The \$75,000,000 2020 D Series was issued as a weekly VRDB maturing on November 1, 2055, with the remarketing secured by a direct-draw letter of credit issued by TD. TD Securities LLP, the remarketing agent of the 2020 D Series, resets the interest rates effective every Wednesday. The 2020 D Series are subject to optional redemption, in whole or part, and purchase by DelVal at par. The 2020 D Series are 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. See “Note 5. Credit Facilities” for additional information.

Interest on the 2020 B Series is paid semiannually, and interest on the 2020 D Series is paid monthly on the first business day. The interest rates of the 2020 D Series 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 Seventh Supplemental Indenture, is 15%. Holders of the 2020 D Series may, with seven days of notice, tender the bonds to the tender agent at par.

The 2020 B Series and 2020 D Series are subject to an Extraordinary Mandatory Redemption under certain circumstances defined in the Seventh Supplemental Indenture, principally the inability to originate Loans for a protracted period of time, at the purchase prices and premiums set forth in the Seventh Supplemental Indenture. As of December 31, 2022, the 2020 B Series was assigned ratings of “A1” by Moody’s and “A+” by S&P, and the 2020 D Series was assigned ratings of “A1/VMIG 1” by Moody’s and “AA+/A-1” by S&P.

## **2021 A Series**

On February 3, 2021, DelVal issued the 2021 A Series under the Master Indenture and the Eighth Supplemental Indenture in the principal amount of \$45,000,000. The 2021 A Series was issued with a coupon of 2.00% at a yield of 1.35% to the maturity date of October 1, 2029. The original issue premium was \$2,382,750. Interest is payable semiannually, and the bonds are not subject to optional redemption. The proceeds of the 2021 A Series were deposited into accounts to: (i) originate new Loans and to acquire

Loans from other DelVal Series, (ii) increase the deposit in the Debt Service Reserve Fund, and (iii) pay the costs of issuance. In order to hedge the risk of changes in long-term interest rates, DelVal amended a swap transaction with PNC related to the Master Series to provide a fixed rate receipt and a SIFMA Index payment.

The 2021 A Series is subject to Extraordinary Mandatory Redemption under certain circumstances defined in the Eighth Supplemental Indenture, principally the inability to originate Loans for a protracted period of time, at the purchase prices and premiums set forth in the Eighth Supplemental Indenture. The 2021 A Series was assigned ratings of “A1” by Moody’s and “A+” by S&P as of December 31, 2022.

### **2022 ABC Series**

The 2022 ABC Series were issued under the Master Indenture and the Ninth Supplemental Indenture in the par amount of \$155,000,000 on February 10, 2022. The proceeds of the 2022 ABC Series were used to: (i) fund the origination of new Loans, (ii) acquire Loans from the 2007 Series, 2018 Series, and other series, (iii) fund a deposit to the Debt Service Reserve Fund, and (iv) pay the costs of issuance. Portions of the 2007 Series and the 2018 Series were redeemed from the proceeds of the acquisition of Loans by the 2022 ABC Series and other DelVal Series and other available funds. The 2022 ABC Series was assigned ratings of “A1” by Moody’s and “A+” by S&P as of December 31, 2022.

The \$5,000,000 2022 A Series was issued with a coupon of 5.00% to yield 1.95%, with an original issue premium of \$1,132,050, maturing on March 1, 2033. In order to hedge the risk of changes in long-term interest rates, DelVal executed a swap transaction under which DelVal receives a fixed rate and pays the SIFMA Index.

The \$75,000,000 2022 B Series was issued at variable interest rates set at a spread over the SIFMA Index with a maturity date of March 1, 2057. Interest is payable monthly. The 2022 B Series is scheduled to be remarketed on March 1, 2026, and may be optionally redeemed on or after March 1, 2025. On remarketing dates, the 2022 B Series can be remarketed as variable rate securities based on an index.

The \$75,000,000 2022 C Series was issued at variable interest rates set at a spread over the SOFR Index with a maturity date of March 1, 2057. Interest is payable monthly. The 2022 B Series is scheduled to be remarketed on March 1, 2027, and may be optionally redeemed on or after March 1, 2026. On remarketing dates, the 2022 C Series can be remarketed as variable rate securities based on an index. In order to hedge the risk of changes in basis, DelVal executed a swap transaction under which DelVal receives the SOFR Index and pays the SIFMA Index.

Interest on the 2022 A Series is paid semiannually, and interest on the 2022 B Series and 2022 C Series is paid monthly on the first business day. The 2022 ABC Series is subject to an Extraordinary Mandatory Redemption under certain circumstances defined in the Ninth Supplemental Indenture, principally the inability to originate Loans for a protracted period of time, at the purchase prices and premiums set forth in the Ninth Supplemental Indenture.

### **2022 DE Series**

The 2022 DE Series were issued under the Master Indenture and the Tenth Supplemental Indenture in the par amount of \$97,000,000 on July 14, 2022. The proceeds of the 2022 DE Series were used to: (i) acquire Loans from the 2020 C Series, (ii) fund a deposit to the Debt Service Reserve Fund, (iii) fund a deposit to the Capitalized Interest Account, and (iv) pay the costs of issuance. The 2020 C Series was

redeemed from the proceeds of the acquisition of Loans by the 2022 DE Series and other DelVal Series and other available funds. As of December 31, 2022, the 2022 D Series was assigned ratings of “A1” by Moody’s and “A+” by S&P, and the 2022 E Series was assigned ratings of “A1/VMIG 1” by Moody’s and “AA+/A-1” by S&P.

The 2022 D Series was issued in two tranches, \$20,000,000 with a coupon of 4.00% to yield 2.95% and \$2,000,000 with a coupon of 5.00% to yield 2.88%, with an original issue premium of \$1,509,780, maturing on March 1, 2029. In order to hedge the risk of changes in long-term interest rates, DelVal executed a swap transaction under which DelVal receives a fixed rate and pays the SIFMA Index.

The \$75,000,000 2022 E Series was issued as a weekly VRDB maturing on March 1, 2052, with the remarketing secured by a direct-draw letter of credit issued by TD. TD Securities LLP, the remarketing agent of the 2022 E Series, resets the interest rates effective every Wednesday. The 2022 E Series are subject to optional redemption, in whole or part, and purchase by DelVal at par. The 2022 E Series are 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. See “Note 5. Credit Facilities” for additional information.

Interest on the 2022 D Series is paid semiannually, and interest on the 2022 E Series is paid monthly on the first business day. The interest rates of the 2022 E Series 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 Tenth Supplemental Indenture, is 15%. Holders of the 2022 E Series may, with seven days of notice, tender the bonds at par.

The 2022 DE Series is subject to an Extraordinary Mandatory Redemption under certain circumstances defined in the Tenth Supplemental Indenture, principally the inability to originate Loans for a protracted period of time, at the purchase prices and premiums set forth in the Tenth Supplemental Indenture.

### **Subsequent Event, 2023 A Series**

On February 22, 2023, DelVal issued the 2023 A Series under the Master Indenture and the Eleventh Supplemental Indenture in the principal amount of \$141,030,000. A portion of the proceeds of the 2023 A Series was used to acquire Loans from the 2018 Series and 2020 A Series, which together with proceeds from the acquisition of Loans by other DelVal Series and other available funds, were used to optionally redeem the \$50,000,000 2018 C Series and the \$100,000,000 2020 A Series. Proceeds of the 2023 A Series were also used to fund a deposit to the Debt Service Reserve Fund, capitalize interest, and pay the costs of issuance. The 2023 A Series was assigned ratings of “A1” by Moody’s and “A+” by S&P.

The 2023 A Series was issued with three maturities: \$50,000,000 with a coupon of 4.00% at a yield of 3.01% to the maturity date of September 1, 2032, \$41,030,000 with a coupon of 4.00% at a yield of 3.22% to the maturity date of September 1, 2033, and \$50,000,000 with a coupon of 4.00% at a yield of 3.39% to the maturity date of September 1, 2034. The original issue premium was \$9,798,225. Interest is payable semiannually, and the bonds are not subject to optional redemption. In order to hedge the risks of changes in long-term interest rates, DelVal executed a swap transaction under which DelVal receives a fixed rate and pays the SIFMA Index.

The 2023 A Series is subject to Extraordinary Mandatory Redemption under certain circumstances defined in the Eleventh Supplemental Indenture, principally the inability to originate Loans for a protracted period of time, at the purchase prices and premiums set forth in the Eleventh Supplemental Indenture.

## **5. CREDIT FACILITIES**

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

The payments of interest on and principal of the 1997 Series and the 1998 Series are secured by municipal bond insurance policies issued by Ambac Assurance Corporation. The bond insurance is in effect to the maturity dates of the 1997 Series and 1998 Series. The bond insurance premiums paid to Ambac at closing are amortized on a straight-line basis over the 30-year terms. As of December 31, 2022, 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 of and accrued interest on the 2007 B Series. DelVal entered into an agreement with PNC Bank, National Association, on May 1, 2017, to provide the requisite letter of credit. On May 19, 2022, the agreement was amended to extend the termination date of the PNC letter of credit to May 19, 2026. During 2022, DelVal paid \$161,648.96 to PNC for facility fees, draw fees, and legal fees. As of December 31, 2022, PNC was assigned ratings of "A1/P 1" by Moody's, "A/A-1" by S&P, and "A+/F1+" by Fitch.

### **2020 A Series**

DelVal, as required by the Trust Indenture, maintains a direct draw letter of credit in the amount of \$101,849,315 as security for the payment of principal of and accrued interest on the 2020 A Series. DelVal entered into an agreement with TD Bank, N.A. on May 1, 2020, to provide the requisite letter of credit. The scheduled termination date of the TD letter of credit is May 1, 2025. During 2022, DelVal paid facility fees, draw fees, and legal fees totaling \$359,472.60 to TD. As of December 31, 2022, TD was assigned ratings of "Aa2/P-1" by Moody's and "AA-/A-1+" by S&P. In a subsequent event, the letter of credit was terminated on February 22, 2023, when the 2020 A Series was optionally redeemed.

### **2020 D Series**

Pursuant to the Trust Indenture, a direct draw letter of credit in the amount of \$76,386,987 secures the payment of principal of and accrued interest on the 2020 D Series. DelVal entered into an agreement with TD Bank, N.A. as of November 1, 2020, to provide the requisite letter of credit. The agreement was amended on July 14, 2022, and the scheduled termination date of the TD letter of credit was extended to June 1, 2026. During 2022, DelVal paid facility fees, draw fees, and legal fees totaling \$294,366.60 to TD. As of December 31, 2022, TD was assigned ratings of "Aa2/P-1" by Moody's and "AA-/A-1+" by S&P.

### **2022 E Series**

Pursuant to the Trust Indenture, a direct draw letter of credit in the amount of \$76,386,987 secures the payment of principal of and accrued interest on the 2022 E Series. DelVal entered into an agreement with TD Bank, N.A. as of July 14, 2022, to provide the requisite letter of credit. The scheduled termination date of the TD letter of credit is July 14, 2027. During 2022, DelVal paid facility fees, draw fees, and legal fees totaling \$101,452.99 to TD. As of December 31, 2022, TD was assigned ratings of "Aa2/P-1" by Moody's and "AA-/A-1+" by S&P.

### **Participant Credit Enhancers**

Certain Loans are secured by Participant Credit Enhancements, financial guaranty policies, with DelVal as the beneficiary. Premiums for the policies were paid from DelVal's origination fees or Loan

proceeds at the closing of each Loan. As of December 31, 2022, approximately 14.28% of the Loan principal outstanding, approximately \$150 million, was insured by AGM or BAM. (each a “Participant Credit Enhancer”). As of December 31, 2022, AGM was rated “A2” by Moody’s, “AA” by S&P, and “AA+” by Kroll, and BAM was rated “AA” by S&P. No borrower from the DelVal 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 (each, a “Bond Swap”) 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”). None of the swap transactions executed by DelVal are payable or receivable in foreign currencies.

DelVal executed two swap transactions in 2022 to eliminate the basis risk of restricted investments (each an “Investment Swap”) in FRN’s that are based on the SOFR Index. Under these transactions, DelVal pays a rate based on the SOFR Index and receives a rate based on the SIFMA Index.

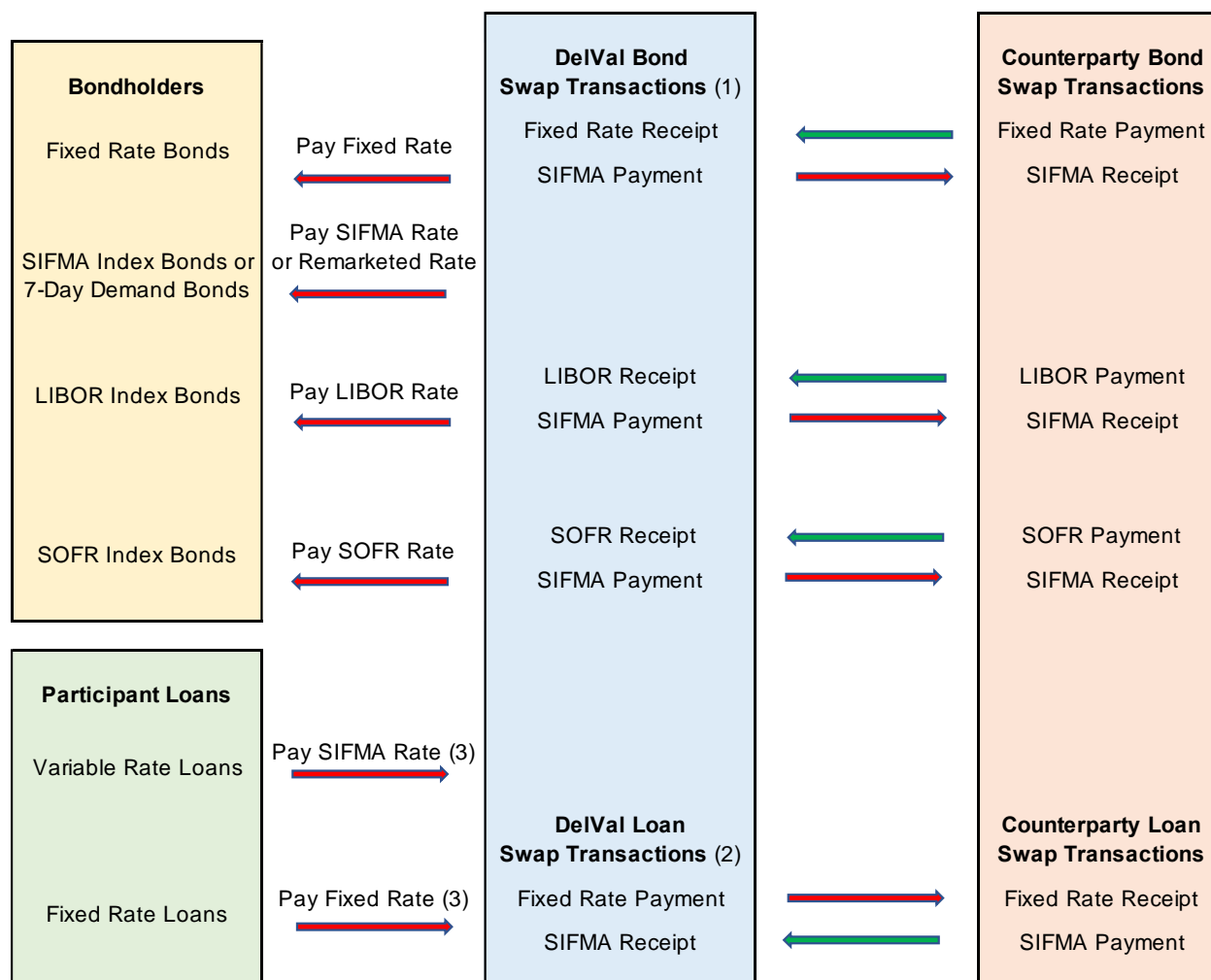
DelVal has executed Master Agreements (collectively, the “DelVal Swap Agreement”) with six counterparties (each a “Counterparty”). All of the Master Agreements are secured on a parity basis with bondholders. A listing of the Counterparties is shown below.

- 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, 2020,
- 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, and amended as of August 10, 2020.

The 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.

[Remainder of page intentionally left blank]

### Cash Flows of Debt Service, Interest Rate Swap, and Loan Payments



(1) Transactions executed to create a pool of funds with a net cost of funds equal to the SIFMA Index plus a spread to hedge changes in long-term interest rates and basis risks.

(2) Transactions that offset Bond Swaps executed to provide fixed interest rate Loans.

(3) The Loan Rate is set monthly by the Administrator at levels sufficient to pay (i) debt service on DeVal's Bonds, (ii) net swap payments, and (iii) administrative expenses.

As of December 31, 2022, Bond Swap transactions in the notional amount of \$825 million, Loan Swap transactions in the notional amount of \$1.06 billion, and Investment Swaps in the notional amount of \$22 million were outstanding. 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, 2022, is set forth below.

[Remainder of page intentionally left blank]

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

	<i>Notional Amount</i>	<i>Carrying Value</i>	<i>Fair Value 31-Dec-22</i>
1997 Series			
Bond Swaps	\$ 28,000,000	\$ 2,633,390	\$ 2,633,390
Loan Swaps	13,095,000	274,783	274,783
1998 Series			
Bond Swaps	250,000,000	20,642,658	20,642,658
Loan Swaps	186,916,000	6,394,974	6,394,974
Unamortized prepaid swap expense	-	3,249,690	6,161,615
2002 Series			
Bond Swaps	125,000,000	15,045,510	15,045,510
Loan Swaps	106,682,000	7,127,800	7,127,800
Master Series			
Bond Swaps	422,050,000	(12,537,696)	(12,537,696)
Loan Swaps	752,327,800	85,580,737	85,580,737
Investment Swaps	<u>21,700,000</u>	<u>(521,312)</u>	<u>(521,312)</u>
Total	<u>\$ 1,905,770,800</u>	<u>\$ 127,890,534</u>	<u>\$ 130,802,459</u>

DelVal executed a new Bond Swap of \$141,030,000 notional amount related to 2023 A Series to hedge interest rate risk on February 9, 2023.

**Effectiveness of the Swap Agreements**

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

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.

[Remainder of page intentionally left blank]

Below is a summary of the debt service payments and the related Bond Swap receipts and payments in 2022.

**Bond Swap Receipts and Payments Related to DelVal Series in 2022**

<i>Bond Interest</i>	<i>Amortization of Over-Collateralization</i>	<i>Net Bond Swap Receipts</i>	<i>Net Payments</i>	<i>Net Cost of Funds*</i>	<i>Spread over SIFMA Index*</i>
\$ (32,072,465)	\$ 2,382,480	\$ 16,332,740	\$ (13,357,245)	1.674%	0.468%

\* The weighted average SIFMA Index in 2022 was 1.206% and the weighted average level of funding provided by the Series was \$798,102,949 in 2022.

The comparable spread over the SIFMA Index (including letter of credit fees and remarketing fees) of the DelVal VRDB's outstanding as of December 31, 2022, ranged from approximately 0.33% to 0.42%.

As of December 31, 2022, 284 Loan Swap transactions in the notional amount of \$1.06 billion were executed with BANA, Barclays, PNC, RBC, and T-D to provide fixed rate loans to 104 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 fixed rate Loans without incurring the costs of issuance to remarket 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 2022.

**Loan Swap Receipts and Payments Related to Fixed Rate Loans in 2022**

<i>Fixed Rate Loan Interest Repayments</i>	<i>Loan Swap Transactions for Fixed Rate Loans</i>		<i>Related Bond Swap Payments</i>	<i>Net Receipt</i>
	<i>Fixed Rate Payments</i>	<i>SIFMA Index Receipts</i>		
\$ 19,352,094	\$ (15,376,968)	\$ 12,279,418	\$ (12,279,418)	\$ 3,975,126

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.

[Remainder of page intentionally left blank]

### Estimated Net Bond and Swap Interest Payments

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028 and Thereafter</u>
Bond interest payments	\$ 36,795,687	\$ 36,795,687	\$ 34,295,687	\$ 34,295,687	\$ 34,295,687	\$ 32,494,687
Less amortization of over-collateralization	(2,382,481)	(2,382,481)	(497,981)	(497,981)	(497,981)	(497,981)
Swap payments	29,297,830	29,297,830	27,467,830	27,467,830	27,467,830	24,449,030
Less swap receipts	<u>(30,938,034)</u>	<u>(30,920,534)</u>	<u>(30,610,534)</u>	<u>(30,610,534)</u>	<u>(30,610,534)</u>	<u>(27,192,189)</u>
Net payments	<u>\$ 32,773,002</u>	<u>\$ 32,790,502</u>	<u>\$ 30,655,002</u>	<u>\$ 30,655,002</u>	<u>\$ 30,655,002</u>	<u>\$ 29,253,547</u>
Total funding	\$ 813,089,250	\$ 813,089,250	\$ 763,089,250	\$ 763,089,250	\$ 763,089,250	\$ 735,089,250
Net cost of funds	4.031%	4.033%	4.017%	4.017%	4.017%	3.980%
Assumed SIFMA Index	3.660%	3.660%	3.660%	3.660%	3.660%	3.660%
Spread over the SIFMA Index	0.371%	0.373%	0.357%	0.357%	0.357%	0.320%

\* Assumes variable rates are set at the last rate in 2022.

The Investment Swaps are effective in eliminating basis risk of the SOFR indexed restricted investments and locking an investment spread over the SIFMA Index. Below is a summary of the receipts and payments.

### Investment Swap Receipts and Payments in 2022

<u>Receipts from from SOFR Investments</u>	<u>Investment Swap SOFR Payments</u>	<u>SIFMA Index Receipts</u>	<u>Net Receipt</u>	<u>Spread over SIFMA Index</u>
\$ 475,540	\$ (362,288)	\$ 289,835	\$ 403,087	0.796%

Below is a summary of the provisions and risks of the interest rate swap agreements.

### LIBOR Indices

The Financial Conduct Authority (the “FCA”) of the United Kingdom and the Federal Reserve Bank intend to replace LIBOR rates with risk-free reference rates. In the United States, the “Secured Overnight Financing Rate” (“SOFR”) is the proposed successor rate for the LIBOR rates published for the U.S. dollar (the “USD LIBOR”). The International Swaps and Derivatives Association (“ISDA”) has developed protocols to amend existing swap transactions and to replace USD LIBOR rates with SOFR rates. The FCA has announced that the representative USD LIBOR rates for 1, 3, 6, and 12 months will cease to be published after June 30, 2023.

As of December 31, 2022, DeVal had \$205 million notional amount of Bond Swap transactions indexed to a LIBOR rate related to the 2007 C Series and the 2018 D and E Series. PNC and Citibank are the Counterparties to these transactions. PNC, Citibank, and DeVal have all adhered to the ISDA IBOR Fallback Protocol (the “Fallback Protocol”). When representative USD LIBOR rates, as determined by the FCA, are no longer published, the USD LIBOR rates will be replaced by rates indexed to SOFR prescribed by the Fallback Protocol. The Supplemental Indentures of the 2007 Series and 2018 Series provide that, if representative LIBOR rates are no longer published, the LIBOR rates be replaced by the rates prescribed in the Fallback Protocol.

### **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. 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. 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.

### **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. If DelVal issued bonds indexed to LIBOR, SOFR, 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. 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. The basis of Bond Swaps and Loans Swaps matches the basis of the DelVal Series and Loans.

### **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 have ever been terminated.

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.

### 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

Counterparty	<u>Fitch</u>	<u>Kroll</u>	<u>Moody's</u>	<u>S&amp;P</u>	<u>Notional Amount</u>	<u>Fair Value 31-Dec-22</u>
Bank of America*	A+	***	Aa3	A+	\$ 1,097,274,100	\$ 96,445,822
Barclays Bank PLC	A	***	A1	A	30,771,000	1,614,597
Citibank	A+	***	Aa3	A+	110,050,000	(649,504)
PNC Bank	A+	AA-	A1	A	450,908,000	20,577,630
Royal Bank of Canada	AA	***	Aa2	AA-	216,014,700	12,789,741
Toronto-Dominion Bank	***	AA	Aa2	AA-	753,000	24,173
Total					<u>\$ 1,905,770,800</u>	<u>\$ 130,802,459</u>

\*Includes the fair value of the unamortized prepaid swap expense.

### Market Access

Market access risk is the risk that bonds or Loans that are related to swap transactions cannot be issued or remarketed. DelVal does not execute Bond Swaps until the related DelVal Series has been issued or remarketed, and DelVal does not execute Loan Swaps until the Loan has been authorized.

### 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 DeIVal Series is not possible. The scheduled termination dates of the Bond Swaps match or exceed the maturity or remarketing date of the related DeIVal Series. The DeIVal Series that are subject to remarketing have staggered remarketing dates. If a new Bond Swap were necessary to hedge DeIVal's interest rate risks for a remarketing and if such a hedge could not be secured, DeIVal 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, 2022. 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, 2022**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Floating rate notes	\$ -	\$ 20,893,580	\$ -	\$ 20,893,580

**8. PENDING ACCOUNTING PRINCIPLES**

The GASB has approved the following standards that may affect future financial statements:

- 1) Statement No. 92, *Omnibus 2020*,
- 2) Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*,
- 3) Statement No. 96, *Subscription-Based Information Technology Arrangements*,
- 4) Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plan*,
- 5) Statement No. 99, *Omnibus 2022*, and
- 6) Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*.

Management is in the process of analyzing these pending changes in accounting principles and the impact they will have on the financial statements. When they become effective, the application of these standards may result in the restatement of portions of these financial statements and financial statements of prior years.

[Remainder of page intentionally left blank]

## 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 2022 appears on pages 41 and 42. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The additional information on pages 77 through 79 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Baker Tilly US, LLP*

Philadelphia, Pennsylvania  
June 27, 2023

**DELAWARE VALLEY REGIONAL FINANCE AUTHORITY**  
**COMBINING BALANCE SHEET INFORMATION**  
**DECEMBER 31, 2022**

	<u>1997 Series</u>	<u>1998 Series</u>	<u>2002 Series</u>	<u>Master Series*</u>	<u>Total</u>
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ 11,890,061	\$ 46,570,807	\$ 29,551,907	\$ 33,098,226	\$ 121,111,001
Restricted cash equivalents	2,800,000	25,000,000	12,500,000	17,322,000	57,622,000
Accrued interest receivable:					
Loans	9,186	66,158	97,763	914,272	1,087,379
Interest rate swaps	5,348	5,089,536	41,675	453,554	5,590,113
Cash equivalents and investments	8,275	41,766	21,636	184,009	255,686
Prepaid expenses	6,250	103,543	6,250	64,909	180,952
Loans to local governments	<u>4,566,000</u>	<u>36,061,000</u>	<u>7,872,000</u>	<u>56,599,500</u>	<u>105,098,500</u>
Total current assets	<u>19,285,120</u>	<u>112,932,810</u>	<u>50,091,231</u>	<u>108,636,470</u>	<u>290,945,631</u>
<b>NONCURRENT ASSETS:</b>					
Restricted investments	-	-	-	20,893,580	20,893,580
Loans to local governments	9,716,000	146,505,000	107,105,000	680,146,300	943,472,300
Unamortized prepaid interest rate swap expense	-	2,667,965	-	-	2,667,965
Fair value of derivative transactions	<u>2,908,173</u>	<u>27,037,632</u>	<u>22,173,310</u>	<u>72,521,729</u>	<u>124,640,844</u>
Total noncurrent assets	<u>12,624,173</u>	<u>176,210,597</u>	<u>129,278,310</u>	<u>773,561,609</u>	<u>1,091,674,689</u>
<b>TOTAL</b>	<u>\$ 31,909,293</u>	<u>\$ 289,143,407</u>	<u>\$ 179,369,541</u>	<u>\$ 882,198,079</u>	<u>\$ 1,382,620,320</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>					
<b>CURRENT LIABILITIES:</b>					
Accrued expenses	\$ -	\$ -	\$ -	\$ 37,555	\$ 37,555
Bond principal payable	-	-	-	50,000,000	50,000,000
Estimated rebate liability	-	-	-	300,000	300,000
Accrued interest payable:					
Interest rate swaps	70,659	-	315,445	22,660	408,764
Bonds	<u>954,240</u>	<u>6,398,701</u>	<u>3,879,015</u>	<u>6,033,658</u>	<u>17,265,614</u>
Total current liabilities	<u>1,024,899</u>	<u>6,398,701</u>	<u>4,194,460</u>	<u>56,393,873</u>	<u>68,011,933</u>
<b>LONG TERM LIABILITIES:</b>					
Bonds payable, net	28,188,015	253,070,686	127,425,930	754,203,477	1,162,888,108
Estimated rebate liability	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Total long term liabilities	<u>28,188,015</u>	<u>253,070,686</u>	<u>127,425,930</u>	<u>754,303,477</u>	<u>1,162,988,108</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Accumulated increase (decrease) in fair value of hedging derivatives	<u>2,908,173</u>	<u>27,037,632</u>	<u>22,173,310</u>	<u>72,521,729</u>	<u>124,640,844</u>
Total liabilities and deferred inflows of resources	32,121,087	286,507,019	153,793,700	883,219,079	1,355,640,885
<b>NET POSITION</b>	<u>(211,794)</u>	<u>2,636,388</u>	<u>25,575,841</u>	<u>(1,021,000)</u>	<u>26,979,435</u>
<b>TOTAL</b>	<u>\$ 31,909,293</u>	<u>\$ 289,143,407</u>	<u>\$ 179,369,541</u>	<u>\$ 882,198,079</u>	<u>\$ 1,382,620,320</u>

\* The 2007 Series, 2018 Series, 2020 A Series, the 2020 B, C, and D Series, 2021 A Series, 2022 A, B, and C Series, and 2022 D and E 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, 2022**

	<u>1997 Series</u>	<u>1998 Series</u>	<u>2002 Series</u>	<u>Master Series*</u>	<u>Total</u>
Revenues:					
Loan interest	\$ 359,538	\$ 4,257,572	\$ 2,574,771	\$ 13,550,357	\$ 20,742,238
Interest rate swap	1,241,698	10,288,204	4,704,843	1,117,849	17,352,594
Interest on investments and cash equivalents	<u>337,952</u>	<u>1,534,128</u>	<u>805,142</u>	<u>1,470,820</u>	<u>4,148,042</u>
Total revenues	<u>1,939,188</u>	<u>16,079,904</u>	<u>8,084,756</u>	<u>16,139,026</u>	<u>42,242,874</u>
Expenses:					
Interest expense:					
Bonds	1,747,260	13,080,466	6,902,234	12,121,835	33,851,795
Interest rate swaps	184,321	1,807,013	981,134	1,799,114	4,771,582
Costs of issuance	-	-	-	1,806,840	1,806,840
Credit or liquidity facility fees	-	-	-	916,941	916,941
Administrative expenses	<u>12,500</u>	<u>1,015,283</u>	<u>12,500</u>	<u>364,525</u>	<u>1,404,808</u>
Total expenses	<u>1,944,081</u>	<u>15,902,762</u>	<u>7,895,868</u>	<u>17,009,255</u>	<u>42,751,966</u>
Revenues over (under) expenses	<u>(4,893)</u>	<u>177,142</u>	<u>188,888</u>	<u>(870,229)</u>	<u>(509,092)</u>
Other changes:					
Transfers in (out)	47,132	(2,383,827)	164,454	2,172,241	-
Increase of estimated rebate liability	-	-	-	(200,000)	(200,000)
Class action settlement	-	18,530	-	-	18,530
Unrealized loss on restricted investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>(938,918)</u>	<u>(938,918)</u>
Total other changes, net	<u>47,132</u>	<u>(2,365,297)</u>	<u>164,454</u>	<u>1,033,323</u>	<u>(1,120,388)</u>
Increase (decrease) in net position	42,239	(2,188,155)	353,342	163,094	(1,629,480)
Net position, beginning	<u>(254,033)</u>	<u>4,824,543</u>	<u>25,222,499</u>	<u>(1,184,094)</u>	<u>28,608,915</u>
Net position, ending	<u>\$ (211,794)</u>	<u>\$ 2,636,388</u>	<u>\$ 25,575,841</u>	<u>\$ (1,021,000)</u>	<u>\$ 26,979,435</u>

\* The 2007 Series, 2018 Series, 2020 A Series, the 2020 B, C, and D Series, 2021 A Series, 2022 A, B, and C Series, and 2022 D and E 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, 2022**

	<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	\$ 1,595,067	\$ 15,036,017	\$ 7,191,647	\$ 13,671,127	\$ 37,493,858
Payment of interest on bonds and interest rate swap agreements	(1,921,749)	(14,975,288)	(7,889,946)	(14,738,436)	(39,525,419)
Loans to local governments	-	(6,058,000)	(8,694,000)	(128,081,000)	(142,833,000)
Repayments of loan principal from local governments	4,448,000	40,583,000	9,683,000	55,716,200	110,430,200
Administrative expenses paid	(12,500)	(1,038,593)	(12,500)	(403,351)	(1,466,944)
Interest received on investments and cash equivalents	330,665	1,497,427	786,136	1,319,024	3,933,252
Credit or liquidity facility fees paid	-	-	-	(916,941)	(916,941)
Transfers among Series	47,132	(2,383,827)	164,454	2,172,241	-
Acquisition of Loans	2,695,000	3,339,000	13,743,000	(19,777,000)	-
Proceeds of bond issues	-	-	-	254,641,830	254,641,830
Class action settlement	-	18,530	-	-	18,530
Bond issuance costs	-	-	-	(1,806,840)	(1,806,840)
Redemption (purchase) of investments and restricted investments	-	-	-	111,289	111,289
Payment of bond principal	-	-	-	(150,000,000)	(150,000,000)
Net cash provided by operating activities and increase (decrease) in cash and cash equivalents	7,181,615	36,018,266	14,971,791	11,908,143	70,079,815
Cash and cash equivalents and restricted cash and cash equivalents, beginning	<u>7,508,446</u>	<u>35,552,541</u>	<u>27,080,116</u>	<u>38,512,083</u>	<u>108,653,186</u>
Cash and cash equivalents and restricted cash and cash equivalents, ending	<u>\$ 14,690,061</u>	<u>\$ 71,570,807</u>	<u>\$ 42,051,907</u>	<u>\$ 50,420,226</u>	<u>\$ 178,733,001</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET					
Cash and cash equivalents, ending	\$ 11,890,061	\$ 46,570,807	\$ 29,551,907	\$ 33,098,226	\$ 121,111,001
Restricted cash and cash equivalents, ending	<u>2,800,000</u>	<u>25,000,000</u>	<u>12,500,000</u>	<u>17,322,000</u>	<u>57,622,000</u>
Cash and cash equivalents and restricted cash and cash equivalents, ending	<u>\$ 14,690,061</u>	<u>\$ 71,570,807</u>	<u>\$ 42,051,907</u>	<u>\$ 50,420,226</u>	<u>\$ 178,733,001</u>
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Change in net position	<u>\$ 42,239</u>	<u>\$ (2,188,155)</u>	<u>\$ 353,342</u>	<u>\$ 163,094</u>	<u>\$ (1,629,480)</u>
Adjustments for other revenues, expenses, and transfers					
Increase of estimated rebate liability	-	-	-	200,000	200,000
Unamortized prepaid interest rate swap expense	-	581,725	-	-	581,725
Adjustments for changes in assets and liabilities					
Decrease (increase) in:					
Investments	-	-	-	1,247,212	1,247,212
Restricted investments	-	-	-	(197,005)	(197,005)
Accrued interest receivable:					
Loans	(821)	11,110	(46,292)	(710,588)	(746,591)
Interest rate swaps	(5,348)	479,131	(41,675)	(286,491)	145,617
Cash equivalents and investments	(7,287)	(36,701)	(19,006)	(151,796)	(214,790)
Prepaid expenses	-	(23,310)	-	(64,909)	(88,219)
Loans to local governments	7,143,000	37,864,000	14,732,000	(92,141,800)	(32,402,800)
Increase (decrease) in:					
Accrued expenses					
Accrued interest payable:		-	-	26,083	26,083
Interest rate swaps	63,572	-	278,688	22,660	364,920
Bonds	-	-	-	2,360,120	2,360,120
Bonds payable	<u>(53,740)</u>	<u>(669,534)</u>	<u>(285,266)</u>	<u>101,441,563</u>	<u>100,433,023</u>
Total adjustments	<u>7,139,376</u>	<u>38,206,421</u>	<u>14,618,449</u>	<u>11,745,049</u>	<u>71,709,295</u>
Net cash provided by (used in) operating activities	<u>\$ 7,181,615</u>	<u>\$ 36,018,266</u>	<u>\$ 14,971,791</u>	<u>\$ 11,908,143</u>	<u>\$ 70,079,815</u>

\* The 2007 Series, 2018 Series, 2020 A Series, the 2020 B, C, and D Series, 2021 A Series, 2022 A, B, and C Series, and 2022 D and E 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.