City Manager's Weekly Report

Friday, April 15, 2016

Department:

Administration - City Manager

Notable Notes:

Mayor and Council -

Of news this week and previously shared with you is was our hiring of a Finance Director to replace Lou Vitola. Mr. Del Grande will join us on May 2nd and work a full 4 weeks shadowing Lou. I appreciate Lou's commitment to making this period a beneficial opportunity. Praise for a well run and thorough recruitment process is extended to Andrew Haines and appreciation to our management staff who participated in the last phase and shared input.

I attended the Senior Center 50th Anniversary Gala this past Saturday. The event was very well attended and it appeared a great deal of support for the center was shown in association with its silent auction. Mayor Sierer joined Executive Director Carla Grygiel as the MC, Councilman Chapman escorted his lovely mother to the event and our State Representatives were on hand to support our center!

Additionally, I congratulate Councilman Chapman on his reelection, and we will all be ready to welcome Ms. Wallace as she assumes the District 3 Council seat. Thank you to Councilman Gifford for his service!

Please find attached an event detail for the March of Dimes March for Babies, the DEMEC 2015 Annual Financial Report and the April 19th DEMEC Agenda.

Concerns were shared with Mayor and Council regarding the value of the Newark Country Club in association with the Agenda item outlining the clubs request of Newark to issue a survey. The item was ultimately pulled from the agenda. However, we share that generally accepted accounting principles require that assets be reported at historical costs, not market value. Land would be recorded in 990 tax forms at its historical purchase price. Only an appraisal would reveal the current estimated market value of the land and buildings/improvements on the basis of highest and best use.

Attached please find the details set forth in the noise waiver approval for the 2016 UD Delabration Alumni Event.

Activity or Project:

Flags for Heroes - Municipal Building Lawn

Description:

Attached below is the Newark Rotary’s Flags for Heroes information. The Newark Memorial Day Parade Committee is assisting the Newark Rotary with this program. The program allows individuals to sponsor a flag in honor of a hero in their life and will be placed in front of the Newark Municipal Building from May 13 through 31 and proceeds from the program will be donated to veterans’ organizations in the area.

Status: In-Progress

Expected Completion: 5/13/2016

Execution Status: On Track

Activity or Project:

Document Imaging

Description:

Samantha Corson has been with us for about 45 days. She continues to build the Records Management Plan and Policies. Once the plan has been developed and approved, an educational lunch and learn will be held in our training room for the management staff/assistants to communicate the new procedures and expectations.

Status: In-Progress

Expected Completion: 4/14/2016

Execution Status: On Track

Activity or Project:

City Hall Landscaping

Description:

Plans to improve the landscaping at the front of the Municipal Building that have been in the plans for a few years will begin to take shape in the weeks ahead. On April 30th volunteers will assist with some plantings and laying mulch including volunteers from Comcast that will also include a $15 donation per employee that participates that will help to fund the improvements and clean up.

Status: In-Progress

Expected Completion: 5/31/2016

Execution Status: On Track

Department:

Alderman's Court

Notable Notes:

We held three court sessions this past week and one case review session.

Activity or Project:

Court Sessions

Description:

We processed a total of 81 arraignments, 50 trials, 14 capias returns, 6 case reviews and 1 plea. We videoed 1 defendant from prison. In addition, we processed 704 payments for court fines and parking citations over the last week of which 386 were done online either in Paypal or Govolutions through the State of Delaware website.

Status: Completed

Expected Completion: 4/12/2016

Execution Status: Completed

Activity or Project:

Description:

Status:

Expected Completion:

Execution Status:

Activity or Project:

Description:

Status:

Expected Completion:

Execution Status:

Department:

Electric Department

Notable Notes:

Line crews continued to fix hot spots found by the electricians in an infrared scan and worked at the West Main Substation in preparation for a new substation transformer. The line crews also installed line hose on Chapel Street at New Street for a construction project before 7 a.m. to avoid causing traffic congestion and had a scheduled outage to several homes on Lehigh Road to repair a service and in Christiansted to reconfigure circuits after an underground cable repair.

The electricians worked on installing circuits in the new records room, escorted an infrared contractor throughout the City, and worked on communications issues with SCADA.

Engineering updated all SCADA communications devices at substations with new software. The new software fixes a known bug and also adds requested features. After the line crews replaced one of the switches on a three phase switched capacitor bank, engineering replaced and reconfigured the control box as the manual override stopped working.

Activity or Project:

West Main Substation Reconfiguration

Description:

Installing a new circuit and poles and reconfiguring other circuits and poles at the West Main Substation in preparation for a new substation transformer currently being built and to be delivered later this year.

Status: In-Progress

Expected Completion: 10/31/2016

Execution Status: On Track

Activity or Project:

Description:

Status:

Expected Completion:

Execution Status:

Activity or Project:

Description:

Status:

Expected Completion:

Execution Status:

Department:

Finance Department

Notable Notes:

The recruitment for the Director of Finance position has concluded with the selection of Mr. David Del Grande as reported in this week's press release. I am truly pleased with the process and especially the result. Our strong HR leadership should be commended for the unique and challenging recruitment employed for this search. I truly look forward to working with Dave during the transition this May.

I attended finance and accounting workshop presented by American Municipal Power (AMP) and hosted by DEMEC. The presenter walked the attendees through the process to conduct a financial assessment for electric utilities, which covered cash reserve threshold concepts, ratio analysis, rate of return assumptions, and more.

Payments and Utility Billing

The group handled 542 phone calls the week of 4/4/16 with an average call length of 3:43 and an average hold & queue time (average speed of answer) of 2:14. Our Welcome Center staff greeted 332 visitors, while service calls initiated by Payments and Utility Billing in response to calls and visitors totaled 236 last week. The group also processed 4,607 utility payments and CityView transactions, 501 of which were imported automatically with our new electronic processes and 3,097 of which were imported via web, lockbox or preauthorized payment (PAP).

Accounting

Accounting staff have kicked off the rigorous year-end accounting close and financial reporting process, which includes the independent financial audit and the development of the 2015 Comprehensive Annual Financial Report (CAFR). Additional notes related to the audit process are reported in the projects below.

Activity or Project:

Independent Financial Audit

Description:

After the conclusion of the independent audit fieldwork, staff was left with a list of document support requests and additional testing requests, almost all of which have been completed or provided to the auditors. As the City received the 2015 OPEB valuation on April 12 from our actuarial consultants at Milliman, some adjusting entries will be made in support of the GASB 68 pronouncement requiring that the unfunded portion of any pension and other post-employment benefits (OPEB) liabilities be reported on the City's balance sheet, which negatively impacts fund balance. Other than that, only a handful of open audit items remain. Work on the final draft of the fund financial statements, CAFR disclosures and footnotes continued this week.

Status: In-Progress

Expected Completion: 6/30/2016

Execution Status: On Track

Activity or Project:

Description:

Status:

Expected Completion:

Execution Status:

Activity or Project:

Description:

Status:

Expected Completion:

Execution Status:

Department:

Parks and Recreation Department

Notable Notes:

Director: Met with State Parks about service area numbers for the Newark Reservoir to help determine population base in that area, these numbers will be used for grant applications for Preston's Playground; attended the management retreat; met with PW&WR, DelDOT and Elkton Road Dunkin Donut's management about entrance improvements at that location and impact on Elkton Road and the Iron Glen Park entrance; met with the recreation staff about personnel changes in the department, conducted parks maintenance schedule meeting with Parks Superintendent and Parks Supervisor to discus upcoming work.

Recreation Supervisor of Community Events: Prepared for and held the Spring Community Clean Up with 120 volunteers collecting approximately 2,000 lbs. of trash from areas throughout Newark. Some of the areas cleaned include the Christina Parkway, Madison Drive area, open space by Park Place Apartments, Kershaw Park, Newark Reservoir, James F. Hall Trail, Pomeroy Newark Rail Trail, Sandy Brae open space, and Lumbrook Park. Created a new, electronic, version of the performer contract that includes all documents needed for event performers and preparing documents for Newark's Got Talent and Spring Concert Series.

George Wilson Center Coordinator: Continues planning for Camp GWC; continues preparations for the end of year dance recital including securing a location as the venue we planned to use is no longer available; met with GIS Coordinator and Parking Manager to begin development of a new Event Parking map; sent out pool chemical bids; participated in meeting with Pi Beta Phi regarding a reading program including free books for some of our programs; held a tennis instructor interview; prepared for the start of new theater program that started April 8; Lifeline Screening rented out GWC on Wednesday and served over 60 patients

Recreation Supervisor of Athletics: Completed the summer volleyball schedules for the upcoming leagues, continued to interview candidates for summer camp counselors, met with Megan regarding New Night Downtown preparation, and met with a representative from Pi Beta Phi with Tyler and Chrissy regarding the possibility of incorporating the Champions are Readers program into both After School Care programs and CATCH programs.

The Recreation Specialist: Met with the Parks Superintendent on Monday, April 4, to discuss areas in need of litter removal for the Christina River Watershed Clean Up on Saturday, April 9. Five volunteers devoted a total of 15 hours on Saturday, April 9 removing about 300 pounds of trash from I-95 South On Ramp North to behind White Glove Car Wash on 896. Met with five volunteers on Monday, April 4, that devoted a total of 15 hours removing fallen limbs and litter, and cutting back on the invasive plant species Multiflora Rose and Japanese Honeysuckle. This work served as hands on training for the Adopt-a-Trail Program that is being implemented on the Mason Dixon Trail that runs through the City of Newark property. In the future, volunteers will report on the trail conditions, note any fallen trees and log their volunteer hours. Photos attached.

Parks Superintendent met with Volunteer Coordinator to orient her to what are the "hot" areas done each year for the Christina River Clean Up here in Newark; along with our Parks Supervisor and representatives from Public Works interviewed several candidates for seasonal position openings; completed first draft of upcoming contract to rehab the tennis court at Folk Park and street hockey court at Dickey Park; attended all day management training session; met with two residents on tree and turf damage issues; picked up supplies and oversaw the Christina River Clean Up here in Newark (will concentrate this year along the river from the I-95 South on ramp up to behind Dunkin Doughnut's); started working on the next contract concerning the installation of a shelter/concrete pad/ADA accessible sidewalk at Folk Park, discussed with Public Works in-house installation of a concrete pad under the upper shelter in Phillips Park later this year; and along with the Parks Director and two foresters from the state met with a future homeowner about tree/wildflower preservation on new home site.

Parks Supervisor assigned work orders daily to field staff; along with Chief Mechanic examined the new trailer to make sure it met city specs before accepting and signing off on purchase; assisted with work orders as needed; and constructed wood side boards for new trailer to increase hauling capacity.

Parks and Horticulture staff continued spot mowing of areas as needed, did interior bed maintenance at City Hall, continued on work orders as assigned, did tree pruning/removal at several park sites, continued on bed maintenance, started pruning back Grey Twig Dogwoods in front of City Hall, delivered materials/supplies to City Hall for this weekend's Community Clean Up event for recreation section, did equipment maintenance to Chapin sprayers, and continued on opening list for Rittenhouse Day Camp.

Activity or Project:

Arbor Day Celebration

Description:

This year's Arbor Day Celebration will be held at Downes Elementary School on Wednesday, May 4. The day will include a tree planting at the school along with our horticulture staff giving an overview of the planting to a group of students.

Status: Started

Expected Completion: 5/4/2016

Execution Status: On Track

Activity or Project:

Description:

Status:

Expected Completion:

Execution Status:

Activity or Project:

Description:

Status:

Expected Completion:

Execution Status:

Department:

Planning and Development Department

Notable Notes:

Building Maintenance

- This week Facilities Maintenance performed the following:
  - Wall painting and carpet installation has been completed in Digital Records room and finishing of customer service counter and making countertops has begun;
  - Hung blinds and pictures in Human Resource Manager's Office;
  - Custodians began painting at Rittenhouse Park;
  - Checked leaking toilets at Parks Building and George Wilson Center;
  - Met with contractors about fire alarm for Municipal Building, flashing of exterior cornice at George Wilson Center and reconstruction of fire pump room at Building 3;
  - Met about Council Chamber renovations;
  - Continued work with Summit Mechanical to switch Municipal Building HVAC system to cooling.

Code Enforcement

- The unit at 314 East Main Street in Kelway Plaza was repaired, after having been damaged last week when a car hit the building.
- The footer/foundation installation work for the University of Delaware's South Academy Street dormitory continued this week.
- The foundation and framing work is ongoing at 60 North College Avenue.
- The framing work at 52 North Chapel Street is also ongoing.
- Final tenant fit out work is ongoing at Honeygrow.
- Qdoba fit out will begin in the near future.
- The Brazilian steakhouse in the Newark Shopping Center is opening this week.
- Work is continuing at the Washington House Condominiums located at 113 East Main Street. The scaffolding and sidewalk shed are being removed.
- Work has begun at Colburn Labs for the roof and façade improvement project. The work is expected to last approximately six months.
- The steel structure has been erected at the Astra Plaza addition.

Parking

- Parking Attendant training on new ParkingSoft equipment for lots 3 and 4 was completed this week.

- Also this week, Parking Division staff conducted interviews for open Parking Attendant positions.

Planning

- On Wednesday Planning and Development Director Maureen Feeney Roser and Development Manager Mike Fortner attended the staff retreat.
- On Thursday Maureen and Code Enforcement Division Manager Dave Culver participated in a conference call with Atlantic Realty Company to discuss the Newark Shopping Center project and its progress.
- On Thursday afternoon Maureen met with the engineers for the Martin Honda Annexation, Rezoning, Major Subdivision and Special Use Permit project at Marrows and Ogletown Roads. Revised plans will be submitted based on the conversation.
- On Friday afternoon Maureen met with City Manager Carol Houck and Deputy City Manager Andrew Haines to discuss departmental responsibilities, structure, work plans and workloads for future planning purposes.
- Some time was spent this week reviewing projects for suitability for Planning Commission's upcoming meeting.
- On Tuesday morning Maureen, Dave and Planner Tom Fruehstorfer participated in a meeting with other staff members to discuss the development fee structure.
- On Wednesday Mike joined Communications Manager Kelly Bachman and Community Affairs Officer Megan McNerney at an Application Workshop in Dover for the Delaware Downtown Development District Program meeting.
- The Planning and Development Department received an application for the Promoting Owner-Occupancy of Homes program.
- The following was also completed this week:
    - 10 Deed Transfer Affidavits
    - 33 Building Permit Reviews

Activity or Project:

Planning Commission Training

Description:

On Wednesday night the Planning Commission participated in training on the Roles and Responsibilities of a Planning Commissioner. The training was sponsored by the University of Delaware's Institute for Public Administration and featured presentations by IPA's Ed O'Donnell, former Newark Planning and Development Director Roy Lopata and Special Counsel Max Walton.

Status: Completed

Expected Completion: 4/13/2016

Execution Status: Completed

Activity or Project:

Board of Adjustment

Description:

On Thursday the Board of Adjustment will consider a variance request from Grain on Main to increase the size of the front patio/deck. Section 32-56.4(d)(1) restricts patios for facilities selling alcoholic beverages for consumption on premises and restaurant patios to 1,000 square feet. Grain on Main currently has a 986 square foot deck, and has applied to increase the size by 652.5 feet, requiring a variance of 638.5 square feet.

Status:	In-Progress
Expected Completion:	4/21/2016
Execution Status:	On Track

Activity or Project:

Rental Housing Needs Assessment Study Phase Two

Description:

On Thursday the Rental Housing Needs Assessment Study Phase Two Steering Committee met to discuss the results from the Focus Groups conducted by Urban Partners. The next Steering Committee meeting will be held on June 14th. The Committee will review a draft final report to present to Council.

Status:	In-Progress
Expected Completion:	6/14/2016
Execution Status:	On Track

Department:

Police Department

Notable Notes:

It has been a very busy few weeks for the police department. On April 11th, police responded to a home invasion robbery on East Park Place. The suspects entered the home through an unsecured front door and confronted three (3) university students in their bedrooms. The suspects left with an undisclosed amount of cash and marijuana that was kept in a safe in the bedroom closet.

Also on April 11th, officers responded to North Street on a report of multiple gun shots. Upon arriving at the scene, officers located a shirtless man who was bleeding but not from a gunshot wound. The man, who was from New Castle, told officers that he was involved in a dispute with a resident of North Street. After a physical altercation, the man then went to his vehicle retrieved a handgun and fired four shots at the residence. No one was injured as a result of the gunfire. A search warrant was executed at the North Street residence and a pound of marijuana was seized. The New Castle man was charged with several crimes relating to the firearm. The North Street resident was arrested and charged with possession of a Controlled Substance.

Finally on April 11th, officers responded to a bank robbery at the WSFS Bank located on Suburban Drive.

During this past week, a total of 20 Newark Police Officers participated in the written exam as part of the promotional process for the ranks of Master Corporal and Sergeant. On May 2nd and 3rd, the candidates will interview before an oral board consisting of three high ranking officers from other police agencies. The final part of the process will be an interview with Chief Tiernan and the command staff for the "Chief's score" rating.

Sgt. Aniunas and the Special Operations Unit will be working with other city departments to ensure that house parties are being held safely and meet all city codes and laws. Due to a resident complaint, West Main Street will be the focus for the next few weeks.

Activity or Project:

N/A

Description:

N/A

Status: Completed

Expected Completion: 4/14/2016

Execution Status: Completed

Activity or Project:

Description:

Status:

Expected Completion:

Execution Status:

Activity or Project:

Description:

Status:

Expected Completion:

Execution Status:

Department:

Public Works and Water Resources Department

Notable Notes:

Activity or Project:

South Well Field Filter Rehabilitation

Description:

The contractor is nearing completion for this project, and we anticipate the plant being back online Monday the 18th. After that it will be minor odds and ends to finish out. While the plant was offline we took advantage of the shut down to perform maintenance on the air stripper, clean the backwash tanks, the 500,000 gallon raw water tank, and the 500,000 gallon finished water tank. We performed the air stripper maintenance and cleaning of the backwash tanks in-house and anticipate this saved over $10,000 versus hiring a contractor to perform these tasks.

Status:	Near Completion
Expected Completion:	4/29/2016
Execution Status:	On Track

Activity or Project:

Windy Hills Water Tank Painting

Description:

The contractor should be finished blasting and priming the tank by the end of this week. Once this is complete they will move onto the intermediate and final coats. These second and third coats will proceed much more quickly than the primer coat since blasting will be complete already.

Status:	In-Progress
Expected Completion:	5/31/2016
Execution Status:	Behind Schedule

Activity or Project:

Jenney's Run Culvert #1 Removal

Description:

The contractor has completed removal of the failed culverts and relocation of the reservoir feed line and now only has slope stabilization left. This portion of the project was design-build and their final design requires a modification to the certificate of authorization for the subaqueous work which they are now working to acquire. We don't anticipate this will be a problem to get and work should begin on reconstruction of the bank on the Paper Mill Road side in the coming weeks.

Status:	In-Progress
Expected Completion:	5/31/2016
Execution Status:	Behind Schedule

4/10/2016 to 4/16/2016

POLICE DEPARTMENT
CITY OF NEWARK

220 South Main Street · Newark, Delaware 19711
302.366.7100 · Fax 302.366.7129 · www.cityofnewarkde.us

EVENT NAME: March for Babies

EVENT TYPE: Walk / Run

PERMIT ISSUED TO: March of Dimes

DATE: Sunday, April 24, 2016

TIME: 9:30 A.M. – 12:00 P.M.

ROADS AFFECTED:

Delays/closures will take place on the following streets during the beginning portion of the run/walk:

S. College Avenue from Marvin Drive to E. Park Place
E. Park Place to Academy Street
S. Chapel Street southbound from Wyoming Road
Academy Street from E. Park Place to E. Main Street

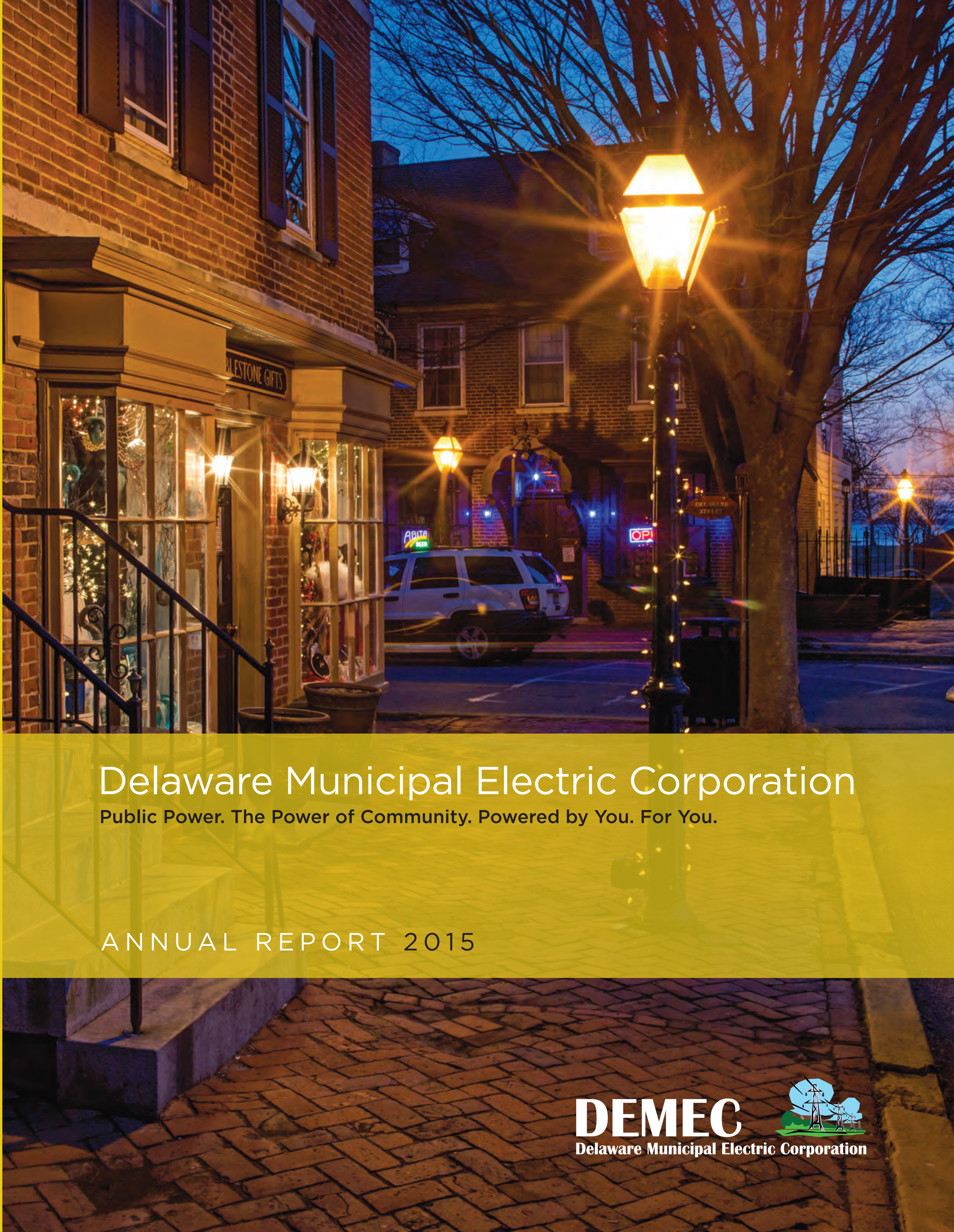
The race will continue on the following streets, however, runners/walkers will be limited to the sidewalks:

E. Main Street, west of Academy Street
W. Main Street to S. Main Street
Amstel Avenue to S. College Avenue
S. College Avenue to the University of Delaware Field House

NUMBER OF PEOPLE: 1500-2000

CITY RESOURCES REQUIRED: Police/Public Works

ADDITIONAL RESOURCES REQUIRED: NONE



Delaware Municipal Electric Corporation

Public Power. The Power of Community. Powered by You. For You.

ANNUAL REPORT 2015

DEMEC
Delaware Municipal Electric Corporation

DELAWARE MUNICIPAL ELECTRIC CORPORATION ANNUAL REPORT 2015

Contents

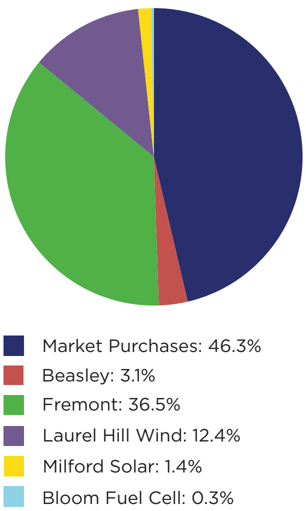
Resources

DEMEC is engaged in a continuing strategic shift of its supply resource mix to better align the company's supply resources to the regulatory and market environment in which we operate. Regulatory policy shifts have put some fuel types at greater risk than others and incentivized investment in renewable resources. Ineffective and volatile electric market structures operated by the PJM Regional Transmission Organization have caused the cost of supplier contracts to be uncompetitive with self-supply assets because of the high-risk premiums assigned by suppliers facing market uncertainties.

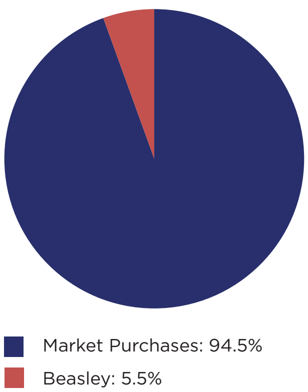
Since 2008, DEMEC has moved away from market-based supplier contracts in favor of a diverse set of self-supply resources. In 2008, DEMEC had only one self-supply generation resource, a 45 MW natural-gas-fired combustion turbine at its Beasley Power Station in Smyrna, Delaware. By 2012, DEMEC had added an additional 45 MW turbine at the Beasley facility; 23 MWs of behind-the-meter utility-scale solar generation at two member systems, Dover and Milford; 69 MWs of wind generation from the Laurel Hill Wind Facility located in north-central Pennsylvania; 92 MWs from the jointly owned Fremont Energy Center; and a 700 MW natural-gas-fired combined-cycle generation facility operated by our partner American Municipal Power in Fremont, Ohio. DEMEC is working to develop additional behind-the-meter generation resources in member systems. We expect to bring online a new 1.5 MW community-based solar generator in Smyrna, Delaware, in mid-2016 and develop another 10 MWs of additional community-based solar generation in our member systems over the next few years. We are also seeking new hydroelectric generation assets in the PJM region to further diversify our supply resource mix, and we are exploring deployment of storage technologies to better manage the intermittency of our wind and solar generation resources. A new 8 MW battery storage facility will go online in Lewes, Delaware in 2016. We continue to support the renewable portfolio standards goals of our member communities and the expansion of demand response resources, as well as increasing the impact of energy efficiency in our service territories.

DEMEC was only serving 5% of its load obligation with self-supply assets in 2008. Today we self-supply 54% of our load obligation from a diverse set of supply resources. This shift to increasing self-supply resources to supply our load obligation has reduced our market risks and reduced our cost of delivered wholesale full-requirements service to our members by 20% over the past five years. DEMEC will continue to seek the right mix of supply resources to manage its obligations and risks as the electric industry continues to evolve. Our goal is to provide predictable, reliable, lowest-cost long-term wholesale power supply and related services to our member systems, while successfully managing the risk and volatility inherent in the competitive electric industry.

2015 Resource Mix



2008 Resource Mix



Financial Highlights

About Delaware Municipal Electric Corporation

Delaware Municipal Electric Corporation, Inc. (DEMEC) is a public corporation constituted as a joint-action agency and a wholesale generation electric utility. DEMEC represents nine municipal electric distribution utilities located in the State of Delaware. The creation of DEMEC was made possible by an act of the Delaware General Assembly on June 6, 1978, and the entity was incorporated on July 12, 1979. The members of DEMEC comprise all the major towns in Delaware, except Wilmington. The DEMEC members are Newark, New Castle, Middletown, Dover, Smyrna, Seaford, Lewes, Clayton and Milford.

Credit Ratings for DEMEC's Electric Utility Bonds Series 2011

- Fitch Ratings upgraded DEMEC's rating in 2014 to A from A-. Key rating drivers include the Beasley Power Station's strong performance and its increasing value.
- Standard & Poor's Rating Services, in 2014, reaffirmed DEMEC's A rating with a stable outlook. The rating reflects several factors that S&P views as positive. They include strong coverage of project debt and a strong operating record of the Beasley Power Station, which both act as a hedge against peak power costs in the PJM market.
- Moody's Investors Service reaffirmed DEMEC's A2 rating in 2015 with a stable outlook. The rating reflects DEMEC's strong historical financial performance, considers management's successful experience with similar construction and operations, and the credit quality of DEMEC's seven project members.

$164 million
Total revenue from member sales and generation operations.

$23 million
2015 margin before distribution to members. An increase of 67% over 2014 due to decreased power supply costs.

1,368 GWh
Total gigawatt hours delivered to members. An increase of 3.9% over 2014.

$7.7 million
Distributed to members.

Statement of Revenues, Expenses and Changes in Net Position

	2015	2014	2013	2012
Operating Revenues				
Revenue from members	$118,890,055	$119,014,544	$111,738,175	$113,114,870
Revenue from generation operations	45,076,426	47,177,829	30,182,264	5,754,782
Total Operating Revenues	**163,966,481**	**166,192,373**	**141,920,439**	**118,869,652**
Operating Expenses				
Power purchases	90,021,651	108,008,180	101,371,742	90,110,843
Ancillary services	1,599,163	2,483,605	5,125,207	2,249,777
Capacity	27,948,125	20,907,471	23,701,056	15,858,274
RPS compliance	2,264,579	2,286,782	1,958,551	845,598
Transmission charge	9,414,211	8,107,243	6,855,652	6,961,818
Plant operation and maintenance	3,867,507	4,941,614	2,235,591	1,953,796
General and administrative expenses	2,896,962	2,925,636	2,637,124	1,997,858
Total Operating Expenses	**138,012,198**	**149,660,531**	**143,884,923**	**119,977,964**
Operating Income (Loss)	**25,954,283**	**16,531,842**	**(1,964,484)**	**(1,108,312)**
Nonoperating Revenues (Expenses)	(2,929,302)	(2,646,348)	(2,664,952)	(2,713,100)
Income Before Distributions to Members	**23,024,981**	**13,885,494**	**(4,629,436)**	**(3,821,412)**
Distributions to Members	(7,720,344)	(11,038,246)	(6,702,345)	(4,407,810)
Change in Net Position	15,304,637	2,847,248	(11,331,781)	(8,229,222)
Net Position - Beginning of Year	(8,342,683)	(11,189,931)	141,850	8,371,072
Net Position - End of Year	**$6,961,954**	**$(8,342,683)**	**$(11,189,931)**	**$141,850**

Dear Stakeholders,

I am pleased to report that DEMEC had another strong year. While net revenues from operations decreased 1.4%, net operating expenses decreased by 9.0%, resulting in a favorable increase in net position of $15.3 million. We delivered significant value to our member communities by supplying competitively priced wholesale power supply derived from our portfolio of self-supply generation assets and market-based contracts. Total revenue decreased 1.4% due to a moderately warm winter and resultant reduction in customer demand. Revenue from member billing decreased .01% while revenues from generation operations decreased 4.7%, mostly from reduced operation of our peaking generation. This was offset by 9.0% lower operating expenses and fuel costs. Change in net position was a positive $15,304,638 on revenues of $163,966,481.

Overall, the company's financial strength, efficient operations, beneficial asset mix and robust service provision are providing increasing value to our member communities, giving them the resources they need to succeed in the rapidly changing electric industry. The financial strength of the corporation is demonstrated by the stability of our credit rating. The three credit rating agencies, Moody's, Standard & Poor's and Fitch Ratings, have affirmed our ratings of A2, A and A, respectively. Strong financial health improves our access to capital to fund the company's strategies. Capital will be deployed to build new infrastructure for the benefit of our member communities.

"The company's financial strength and operations provide increasing value to our member communities."

Wholesale power supply cost to our full-requirements members has decreased over 3.4% in the last four years, as we have continued to replace market-based contracts with new economic self-supply assets. The expansion of our Beasley Peaking Power Station, the addition of the Fremont Combined-Cycle Power Plant in 2012 and the continued deployment of behind-the-meter generation in our member systems have significantly contributed to these lower wholesale costs, as well as the historic drop in natural gas fuel prices due to the huge increase in domestic supply from fracking technology. However, we are facing changes in the regional electric industry that will challenge our ability to continue to provide stable, competitive wholesale power supply to our member communities. While energy costs are continuing to drop as a result of lower fuel costs, certain other components of wholesale power supply are significantly increasing in the next three years. The main drivers of these expected higher power supply costs are loss of generation reserve due to increasing regulations and the aging-out of older generation assets, rapidly increasing transmission

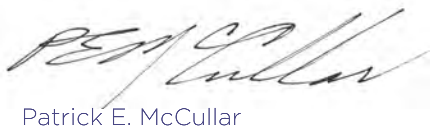
costs, and expected higher capacity costs. In addition to the significant cost drivers discussed above, the Delaware Renewable Portfolio Standards (RPS) obligations for each DEMEC member will continue to increase each year, causing additional costs as we move up the compliance schedule toward 2025, when 25% of our power supply must come from qualifying renewable generation resources.

We are not sitting still. We have represented our members before the Federal Energy Regulatory Commission (FERC), Congress and our state legislature. We intervened in the transmission tariff filings of PHI/Delmarva Power at FERC over the last four years and reached a settlement in 2015 on all outstanding issues, which resulted in substantial savings in current and future transmission expenses for all electric consumers in our region. We continue to actively participate in the constant rule changes at PJM. We are also seeking to develop or acquire additional diverse and efficient generation assets to further hedge our market position against these changes. We will leverage our partnership with American Municipal Power, Inc. (AMP), which began in 2011, to improve service provisions to our members and develop new efficient generation assets. Our senior management and board of directors are working to implement the strategic plan adopted in 2015 to address challenges and opportunities created by the rapid and complex changes in the electric industry in the eastern United States, where we operate.

In closing, I want to thank the valued employees of DEMEC and its member systems, as well as the board of directors, whose creativity, hard work and dedication to growing the value of the corporation have made this year's achievements possible. Our strong connection with our member communities continues to be a key asset in an increasingly competitive marketplace. While the changes coming in the industry will be challenging, we are well prepared to meet members' changing needs and to pursue continued growth of assets and services to maximize the company's value to its member communities.

"Operating expenses were 9% lower due to lower natural gas costs."

Sincerely,



Patrick E. McCullar

President & CEO

Board and Management

DEMEC is governed by a nine-member board of directors, with one director from each of the nine member municipal electric utilities. The responsibility for day-to-day operations of the agency resides with a president appointed by the board. The president directs the efforts of the staff members and various contractual relationships in place to meet the service requirements of the members.

Board *left to right, back row*

Mary Ellen DeBenedictis
Secretary
Town of Clayton
Director

Darrin Gordon
Board of Public Works
City of Lewes
Director

Patrick E. McCullar
President & CEO

Scott Koenig
City of Dover
Director

Dolores J. Slatcher
Chairwoman
City of Seaford
Director

Board *left to right, front row*

Eric Norenberg
City of Milford
Director

Pamela A. Patone
New Castle Municipal
Services Commission
Director

Morris Deputy
Town of Middletown
Director

Board *Not pictured*

David S. Hugg III
Vice Chairman
Town of Smyrna
Director

Carol Houck
City of Newark
Director

Senior Management

Patrick E. McCullar
President & CEO

Kimberly A. Schlichting
Senior Vice President
Operations and
Power Supply

Daniel J. Corrigan
Vice President
Engineering


The Legacy of Public Power

At its heart, public power is an expression of the American ideal—local people working together to meet local needs. Public power has a long history in the United States. Locally owned public power utilities first appeared more than 100 years ago, when communities purchased Thomas Edison's electric light package and created their own electric utilities to provide light and power to their citizens. Today, there are more than 2,000 cities and towns in the United States that light up their homes, businesses and streets with public power. These communities enjoy the advantages of public power.

Public power provides electricity and services that come from a not-for-profit community-owned and operated utility. Like community schools, parks and hospitals, public power utilities are local institutions working to meet local needs. Public power communities have more local control, so all the benefits produced by public power stay in the local community. Public power has a strong environmental-protection track record, solid credentials with bond rating agencies, and a reputation for reliable, customer-focused service.

Being a public power community means that revenue is continuously reinvested back into your community where you live to improve the quality of life and maintain critical infrastructures for both businesses and families alike. Our focus on highly reliable electric service, environmental stewardship and outstanding customer service practices are the hallmarks of public power.

Reliability

DEMEC service territories are centrally and locally concentrated, so we can focus more closely on service reliability. We live and work here—enabling us to view our infrastructure with more watchful eyes, diligently performing preventive maintenance from tree trimming and conductor, pole and line upgrades to regular inspection and testing of generating equipment, facilities and substations. So instead of reacting to outages, we're proactively minimizing them. The result? World-class service reliability and continued high levels of customer satisfaction.

Community-owned nonprofit utilities like ours consistently deliver excellent service reliability and cost efficiency, earning customer loyalty. These are just some of the reasons why interest in and support for public power is so strong nationwide.

Fueling Local Investments

Community-owned power companies typically don't have large profits or cash reserves to help fund infrastructure investments. But they do have each other. And when our communities have a local electrical infrastructure project, DEMEC can finance and build all or part of it, at more attractive rates than the communities could find on their own. And for very large-scale projects, DEMEC can partner with other public power entities, like AMP, to issue tax-exempt debt through trusted investment bankers, bond buyers and counsel. Because of DEMEC's excellent credit ratings, capital is raised at reduced costs and at excellent rates, which enables communities to invest saved monies elsewhere in other much needed but nonelectrical improvements and services. Often these investments include quality-of-life initiatives in our communities—an opportunity not available under other utility models.

Our community-owned status generates more than reliable electricity. It also helps generate new jobs and retains existing ones. Businesses enjoy rates in our communities comparable to or better than other energy suppliers in our region. New businesses are attracted to our service territories not only by lower electrical rates but also by our “total package infrastructure” advantages and incentives, which can provide them with a significant business edge. Some of our most recent larger business additions in our communities include Walmart distribution center, Johnson Controls, Bloom Energy and Amazon.com.

Future DEMEC investment in community-owned solar generation facilities is also on the horizon for New Castle, Seaford and Smyrna. These projects will create new jobs, utilize Delaware experts and materials, and help educate more people about solar generation technology. And DEMEC will be there to assist with design, financing and construction.

Green Initiatives

DEMEC is a leader in the development of renewable energy and energy efficiency in the communities we serve and has made significant long-term investments in renewable energy. DEMEC has invested over $100 million in the development of a large portfolio of qualifying renewable energy generation resources to achieve the lowest-possible compliance cost.

DEMEC has agreements for wind power from the Laurel Hill Wind Farm in Lycoming, Pennsylvania, and solar power from the Dover Sun Park Project and the Milford Solar Farm. Of the 60.7 MW of installed or committed solar generation resources in Delaware, a majority (35.7 MW, or 59% of the total) is installed in DEMEC municipal service territories. This becomes an even more striking statistic when you consider DEMEC municipal service territories make up less than 15% of electric service in the entire state. The only significant wind generation resource installed in the state of Delaware is in a DEMEC municipal service territory, a utility-scale 2 megawatt (2 MW) wind turbine at UD’s Hugh R. Sharp Campus in Lewes. Renewable energy credits generated by the University of Delaware’s wind turbine are purchased by DEMEC through an agreement. The proceeds support a wind energy graduate-student research fellowship in the University’s College of Earth, Ocean, and Environment (CEOE).

In addition to large utility-scale projects, DEMEC has supported siting renewable energy systems inside municipal borders for the benefit of the whole community. DEMEC, on behalf of the City of Newark, developed McKees Solar Park, a 230 kilowatt solar farm. The project revitalized a 3.91-acre brownfield site off East Cleveland Avenue, which provides Newark with a behind-the-meter renewable power source to serve all residents by reducing the city’s peak power demand, lowering the wholesale cost of power, generating solar renewable energy credits, bringing locally produced green energy to the city’s electric users, and reducing the city’s carbon footprint.

DEMEC also conceived and proposed to the City of Newark the State of Delaware’s first opt-in community solar program. This program was launched in 2014 to promote community involvement in the solar park and offers several participation options.

DEMEC’s Community Solar Model has been recognized twice by the national solar industry trade group, Solar Energy Power Association (SEPA), as a leading program design for increasing public access to solar energy. DEMEC continues to assist its members in the advancement of the community solar model as they develop new solar projects in the towns of Smyrna and Clayton, and in the City of New Castle.

CONTACT INFORMATION
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Phone
302.653.2733
Website
demecinc.net

DELAWARE MUNICIPAL
ELECTRIC CORPORATION

Smyrna, Delaware

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2015 and 2014

DELAWARE MUNICIPAL ELECTRIC CORPORATION

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As of and for the Years Ended December 31, 2015 and 2014

Baker Tilly Virchow Krause, LLP
Ten Terrace Ct, PO Box 7398
Madison, WI 53707-7398
tel 608 249 6622
fax 608 249 8532
bakertilly.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Delaware Municipal Electric Corporation
Smyrna, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of Delaware Municipal Electric Corporation, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Delaware Municipal Electric Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

To the Board of Directors
Delaware Municipal Electric Corporation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Delaware Municipal Electric Corporation as of December 31, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The statistical data section as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion or provide any assurance on it.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
March 31, 2016

MANAGEMENT’S DISCUSSION AND ANALYSIS

The management of the Delaware Municipal Electric Corporation ("DEMEC") offers all persons interested in the financial position of DEMEC this narrative overview and analysis of DEMEC's financial performance during the years ending December 31, 2015 and 2014. Please read this narrative in conjunction with the accompanying financial statements and the accompanying notes to financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

DEMEC is a public corporation constituted as a Public Power Joint Action Agency and a wholesale electric utility owning generation assets and serving load in the PJM footprint. DEMEC represents nine municipal electric distribution utilities located in the State of Delaware. The creation of DEMEC was made possible by an act of the Delaware General Assembly on June 6, 1978, and the entity was incorporated on July 12, 1979. The members of DEMEC comprise all the major towns in Delaware except Wilmington. The DEMEC members are: Newark, New Castle, Middletown, Dover, Smyrna, Seaford, Lewes, Clayton and Milford.

The mission of DEMEC is to advance the principles of public power community ownership and provide competitive, reliable energy supply and services to its members' stakeholders and customers through a diversified portfolio of generation assets and power purchase agreements.

This annual report consists of two parts: Management's Discussion and Analysis (this section) and the financial statements. These statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Statements of Revenues, Expenses and Changes in Net Position present information showing how DEMEC's net position changed during the most recent year due to DEMEC's business activity. The Statements of Net Position report year end assets, liabilities and net position balances based on the original cost adjusted for any depreciation and amortization.

DEMEC FINANCIAL ANALYSIS

An analysis of DEMEC's financial position begins with the review of the Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position. A summary of DEMEC's Statements of Net Position is presented in Table 1 and the Statements of Revenues, Expenses and Changes in Net Position are summarized in Table 2.

DEMEC FINANCIAL ANALYSIS (cont.)

Table 1
Condensed Statements of Net Position

	2015	2014	2013
Assets			
Current Assets	$ 19,844,467	$ 16,266,085	$ 21,481,380
Other noncurrent assets	17,343,046	24,689,333	35,820,573
Utility plant and property, net	58,449,785	59,075,073	59,673,756
Total Assets	$ 95,637,298	$ 100,030,491	$ 116,975,709
Liabilities			
Current liabilities	$ 18,985,406	$ 21,083,581	$ 21,808,106
Noncurrent liabilities	59,569,829	68,836,227	78,815,345
Total Liabilities	78,555,234	89,919,808	100,623,451
Total Deferred Inflows of Resources	10,120,110	18,453,366	27,542,189
Net Position			
Net investment in capital assets	3,506,614	2,257,404	3,174,393
Unrestricted	3,455,340	(10,600,087)	(14,364,324)
Total Net Position	6,961,954	(8,342,683	(11,189,931)
Total Net Position and Liabilities	$ 95,637,298	$ 100,030,491	$ 116,975,709

STATEMENTS OF NET POSITION

During the year ended December 31, 2015, utility plant decreased by $625,288, which includes retirements of $224,850. DEMEC's capital investments made during the year included total payments of $655,564 toward the capital costs associated with the Warren F. Beasley Power Station. These capital investments net of depreciation accounted for a majority of the changes in utility plant. Depreciation expense of $1,456,743 was recorded during the year.

During the year ended December 31, 2014, utility plant decreased by $598,683. DEMEC's capital investments made during the year included total payments of $805,922 toward the capital costs associated with the Warren F. Beasley Power Station, and improvements to the administrative building. These capital investments net of depreciation accounted for a majority of the changes in utility plant. Depreciation expense of $1,404,068 was recorded during the year.

DEMEC FINANCIAL ANALYSIS (cont.)

STATEMENTS OF NET POSITION (cont.)

During the year ended December 31, 2015, DEMEC increased the cash in operating reserve accounts by $4,718,829 from the previous year as part of the rate stabilization program. Accounts receivable saw a decrease of $860,204 due to reduced sales as a result of mild winter weather in the fourth quarter. Other assets decreased by $7,626,531 due to a decrease in the Regulatory Asset Account.

Net position increased in 2015 due to decreased power supply costs of approximately $10,500,000.

Principal repayments associated with the Agency's outstanding revenue bonds totaled $1,658,253 DEMEC is scheduled to repay an additional $1,768,393 on the outstanding revenue bonds in 2016.

During the year ended December 31, 2014, DEMEC decreased the cash in operating reserve accounts by $5,857,396 from the previous year as part of the rate stabilization program. Accounts receivable remained constant with an increase of $259,268. Other assets decreased by $10,748,407 due to funds in the project accounts being used for the capital improvements to the Warren F. Beasley Power Station and the administration building and a reduction in the Regulatory Assets.

Net position increased in 2014 due to increased generation revenues of approximately $16,000,000. Principal repayments associated with the Agency's outstanding revenue bonds totaled $1,600,512. DEMEC is scheduled to repay an additional $1,658,253 on the outstanding revenue bonds in 2015.

DEMEC issued the Series 2008B Electric Revenue Bonds ("Series 2008B Bonds") in the total par amount of $7,000,000 on December 5, 2008. The final maturity of the Series 2008B Bonds is June 1, 2019. The Series 2008B Bonds were issued to finance project costs of constructing a new electric substation in New Castle, Delaware for the benefit of the Municipal Services Commission of New Castle ("MSC"). The MSC entered into a contract with DEMEC for services from the new substation in an amount sufficient to pay the debt service and operating expenses of the substation. The 2008B bonds were refinanced in 2015 through the issuance of the Series 2015 Electric Refunding Bonds.

DEMEC issued the Series 2011 Electric Revenue Bonds ("Series 2011 Bonds") in the total par amount of $57,185,000 on November 3, 2011. The final maturity of the Series 2011 Bonds is July 1, 2041. The Series 2011 Bonds were issued to refund the 2001 Revenue Bonds outstanding and the 2008A General Obligation Bonds outstanding, to finance the project costs of constructing Unit #2 of the Warren F. Beasley Power Station and improvements to the administration building. The balance due on the 2011 bonds is reflected in non-current liabilities in the amount of $50,775,000 and current liabilities of $1,265,000. Proceeds of revenue bonds not yet expended are included in restricted assets.

DEMEC issued the Series 2015 Electric Refunding Bonds ("Series 2015 Bonds") in the total par amount of $4,216,387 on December 4, 2015, to refinance the Series 2008B Electric Revenue Bonds issued on December 5, 2008 in the total par amount of $7,000,000. The final maturity of the Series 2015 Bonds is December 4, 2022. The Series 2015 Bonds were issued to refinance project costs of constructing a new electric substation in New Castle, Delaware for the benefit of the Municipal Services Commission of New Castle ("MSC") that were originally financed with the 2008B Electric Revenue Bonds. The balance due on the 2015 bonds is reflected in non-current liabilities in the amount of $3,712,994 and current liabilities of $503,393.

DEMEC FINANCIAL ANALYSIS (cont.)

Table 2
Condensed Statements of Revenues, Expenses and Changes in Net Position

	2015	2014	2013
Operating Revenues	$ 163,966,481	$ 166,192,373	$ 141,920,439
Depreciation Expense	1,456,743	1,404,068	1,363,829
Other operating expenses	136,507,842	148,256,463	142,521,094
Total Operating Expenses	137,964,585	149,660,531	143,884,923
Operating Income(Loss)	26,001,896	16,531,842	(1,964,484)
Interest income	3,242	4,595	28,683
Interest and amortization expense	(2,766,875)	(2,657,557)	(2,685,136)
Other income/(expense)	(213,282)	6,614	(8,499)
Total Non-operating Expenses	(2,976,915)	(2,646,348)	(2,664,952)
Income before Distributions	23,024,981	13,885,494	(4,629,436)
Distributions to Members	(7,720,344)	(11,038,246)	(6,702,345)
Change in Net Position	15,304,637	2,847,248	(11,331,781)
Net Position, Beginning of Year	(8,342,683)	(11,189,931)	141,850
Net Position, End of Year	$ 6,961,954	$ (8,342,683)	$ (11,189,931)

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

Operating revenues for the year ended December 31, 2015 consisted of power supply sales to participating members of $118,890,055 on consumption of 1,368,000,446 kilowatt hours ("kWh"), and sales from generation resources of $45,076,426, for a total of $163,966,481. This represents a decrease of $2,225,892 in operating revenues (1.4%) as compared with the previous year. The decrease in operating revenues is mainly attributed to the decrease in revenues from decreased sales and decreased generation opportunities as a result of mild winter weather in the fourth quarter of 2015. The 51,769,121 increase in kWh sales over 2014 is mainly attributed to the additional operations of large industrial customers located in the Town of Middletown and Newark. Revenue from generation operations decreased by $2,101,403 (4.7%) due to decreased generation opportunities in 2015.

DEMEC FINANCIAL ANALYSIS (cont.)

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION (cont.)

Operating revenues for the year ended December 31, 2014 consisted of power supply sales to participating members of $119,014,544 on consumption of 1,316,231,325 kilowatt hours ("kWh"), and sales from generation resources of $47,177,829, for a total of $166,192,373. This represents an increase of $24,271,934 in operating revenues (17%) as compared with the previous year. The increase in operating revenues is mainly attributed to the increase in revenues from increased generation opportunities in 2014 and an increase in kilowatt hours ("kwh") sold to the members. The 24,072,475 increase in kWh sales over 2013 is mainly attributed to the additional operations of one large industrial customer located in the Town of Middletown along with a colder than normal winter. Revenue from generation operations increased by $16,995,565 (56%) due to several factors. The addition of Beasley Unit #2 earned additional capacity revenues in 2014, and the unit earned new revenues from participating in the spinning reserve market of PJM. DEMEC also saw additional revenues from increased operation of the AMP Fremont Energy Center and the Laurel Hills Wind Farm.

During the year ending December 31, 2015, DEMEC recorded a coincident peak demand of 276.9 MW, which was approximately 0.5% higher than the 275.5 MW experienced in the previous year. The total member non-coincident peak demand was 279.8 MW. This non-coincident peak demand was approximately 0.6% higher than the previous year. The increase in demand results from an increase in load growth throughout the system.

For the year ended December 31, 2015, total operating expenses decreased by $11,648,333 (8.4%) from the previous year due primarily to lower power supply costs.

For the year ended December 31, 2014, total operating expenses increased by $5,775,608 (4.0%) from the previous year due primarily to higher capacity costs and higher operating expenses of generation.

DEBT SERVICE COVERAGE

DEMEC's bond resolution requires the Agency to maintain a debt service coverage ratio of 110% on outstanding debt. Debt service coverage for the 2011 Revenue Bonds during the years ended December 31, 2015 and 2014 was approximately 400% and 485% respectively. Debt service coverage for the 2008B Revenue Bonds during the year ended December 31, 2014 was approximately 110%.

SIGNIFICANT EVENTS

AMERICAN MUNICIPAL POWER (AMP) RATE STABILIZATION CONTRACT

DEMEC joined American Municipal Power ("AMP") in July 2011, becoming the 129th member of this large, multi-state joint action agency. The AMP Fremont Energy Center, a $600 million dollar, 675MW high-efficiency combined-cycle natural gas generation plant was completed and commercial operation began in January 2012. DEMEC is the largest participant of 89 participants in this 100% Public Power generation project, taking 92.285 MW of capacity and associated energy from the facility for the next 35 years.

SIGNIFICANT EVENTS (cont.)

AMERICAN MUNICIPAL POWER (AMP) RATE STABILIZATION CONTRACT (cont.)

Since DEMEC procures power supply with long-term contracts, the addition of the AMP Fremont Energy Center to the DEMEC power portfolio in January 2012 created a temporary long position in the power portfolio. To mitigate this temporary long position, DEMEC entered into a separate contract with AMP to create a Rate Stabilization Program from February, 2012 through June, 2017 in order to maintain a stable wholesale rate to members through the temporary long position.

This transaction is booked as a long-term regulatory asset and liability to be recovered from our power supply members over the term of the transaction.

Table 3
Projection of Revenues, Expenses and Changes in Net Position over the Duration of the Rate Stabilization Transaction

(In $Thousands)	2012	2013	2014	2015	2016	2017
Operating revenues	$ 118,870	$ 141,920	$ 166,192	$ 163,966	$ 191,182	$ 192,150
Operating expenses	119,978	143,885	149,661	138,012	183,815	182,500
Operating Income	(1,108)	(1,965)	16,531	25,954	7,367	9,650
Total non-operating expenses	(2,713)	(2,665)	(2,646)	(2,929)	(1,950)	(3,682)
Income before Distributions	(3,821)	(4,630)	13,885	23,025	5,417	5,968
Distributions to Members	(4,408)	(6,702)	(11,038)	(7,720)	(4,100)	(4,500)
Change in Net Position	(8,229)	(11,332)	2,847	15,305	1,317	1,468
Net Position, Beginning of Year	8,371	142	(11,190)	(8,343)	6,962	8,279
Net Position, End of Year	$ 142	$ (11,190)	$ (8,343)	$ 6,962	$ 8,279	$ 9,747

Table 3 demonstrates the effect on Net Position over the period of the Rate Stabilization Transaction.

SIGNIFICANT EVENTS (cont.)

RENEWABLE ENERGY RESOURCES

In recognition of the changing legislative and regulatory environment, the nine member communities of DEMEC each adopted a Municipal Renewable Portfolio Standard ("MRPS") policy in 2013 that targets to acquire 25% of its energy requirements from qualifying renewable resources by 2025, with 3.5% coming from solar renewable resources. The member communities designated and appointed DEMEC as their agent in achieving compliance with the MRPS policy goals. To achieve compliance with the MRPS policy, DEMEC has entered into several long term contracts to fulfill the MRPS obligation. DEMEC entered into a 20-year contract in April, 2010, to purchase 15% of the solar environmental attributes from the Dover Sun Park owned by White Oak Solar Energy, LLC. DEMEC entered into a 25-year contract in May, 2011 to purchase 69MW of wind energy and associated environmental attributes from the Laurel Hill Wind Farm owned by Laurel Hill Wind Energy, LLC. DEMEC entered into a 20-year contract in May, 2012 to purchase 15MW of solar energy and associated solar environmental attributes from the PSEG Milford Solar Farm owned by PSEG Solar, LLC. DEMEC entered into a 3-year contract, in October, 2013 to purchase environmental attributes from the University of Delaware wind turbine located in Lewes, Delaware and owned by First State Marine, LLC. Most recently, DEMEC entered into a 20-year contract in January 2015 to purchase all environmental attributes produced from the City of Newark McKees Solar Park located in Newark, Delaware.

DEMEC is entering into a contract with AMP for the construction and operation of a 1.5 MW Solar generator to be located behind the meter in the Smyrna service territory. DEMEC will purchase all energy and some portion of the environmental attributes produced by the facility for 29 years. The solar generator is expected to begin commercial operation in June, 2016.

CONTACTING DEMEC'S MANAGEMENT

This financial report is designed to provide our members, investors and creditors with a general overview of DEMEC's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Delaware Municipal Electric Corporation, 22 Artisan Drive, Smyrna, DE 19977.

DELAWARE MUNICIPAL ELECTRIC CORPORATION

STATEMENTS OF NET POSITION
As of December 31, 2015 and 2014

ASSETS

	2015	2014
CURRENT ASSETS		
Cash and investments	$ 11,283,646	$ 6,564,817
Accounts receivable	8,059,500	8,953,926
Current portion of member receivable	34,222	-
Fuel oil on hand	467,099	747,342
Total Current Assets	19,844,467	16,266,085
NONCURRENT ASSETS		
Restricted Assets		
Debt service reserve	3,751,882	3,751,504
Regulatory assets	10,604,022	18,996,626
Deposits with suppliers	2,643,215	1,941,203
Long term member receivable	343,927	-
Capital Assets		
Plant in service	69,347,443	68,916,729
Accumulated depreciation	(11,239,218)	(9,841,656)
Total Plant in Service	58,108,225	59,075,073
Construction in Progress	341,561	-
Total Noncurrent Assets	75,792,832	83,764,406
Total Assets	95,637,299	100,030,491

LIABILITIES	2015	2014
CURRENT LIABILITIES		
Accounts payable	$ 7,637,175	$ 9,214,720
Restricted for renewable energy fund	477,877	405,857
Current portion of loan payable	34,522	-
Current portion of rate levelization loan	7,820,569	8,528,059
Current portion of revenue bonds	1,768,393	1,658,253
Accrued interest	1,246,870	1,276,692
Total Current Liabilities	18,985,406	21,083,581
NONCURRENT LIABILITIES		
Revenue bonds	54,487,994	56,377,240
Unamortized premium	2,438,667	2,533,680
Loan Payable	343,627	-
Rate levelization loan	2,299,541	9,925,307
Total Noncurrent Liabilities	59,569,829	68,836,227
Total Liabilities	78,555,235	89,919,808
DEFERRED INFLOWS OF RESOURCES		
Unearned revenues	10,120,110	18,453,366
NET POSITION		
Net investment in capital assets	3,506,614	2,257,404
Unrestricted	3,455,340	(10,600,087)
TOTAL NET POSITION	$ 6,961,954	$ (8,342,683)

See accompanying notes to financial statements.

DELAWARE MUNICIPAL ELECTRIC CORPORATION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Revenue from members	$ 118,890,055	$ 119,014,544
Revenue from generation operations	45,076,426	47,177,829
Total Operating Revenues	163,966,481	166,192,373
OPERATING EXPENSES		
Power purchases	90,021,651	98,280,554
Ancillary services	1,599,163	2,483,605
Capacity	27,948,125	30,635,097
RPS compliance	2,264,579	2,286,782
Transmission charge	9,414,211	8,107,243
Plant operation and maintenance	3,867,507	4,941,614
Outside services	416,388	458,224
Salaries and benefits	725,191	851,524
Administrative and general expenses	251,027	211,820
Depreciation and amortization	1,456,743	1,404,068
Total Operating Expenses	137,964,585	149,660,531
OPERATING INCOME (LOSS)	26,001,896	16,531,842
NONOPERATING REVENUES (EXPENSES)		
Interest income	3,242	4,595
Interest expense	(2,802,540)	(2,723,596)
Amortization of bond premiums	95,013	95,013
Amortization of regulatory asset – debt issuance costs	(59,348)	(28,974)
Debt Issuance Expense	(47,613)	-
Gain (loss) on retirement of fixed assets	(165,669)	6,614
Total Nonoperating Expenses	(2,976,915)	(2,646,348)
INCOME BEFORE DISTRIBUTIONS TO MEMBERS	23,024,981	13,885,494
Distribution to Members	(7,720,344)	(11,038,246)
CHANGE IN NET POSITION	15,304,637	2,847,248
NET POSITION – Beginning of Year	(8,342,683)	(11,189,931)
NET POSITION – END OF YEAR	$ 6,961,954	$ (8,342,683)

See accompanying notes to financial statements.

DELAWARE MUNICIPAL ELECTRIC CORPORATION

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from members	$ 119,679,107	$ 118,746,820
Cash received from generation operations	45,076,426	47,177,829
Cash paid to suppliers for goods and services	(137,587,163)	(147,384,925)
Cash paid to employees	(725,191)	(851,524)
Net Cash Flows From Operating Activities	26,443,179	17,688,200
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash paid to AMP for rate levelization	(8,528,059)	(9,391,426)
Draws against letter of credit for operations	-	3,000,000
Paydown of letter of credit draws	-	(3,000,000)
Net Cash Flows From Noncapital Financing Activities	(8,528,059)	(9,391,426)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment for acquisition of property and equipment	(997,124)	(798,771)
Interest paid	(2,832,362)	(2,747,613)
Debt principal paid	(1,779,106)	(1,600,908)
Debt issuance costs paid	(47,613)	-
Net Cash Flows From Capital and Related Financing Activities	(5,656,205)	(5,147,292)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash distribution to members	(7,542,950)	(11,025,700)
Interest income received	3,242	4,595
Net Cash Flows From Investing Activities	(7,539,708)	(11,021,105)
Net Increase (Decrease) in Cash and Cash Equivalents	4,719,207	(7,871,623)
CASH AND CASH EQUIVALENTS – Beginning of Year	10,316,321	18,187,944
CASH AND CASH EQUIVALENTS – END OF YEAR	$ 15,035,528	$ 10,316,321
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Increase (decrease) in regulatory asset	$ (8,392,604)	$ (9,117,798)
Increase (decrease) in regulatory liability	(8,333,256)	(9,088,823)
Carrying charges added to rate levelization loan	194,803	302,603
Loss on retirement of fixed assets	165,669	886

		2015		2014
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	$	26,001,896	$	16,531,842
Adjustments to reconcile operating loss to net cash flows provided by operating activities				
Depreciation		1,456,743		1,404,068
Carrying charge on rate levelization loan		194,803		302,603
Changes in assets and liabilities				
Accounts receivable		717,032		(271,814)
Fuel oil on hand		280,243		(382,833)
Deposits with suppliers		(702,012)		(785)
Accounts payable		(1,577,546)		101,029
Renewable energy fund		72,020		4,090
NET CASH FLOWS FROM OPERATING ACTIVITIES	$	26,443,179	$	17,688,200

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION				
Cash and investments	$	11,283,646	$	6,564,817
Debt service reserve		3,751,882		3,751,504
CASH AND CASH EQUIVALENTS	$	15,035,528	$	10,316,321

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE REPORTING ENTITY

The Delaware Municipal Electric Corporation, Inc. ("DEMEC") is a public corporation constituted as a Public Power Joint Action Agency and a wholesale electric utility owning generation assets and serving load in the PJM footprint. The mission of DEMEC is to advance the principles of public power community ownership and provide competitive, reliable energy supply and services to its members, stakeholders, and customers. DEMEC represents and provides power supply and related services to nine municipal electric distribution utilities located in the State of Delaware (the "State"). The creation of DEMEC was made possible by an act of the Delaware General Assembly on June 6, 1978, and the entity was incorporated on July 12, 1979. The members of DEMEC comprise all the major towns in Delaware except Wilmington. The DEMEC members are: Newark, New Castle, Middletown, Dover, Smyrna, Seaford, Lewes, Clayton and Milford.

The nine DEMEC member utilities combined serve about 67,000 end-use meters and a population of about 126,000, with a combined peak demand of 442.8 MW in 2015. The DEMEC member distribution systems vary in size and character. The largest is Dover, with 23,100 meters, while the smallest, Clayton, has 1,350 meters. Over the past ten years, all of the member systems have experienced annual growth rates well above the national average. The members are primarily distribution utilities, but Dover owns substantial generation assets. Dover's total peak demand was 163 MW in 2015 and its generating capacity was about 150.0 MW.

Eight of the nine members receive 100% of their power requirements from DEMEC ("Full Requirements Members") and one member (City of Dover) receives partial requirements service ("Partial Requirements Members"). DEMEC supplies these requirements from a diversified portfolio of owned generation assets, bilateral contracts with third-party suppliers, and through participation in the PJM Interconnection, LLC ("PJM") regional markets. In addition to power supply, DEMEC provides legal and technical consulting services to its members, as well as representation in the federal and regional arenas regarding electric industry regulation and operation. DEMEC provides its members with the benefits of joint and combined buying power. DEMEC also assists member utilities in customer retention, economic development, customer education, capital finance, system improvements and technical information sharing efforts for improved operating efficiency in their individual systems.

DEMEC joined American Municipal Power Partners, Inc. ("AMP") in July 2011, becoming the 129th member of AMP. AMP is a large multi-state Joint Action Agency, organized in a similar structure as DEMEC, which constructs generation projects and acquires energy to serve member loads in seven states. DEMEC sits on the Board of Trustees of AMP representing the Delaware public power utilities.

ORGANIZATION AND GOVERNANCE

DEMEC is governed by a nine-member Board of Directors with one director from each of the nine member municipal electric utilities and nine alternate directors currently appointed. Each member has one vote. Additional votes are divided among the members that have entered into power purchase contracts and calculated according to the member's committed minimum annual power purchase. Additional votes may be fractional and will be adjusted from time to time as the membership changes or power purchase contracts change.

The responsibility for day-to-day operations of DEMEC resides with a President and CEO appointed by the Board. The President and CEO directs the efforts of the staff members and manages various contractual relationships in place to meet the service requirements of the members.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ORGANIZATION AND GOVERNANCE (cont.)

The members of DEMEC have a preference right to purchase all electric capacity and energy generated by, contracted for or owned by DEMEC. The amount of electric capacity and energy each member is entitled to is computed in accordance with plans or formulae adopted by two-thirds of the total authorized vote.

Any municipality of the State may join DEMEC if its governing body authorizes membership and a majority of the DEMEC Board of Directors approve its admission. Membership in DEMEC may be terminated by any municipality acting through its governing body by providing DEMEC with six months' written notice.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when exchange takes place.

DEMEC complies with all applicable pronouncements of the Government Accounting Standards Board (GASB). In March 2012, the GASB issued Statement No. 65 - *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. DEMEC implemented this standard effective January 1, 2013. At that time, DEMEC elected to defer and amortize debt issuance costs, previously written off under GASB Statement No. 65, in accordance with GASB Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* to match these amounts to their member rates.

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

ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Deposits and Investments

For purposes of the statement of cash flows, DEMEC considers cash and cash equivalents to be all unrestricted, highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. DEMEC maintains its cash and cash equivalents in bank deposit accounts that, at times, may exceed federally insured limits. Some of these balances are collateralized with securities held by the pledging financial institution's trust department.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)

Deposits and Investments (cont.)

Cash at December 31, 2015 includes unrestricted board designated funds for the following:

	2015	2014
Rate Stabilization Reserve Fund	$ 9,274,251	$ 2,754,229
Municipal Renewable Portfolio Standard Fund	1,468,938	896,423
Total Unrestricted Board Designated Funds	$ 10,743,189	$ 3,650,652

Investments are restricted by state statutes. Investments are limited to: Government securities, federal agency securities, certificates of deposits, time deposits, repurchase agreements, money market mutual funds, the pooled investment fund known as the Delaware Local Government Investment Pool (DELGIP) as authorized by Title 29, Chapter 12 of the Delaware Code, Municipal obligations that are rated in either of the two highest rating categories by nationally recognized agency, and guaranteed investment contracts. DEMEC does not have a formal investment policy but follows state guidelines.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Market values may have changed significantly after year end.

Accounts Receivable

Accounts receivable are stated at the amount billed to members and non-members. Allowance for doubtful accounts is not considered necessary as DEMEC has not historically experienced delays in payments for service rendered. Expense is recognized only when a specific account is determined to be uncollectible. The effects of using this method approximate those of the allowance method.

Restricted Assets – Revenue Bond Reserve Investments

Revenue bond reserve investments consist of short-term investments and are recorded on the balance sheet at fair value. These assets represent amounts held by the trustee for the repayment of obligations under the outstanding bond indenture.

Fuel Oil on Hand

Fuel oil on hand is used as a back-up fuel for generation, not for resale. Fuel oil is valued at cost and charged to generation fuel cost when used for generation using the weighted average cost method.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)

Regulatory Assets

In accordance with GASB Statement No. 62, certain income and expense amounts which would be recognized during the current time period are deferred and not included in the determination of income until such costs are recoverable through member billings. These amounts include unamortized debt issuance costs of $483,912 and $543,260 in 2015 and 2014, respectively and costs to be recovered from members related to the rate levelization loan discussed in Note 8.

Deposits with Suppliers

During the normal course of business, DEMEC enters into contracts that require the posting of collateral from one counterparty to another counterparty based on daily mark-to-market calculations when such calculations result in an amount that exceeds certain thresholds set forth in the contracts. As of December 31, 2015 and 2014, DEMEC had posted $2,643,215 and $1,941,203, respectively, in collateral.

Utility Plant and Property

Utility plant and property is generally defined by DEMEC as assets with an aggregate cost of more than $10,000 and an estimated useful life in excess of one year. Utility plant and property is stated at historical cost. Major outlays for utility plant are capitalized as projects are constructed. No interest was capitalized for construction in 2015 or 2014. Costs related to plant not placed into service are classified as construction work in process. Interest incurred during the construction phase is reflected in the capitalized value of the utility plant constructed, net of interest earned on the invested proceeds over the same period. Depreciation does not commence until the item is placed in service. Generation facility consists of capitalized acquisition and construction costs of the generation facility located in Smyrna, Delaware. Utility plant is depreciated using the straight-line method over the following useful lives:

Utility Plant	Years
Generation facility	15 – 50
Office building and improvements	40
Office furniture and equipment	3 – 10

Compensated Absences

Under terms of employment, employees are granted vacation and sick leave in varying amounts. The amount of accrued paid time off at December 31, 2015 was $51,912 shown within accounts payable.

Long-Term Obligations

Long-term debt and other obligations are reported as liabilities. Bond discounts, premiums and losses on advance refunding are deferred and amortized by the straight-line method over the repayment period of the related debt. Bond issuance expenses are amortized through rates under the requirements of GASB Statement No. 62 Paragraphs 476-500 - *Regulated Operations,* except for when the Board enacts a Resolution to expense issuance costs on a specific project.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

REVENUES AND EXPENSES

DEMEC distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with DEMEC's principal ongoing operations. The principal operating revenues of DEMEC are charges to members for sales and services. Operating expenses for DEMEC include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

DEMEC billings are rendered and recorded monthly based on month end metered usage.

DISTRIBUTIONS TO MEMBERS

Distributions to Members are a return of a portion of net margin earned by the Beasley Power Station to the seven Joint Owners of the project. These distributions are not guaranteed year to year.

INCOME TAXES

DEMEC is exempt from state and federal income taxes because it is a political subdivision of the State of Delaware.

DEFERRED INFLOWS/UNEARNED REVENUES

Deferred inflows represent future amounts to be received from members for repayment of a Rate Levelization Loan from AMP. These amounts will be paid by members through their DEMEC power supply rate.

RATES

Rates charged to members are evaluated and approved annually by the Board of Directors, and at any time DEMEC costs are projected to exceed revenues from member billings. Rates charged to members were effective January 1, 2015.

DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

DEMEC accounts for its derivative instruments in accordance with GASB Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments.* DEMEC has entered into forward contracts to purchase electricity at set prices and other contracts to sell electricity at fixed prices. These contracts qualify for the normal purchases and sales exception of GASB Statement No. 53 and are not accounted for as derivatives. See Note 3 for additional information regarding DEMEC's forward contracts.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

COMPARATIVE DATA

Certain accounts in the prior year financial statements have been reclassified in order to be consistent with the current year's presentation.

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

GASB has approved GASB Statement No. 72, Fair Value Measure and Application and Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.

NOTE 2 – CASH AND INVESTMENTS

DEMEC's cash and investments consist of the following:

	Carrying Value as of December 31, 2015	Carrying Value as of December 31, 2014	Associated Risks
Checking and Savings	$ 11,283,646	$ 6,564,817	Custodial Credit
U.S. Government Money Market Fund	3,751,882	3,751,504	Custodial Credit, Credit, Interest Rate
Total Cash and Investments	$ 15,035,528	$ 10,316,321	

There are immaterial differences between the carrying value and bank value as of December 31, 2015 and 2014 due to deposits in transit or outstanding checks.

Deposits in local and area banks are insured by the FDIC in the amount of $250,000. For balances in excess of the FDIC insurance as of December 31, 2015 and 2014, DEMEC has secured collateralization with the financial institution to mitigate risk.

DEMEC has collateral in the amount of $13,399,372 and $8,271,385 for checking and savings accounts at December 31, 2015 and 2014, respectively. The U.S Government Money Market Fund is uncollateralized.

NOTE 2 – CASH AND INVESTMENTS (cont.)

CUSTODIAL CREDIT RISK

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, DEMEC's deposits may not be returned to DEMEC. DEMEC does not have any deposits exposed to custodial credit risk.

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, DEMEC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of December 31, 2015 and 2014, DEMEC's had investments exposed to custodial credit risk in the U.S. Government Money Market Fund of $3,751,882 and $ 3,751,504, respectively.

CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. DEMEC held investments in the Wilmington US Government Money Market Fund which is not rated.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment or deposit.

As of December 31, 2015, DEMEC's investments were as follows:

	Maturity (In Years)			
Investment Type	Fair Value	Less than 1 Year	1 - 5 Years	> 5 Years
U.S. Government Money Market Fund	$ 3,751,882	$ 3,751,882	$ -	$ -
Totals	$ 3,751,882	$ 3,751,882	$ -	$ -

As of December 31, 2014, DEMEC's investments were as follows:

	Maturity (In Years)			
Investment Type	Fair Value	Less than 1 Year	1 - 5 Years	> 5 Years
U.S. Government Money Market Fund	$ 3,751,504	$ 3,751,504	$ -	$ -
Totals	$ 3,751,504	$ 3,751,504	$ -	$ -

NOTE 2 – CASH AND INVESTMENTS (cont.)

INTEREST RATE RISK (cont.)

DEMEC has invested in mutual funds with underlying investments of U.S. Treasuries and U.S. Agency Securities for the years ended December 31, 2015 and 2014.

INVESTMENT POLICY

DEMEC currently does not have a formal investment policy to address the risks identified above.

NOTE 3 – RESTRICTED ASSETS

REVENUE BOND ACCOUNTS

The components of revenue bonds (restricted cash) at December 31 are as follows:

	2015	2014
Debt service 2011 Series	$ 3,751,882	$ 3,751,504
Totals	$ 3,751,882	$ 3,751,504

The revenue bond account for debt service reserve is used to establish a reserve to cover deficiencies in the Debt Service Account. Any excess may be used for other purposes.

NOTE 4 – POWER PURCHASE AND SALE FORWARD CONTRACTS

DEMEC manages its power supply risk through guidelines in its Risk Management and Trading Authority Policy, most recently revised on July 21, 2015. The objectives of the risk management policies are to optimize power supply resources, control costs and manage price volatility to the members while avoiding speculative positions in the commodities markets. As part of its risk management policies, DEMEC contracts with counterparties that have a current credit rating of “BBB” or better or who post collateral consistent with anticipated default limits agreed to by both DEMEC and the counterparty. DEMEC establishes credit limits for each of its counterparties and as a matter of practice reviews mark-to-market exposures on a daily basis. As part of its risk management strategy, DEMEC uses a diversity of suppliers and maintains staggered terms for power purchases, from one month to up to thirty-five years, in order to moderate the effects of short or long term price fluctuations. DEMEC's price certainty goal is to achieve 95% price certainty for three years forward. DEMEC has established a letter of credit facility of $20 million to meet its potential collateral posting requirements. DEMEC currently sources power from twenty-one diverse and creditworthy entities capable of providing dependable physical supply resources. In 2015, approximately 36% of the total power DEMEC supplied to its members was obtained through three-year forward purchase contracts, 4% was obtained through two-year forward purchase contracts, 13% was obtained through one-year forward purchase contracts and 2% was obtained through spot purchases. The remaining 45% was generated from the existing facilities. These contracts qualify for the normal purchases and sales exception of GASB Statement No. 53 and are not accounted for as derivatives. DEMEC utilizes a third party service provider, ACES Power Marketing, to efficiently manage contracts and credit exposure, evaluate counterparties and execute short and intermediate transactions.

NOTE 5 – PLANT IN SERVICE

A summary of changes in electric capital assets for 2015 follows:

	Balance 1/1/2015	Increases	Decreases	Balance 12/31/2015
Capital assets not being depreciated				
Land and land rights	$ 389,598	$ -	$ -	$ 389,598
Construction in Progress	-	341,561	-	341,561
Total Capital Assets Not Being Depreciated	389,598	341,561	-	731,159
Capital assets being depreciated				
Land improvements	17,650	-	-	17,650
Generation	67,205,337	655,564	224,850	67,636,051
Office buildings and improvements	1,212,908	-	-	1,212,908
Office furniture and equipment	45,604	-	-	45,604
Transportation	45,632	-	-	45,632
Total Capital Assets Being Depreciated	68,527,131	655,564	224,850	68,957,845
Total Capital Assets	68,916,729	997,125	224,850	69,689,004
Less: Accumulated depreciation	(9,841,656)	(1,456,743)	(59,181)	(11,239,218)
Net Capital Assets	$ 59,075,073	$ (459,618)	$ 165,669	$ 58,449,786

A summary of changes in electric capital assets for 2014 follows:

	Balance 1/1/2014	Increases	Decreases	Balance 12/31/2014
Capital assets not being depreciated				
Land and land rights	$ 389,598	$ -	$ -	$ 389,598
Capital assets being depreciated				
Land improvements	17,650	-	-	17,650
Generation	66,428,043	777,294	-	67,205,337
Office buildings and improvements	1,186,022	28,628	1,742	1,212,908
Office furniture and equipment	45,604	-	-	45,604
Transportation	69,844	349	24,561	45,632
Total Capital Assets Being Depreciated	67,747,163	806,271	26,303	68,527,131
Total Capital Assets	68,136,761	806,271	26,303	68,916,729
Less: Accumulated depreciation	(8,463,005)	(1,404,068)	(25,417)	(9,841,656)
Net Capital Assets	$ 59,673,756	$ (597,797)	$ 886	$ 59,075,073

NOTE 6 – NET POSITION

GASB Statement No. 34 requires the classification of net position into three components- Net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – This component of net position consists of net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted resources are available for use, it is DEMEC's policy to use restricted resources first, then unrestricted resources as they are needed.

The following calculation supports the net investment in capital assets:

	2015	2014
Plant in service	$ 69,689,004	$ 68,916,729
Less: Accumulated depreciation	(11,239,218)	(9,841,656)
Subtotals	58,449,786	59,075,073
Less: Capital related debt		
Current portion of capital related long-term debt	1,768,393	1,658,253
Long-term portion of capital related long-term debt	54,487,994	56,377,240
Unamortized premium	2,438,667	2,533,680
Subtotals	58,695,054	60,569,173
Add: Unspent debt proceeds		
Debt service 2011 Series	3,751,882	3,751,504
Subtotals	3,751,882	3,751,504
Net Investment in Capital Assets	$ 3,506,614	$ 2,257,404

NOTE 6 – NET POSITION (cont.)

The following calculation supports the amount of restricted net position:

	2015	2014
Restricted cash	$ 3,751,882	$ 3,751,504
Less: Restricted Assets Not Funded by Revenues		
Debt service reserve account	(3,751,882)	(3,751,504)
Total Restricted Net Position Not Funded by Revenues	(3,751,882)	(3,751,504)
Total Restricted Net Position as Calculated	$ -	$ -

NOTE 7 – CREDIT FACILITIES

DEMEC has a letter of credit facility in the amount of $20,000,000 and a line of credit facility in the amount of $10,000,000 with PNC Bank, National Association at December 31, 2015.

The letter of credit agreement was originally dated February 6, 2009 and was last amended on September 30, 2015 and extended through September 30, 2016, with an aggregate amount not to exceed $20,000,000. The purpose of the letter of credit facility is to provide collateral for posting to contractual counterparties from time-to-time based on daily mark-to-market calculations related to forward power purchase contracts when said mark-to-market amounts exceed certain credit thresholds set forth in the contracts. The purpose of the line of credit facility is to provide liquidity for daily operations.

At December 31, 2015 and 2014, there was no outstanding balance on the letter of credit facility or the line of credit facility.

CREDIT FACILITY DEBT COVERAGE RATIO

Section 6.9 of the credit facility agreement with PNC Bank states that DEMEC agrees to maintain as of the end of each fiscal year a debt service coverage ratio of at least 1.10:1. The ratio is defined in Section 1.1 of the agreement as EBITDA (net income plus interest expense, depreciation and amortization) divided by the sum of current maturities plus interest expense. Current Maturities are defined in Section 1.1 of the agreement as scheduled payments of principal on all indebtedness for borrowed money having a term of more than one year as shown on DEMEC's financial statements as on one year prior to the date of determination.

NOTE 7 – CREDIT FACILITIES (cont.)

Based on the definitions in the agreement, DEMEC's debt service coverage ratio for the years ended December 31, 2015 and 2014 is as follows:

Description	Year Ended December 31, 2015	Year Ended December 31, 2014
Change in net position	$ 15,304,638	$ 2,847,248
Add: Interest expense	2,802,540	2,723,596
Depreciation	1,456,743	1,404,068
Amortization (net)	(35,665)	(66,039)
Net EBITDA	$ 19,528,256	$ 6,908,873
Current maturities plus interest expense	$ 4,323,784	$ 4,324,185
Debt Service Coverage	4.52	1.60

NOTE 8 – LONG-TERM DEBT

LOAN PAYABLE AND LONG TERM MEMBER RECEIVABLE

The following loan has been issued: A related member receivable has been recorded as a member will be repaying DEMEC for the loan outstanding. The loan payable and member receivable follow the same repayment schedule.

Date	Purpose	Final Maturity	Interest Rates	Original Amount	Outstanding Amount 12/31/15
12/15/2015	City of Newark LED Streetlight Project	12/1/2025	1.99%	$ 378,149	$ 378,149

Loan Payable requirements to maturity follow:

Year Ending December 31	Principal	Interest	Totals
2016	$ 34,522	$ 7,211	$ 41,733
2017	35,215	6,518	41,733
2018	35,922	5,811	41,733
2019	36,644	5,090	41,733
2020	37,380	4,354	41,733
2021-2025	198,466	10,202	208,670
Totals	$ 378,149	$ 39,186	$ 417,335

NOTE 8 – LONG-TERM DEBT (cont.)

REVENUE BONDS

The following revenue bonds have been issued:

Date	Purpose	Final Maturity	Interest Rates	Original Amount	Outstanding Amount 12/31/15
12/4/2015	New Castle Substation Refunding	12/4/2022	1.84%	$ 4,216,387	$ 4,216,387
11/1/2011	Construction of Beasley Generating Unit # 2	7/1/2041	2.0 – 5.0	59,742,555	52,040,000

Revenue bonds debt service requirements to maturity follow:

Year Ending December 31	Principal	Interest	Totals
2016	$ 1,768,393	$ 2,555,391	$ 4,323,784
2017	1,837,946	2,482,589	4,320,535
2018	1,912,464	2,406,821	4,319,285
2019	1,997,159	2,327,626	4,324,785
2020	2,076,928	2,244,606	4,321,534
2021-2025	10,518,497	9,856,159	20,374,656
2026-2030	9,015,000	7,584,913	16,599,913
2031-2035	10,595,000	5,470,650	16,065,650
2036-2040	13,460,000	2,602,650	16,062,650
2041	3,075,000	138,375	3,213,375
Totals	$ 56,256,387	$ 37,669,780	$ 93,926,167

LONG-TERM OBLIGATIONS SUMMARY

Long-term obligation activity for the years ended December 31, 2015 and 2014 is as follows:

	Balance 1/1/15	Additions	Reductions	Balance 12/31/15	Due Within One Year
Revenue bonds	$ 58,035,493	$ -	$ 1,779,106	$ 56,256,387	$ 1,768,393
Unamortized premium	2,533,680	-	95,013	2,438,667	-
Rate levelization loan	18,453,366	-	8,333,256	10,120,110	7,820,569
Loan Payable	-	378,149	-	378,149	34,522
Totals	$ 79,022,539	$ 378,149	$ 10,207,375	$ 69,193,313	$ 9,623,484

	Balance 1/1/14	Additions	Reductions	Balance 12/31/14	Due Within One Year
Revenue bonds	$ 59,636,401	$ -	$ 1,600,908	$ 58,035,493	$ 1,658,253
Unamortized premium	2,628,693	-	95,013	2,533,680	-
Rate levelization loan	27,542,189	-	9,088,823	18,453,366	8,528,059
Totals	$ 89,807,283	$ -	$ 10,784,744	$ 79,022,539	$ 10,186,312

NOTE 8 – LONG-TERM DEBT (cont.)

LONG-TERM OBLIGATIONS SUMMARY (cont.)

On December 15, 2015, a loan in the amount of $378,149 was issued with an interest rate of 1.99% for a ten year term to finance an LED Streetlight Project in the City of Newark. A receivable from the City of Newark in the amount of $378,149 will be paid from the Green Energy Funds collected.

On December 4, 2015, bonds in the amount of $4,216,387 were issued with an average interest rate of 1.84% to refund $4,337,248 of outstanding bonds with an average interest rate of 2.92%.

The cash flow requirements on the old bonds prior to the current refunding was $4,699,515 from 2016 through 2019. The cash flow requirements on the new bonds are $4,527,704 from 2016 through 2022. The current refunding resulted in an economic gain of $262,911.

Gross receipts and real and personal property of the New Castle Substation project have been pledged as collateral on the 2015 Revenue Bonds. One participant, New Castle Municipal Services Commission, is contractually bound to pay debt service and other costs through a power sales contract for the entire project. The power sales contract covers the entire term of the bond.

Gross receipts and real and personal property of the Beasley Power Station project have been pledged as collateral on the 2011 Revenue Bonds. The seven participants in the Beasley Power Station project are contractually bound to pay debt service and other costs through power sales contracts. Each participant has a share in the project corresponding to its share of load, which is also the amount of debt service for which the project participant is responsible. The power sales contracts run as long as the bonds are outstanding on the project. If a participant defaults in its payment obligation, the remaining participants must pay their respective pro rata share of the defaulted amounts, not to exceed 125% of its initial pro rata share.

Due to the varying maturities of the bonds allocated to the refunding of the 2001 bonds, the refunding of the 2008-A bond and the construction of the 2011 facilities, the aggregate debt service obligation of each participant will change on July 1, 2026, following termination of the debt service on the bonds allocated to the refunding of the 2001 bonds. The table below shows the allocated percentage of the aggregate debt service obligation of each participant throughout the life of the bonds.

Participant	Date of Issuance of Bonds through July 1, 2012*	July 2, 2012 through July 1, 2026*	July 2, 2026 through July 1, 2041*
Newark	43.7%	42.1%	35.1%
Milford	20.4	20.3	19.6
Middletown	9.7	11.0	16.5
Smyrna	8.2	8.4	9.7
Seaford	8.0	8.4	10.1
New Castle	8.4	8.1	7.2
Clayton	1.6	1.7	1.9

* Allocation is impacted by the share of administrative charges paid by each participant and is subject to change depending on the share of power used by each participant in any given fiscal year. Such fluctuations are not expected to be significant. Columns may not total 100% due to rounding.

NOTE 8 – LONG-TERM DEBT (cont.)

DEBT SERVICE COVERAGE

2015 Series Refunding Bonds

Section 5.3 of the Series 2015 Bond Resolution requires the calculation of debt service coverage be performed on a project specific basis with revenue generated from the participating member. The resolution requires that DEMEC maintain a Debt Service Coverage Ratio of at least 1.10:1. Based on the definition in the Series 2015 Bond Resolution DEMEC had a Debt Service Coverage Ratio of 1.10 for the year ended December 31, 2015.

2011 Series Revenue Bonds

Section 6.9 of the Series 2011 Bond Resolution requires the calculation of debt service coverage be performed on a project specific basis with revenue generated from the participating members. The resolution requires that DEMEC shall collect charges to provide revenues for payment of the sum of (1) Operation and Maintenance costs, (2) an amount equal to 1.10 times the Aggregate Debt Service for the contract year, (3) the amount to be paid into Debt Service Reserve Accounts and (4) amounts payable for other reserves. Based on this definition DEMEC had a Debt Service Coverage ratio for the Series 2011 bond issue of 4.00 and 4.85 for the years ended December 31, 2015 and 2014, respectively.

2008 Series Revenue Bonds

Section 5.3 of the Series 2008 Bond Resolution requires the calculation of debt service coverage be performed on a project specific basis with revenue generated from the participating member. The resolution requires that DEMEC maintain a Debt Service Coverage Ratio of at least 1.10:1. Based on the definition in the Series 2008 Bond Resolution DEMEC had a Debt Service Coverage Ratio of 1.10 for the year ended December 31, 2014. The 2008 Bond was refinanced with the 2015 Refunding Bond in 2015.

RATE LEVELIZATION LOAN

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/15
7/21/2011	Rate levelization	June 2017	Varies	$ 32,905,635	$ 10,120,110

DEMEC joined American Municipal Power Partners, Inc. (“AMP”) in July 2011, becoming the 129th member of AMP. AMP is a large multi-state Joint Action Agency, organized in a similar structure as DEMEC, which constructs generation projects and acquires energy to serve member loads in seven states. DEMEC sits on the Board of Trustees of AMP representing the Delaware public power utilities.

The AMP Fremont Energy Center, a $600 million dollar, 675MW combined-cycle natural gas fueled electric generation plant operated by AMP, went into commercial operation in January 2012. DEMEC is the largest participant of 89 participants in this 100% Public Power generation project, taking 92.25 MW of capacity and energy from the facility for the next 35 years. The addition of this highly efficient source of electric power to the DEMEC portfolio results in lower long-term power supply costs to its members.

NOTE 8 – LONG-TERM DEBT (cont.)

RATE LEVELIZATION LOAN (cont.)

Since DEMEC procures power supply with a portfolio of long-term contracts, the addition of the AMP Fremont Energy Center in January 2012, created a temporary long position in the DEMEC power portfolio. To mitigate this temporary long position, DEMEC entered into a separate power sales and power purchase contract with AMP to create a multi-year Rate Stabilization transaction in order to maintain a levelized wholesale power supply rate to its members through the end of 2017.

The contract with AMP states they are providing DEMEC with a Levelized Power Supply Loan during the contract period of February 1, 2012 through May 31, 2017 based on the difference between contracted power rates in the Power Sales Schedule and PJM market rates. The agreement contains a monthly repayment schedule for amounts loaned and the final amount due will be calculated for the June, 2017 payment.

Monthly, DEMEC is charged a carrying charge on the loan balance based on the actual cost of borrowing the funds from the power supplier's line of credit. These amounts vary on a monthly basis and are added to the accumulated loan balance to be repaid. The carrying charge in the schedule below is estimated at 2%.

Estimated repayment and carrying charges to maturity of the Rate Levelization Loan are as follows:

Year Ending December 31	Annual Payment	Carrying Charge	Estimated Loan Balance
2016	$ 7,820,569	$ 130,559	$ 2,430,100
2017	2,441,358	11,258	-

NOTE 9 – RENEWABLE ENERGY FUND

DEMEC is acting as administrator of the Delaware Municipal Utilities' Green Energy Fund Program for its members. This program was mandated by the State of Delaware to support renewable energy technologies, energy efficiency technologies, or demand side management programs. The members submit their required contributions to DEMEC who administers the grant program and releases funds for approved grants.

NOTE 9 – RENEWABLE ENERGY FUND (cont.)

Funds held for participating members as of December 31 are as follows:

	2015	2014
Town of Clayton	$ 5,387	$ 17,549
City of Dover	91,346	83,966
City of Lewes	69,928	58,049
Town of Middletown	18,620	28,606
City of Milford	10,750	29,561
City of New Castle	69,529	58,438
City of Newark	50,889	1,347
City of Seaford	111,632	94,540
Town of Smyrna	49,796	33,801
Totals	$ 477,877	$ 405,857

The following cash transactions show the change of activity from year-to-year:

	2015	2014
Received from Members for Green Energy Fund	$ 456,286	$ 419,580
Payments made for Green Energy Purposes	(384,266)	(415,490)
Net Cash Added to Renewable Energy Fund	$ 72,020	$ 4,090

NOTE 10 – TRANSACTIONS WITH SIGNIFICANT CUSTOMERS

Sales of electric energy consist primarily of market sales of generation energy and capacity, and sales to its members, as summarized below, for the year ended December 31, 2015 and 2014.

	2015	2014
AMP	$ 9,246,632	$ 3,277,365
PJM	35,570,344	43,900,464
Town of Clayton	1,830,934	1,742,734
City of Dover	585,549	531,463
City of Lewes	7,284,441	7,059,476
City of Middletown	20,715,425	19,815,625
City of Milford	20,890,421	21,142,281
City of Newark	38,607,271	39,154,787
City of New Castle	8,085,018	8,295,994
City of Seaford	10,823,721	10,930,843
Town of Smyrna	10,067,276	9,942,872
Other Revenue	259,449	398,469
Totals	$ 163,966,481	$ 166,192,373

NOTE 11 – COMMITMENTS AND CONTINGENCIES

POWER SALES CONTRACTS

Participating members purchase 100% of their power supply requirements from DEMEC under long-term full requirements service contracts that became effective January 1, 2004, and which will remain in effect unless terminated upon one year's written notice by either party. The obligation of the participating member to purchase and pay for full requirements service, including its allocated costs under any then current forward contract for capacity and energy between DEMEC and a third party in effect as of the date of notice of termination, shall survive the termination of this Agreement.

Participating members have entered into separate power sales agreements effective May 1, 2001, to purchase an interest in the capacity produced by Unit #1 of the Warren F. "Sam" Beasley Power Station located in Smyrna, Delaware, owned by DEMEC. Participating members are entitled to their contractual share of all power supply and ancillary products generated from the existing nominal 45 MW natural gas fired combustion turbine generator for the useful life of the facility.

Participating members have entered into separate power sales agreements effective May 1, 2011, to purchase an interest in the capacity produced by Unit #2 of the Warren F. "Sam" Beasley Power Station located in Smyrna, Delaware, owned by DEMEC. Participating members are entitled to their contractual share of all power supply and ancillary products generated from the newly constructed nominal 45 MW natural gas fired combustion turbine generator, which went into commercial operation June 1, 2012, for the useful life of the facility.

Under the terms of the various agreements, DEMEC is authorized to act as agent for the participating members in all matters relating to the acquisition and delivery of wholesale power supply and management of energy cost risk on behalf of the participating members in the deregulated energy markets.

DEMEC has long and short-term contracts and commitments with various wholesale power suppliers to supply energy, capacity, and transmission services to its members. These contracts vary in length and have flexible terms and cancellation provisions. These contracts may be material to the financial statements.

In December 2008, DEMEC undertook a project consisting of acquisition, development, and construction of a 138kV electrical substation located in New Castle, Delaware. The electric substation project, known as the Dobbinsville Substation, went into commercial operation on January 28, 2011. DEMEC issued a ten-year revenue bond in the principal amount of $7 million to finance the project. In 2015, DEMEC issued a seven-year refunding bond in the principal amount of $4,216,387 to refinance the project. DEMEC entered into a Service Agreement with the Municipal Services Commission of the City of New Castle which provides for DEMEC to construct, own, maintain and operate the electrical substation for the benefit of New Castle and provides for New Castle to pay DEMEC a monthly service fee sufficient to enable DEMEC to make debt service payments and operation and maintenance payments for the Project.

DEMEC has expanded its self-supply resources in its portfolio as a hedge against the increasing price of energy from the wholesale markets. One such expansion is the addition of Generating Unit# 2 at the Beasley Power Station, as mentioned above. Another strategic initiative of DEMEC is its participation in the AMP Fremont Energy Center ("AFEC"), a 675 MW Natural Gas Combined Cycle Power Plant that began commercial operation on January 21, 2012. The Fremont Energy Center is operated by American Municipal Power ("AMP"), a 129-member public power Joint Action Agency. DEMEC will receive approximately 13.69% of the capacity and energy from AFEC, pursuant to a thirty-five year take-or-pay contract. On July 29, 2011, DEMEC became the 129th member of AMP.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

POWER SALES CONTRACTS (cont.)

DEMEC is also making strategic power purchases in renewable generation resources. One such initiative is the Laurel Hill Wind Farm (“Laurel Hill”), a 69 MW wind generation plant operated and developed by Duke Energy Renewables located in north-central Pennsylvania. Laurel Hill began commercial operation on September 30, 2012. DEMEC is entitled to 100% of the project's energy and environmental attributes pursuant to a twenty-five year contract. DEMEC has also invested in solar generation facilities. DEMEC has a contract with the operator of the Milford Solar Park, a 13MW photovoltaic generation facility located in Milford, Delaware. DEMEC is entitled to receive 100% of the energy and an increasing schedule of the project's environmental attributes pursuant to a twenty year contract. DEMEC also has a contract with the operator of the Dover Sun Park, a 10 MW photovoltaic generation facility located in Dover, Delaware (the “Sun Park”). DEMEC has a long-term purchase contract with the operator of the Sun Park and is entitled to receive 15% of the project's environmental attributes, but will not receive power supply from the Sun Park.

It is currently anticipated that the Beasley Power Station, the AMP Fremont Energy Center, the Milford Solar Park and the Laurel Hill Wind Project combined will supply approximately 68% of peak demand and 45% of the total energy DEMEC supplies to its Participants in 2016.

CLAIMS AND JUDGMENTS

From time to time, DEMEC is party to various pending claims and legal proceeding. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and DEMEC’s legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the financial position or results of operations.

NOTE 12 – EMPLOYEE RETIREMENT PLAN

DEMEC’s employees are covered by a 457b governmental retirement plan administered by ICMA-RC. Benefit provisions and all other requirements are approved by the board of DEMEC. Employees are eligible to participate in the plan immediately upon employment. Both employee and employer contributions are immediately vested. Eligible employees who elect to participate in the plan may contribute none of their annual compensation up to a maximum not to exceed $17,500 in 2015. Employees age 50 or older may contribute an additional $5,500 in 2015. Employees taking advantage of the special pre-retirement catch-up may be eligible to contribute up to double the normal limit for a total of $35,000 in 2015. DEMEC contributes up to 10.5% of employee salaries without a match. If an employee elects to contribute up to 3% of earnings, DEMEC will match that portion of contributions up to an additional 3%. Total contributions to the plan by DEMEC for the years ended December 31, 2015, 2014, and 2013 were $65,633, $61,887, and $53,352, respectively.

NOTE 13 – RISK MANAGEMENT

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors, and omissions; workers compensation; and health care of its employees. These risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial liability in any of the past three years. There were no significant reductions in coverage compared to the prior year.

NOTE 14 – SUBSEQUENT EVENTS

DEMEC has evaluated all events or transactions that occurred after December 31, 2015, through the date the accompanying financial statements were available to be issued, March 31, 2015. During this period, there were no material subsequent events which required disclosure.

STATISTICAL DATA

Town of Middletown

Description of Electric Utility

The Town of Middletown (the "Town") provides electricity to all residential, commercial, and industrial users within town limits. The Town is a full requirements member of DEMEC and is a participant in the Existing Facilities and the 2011 Facilities. The Town's electric grid is served by a single 138kV transmission line owned and maintained by Delmarva Power. System reliability was improved in 2001 with the addition of a second substation on the Town's west side. The Town's electric utility is fed by two power substations; a distribution system consisting of more than 200 miles of underground and overhead distribution lines, delivering more than 210,629 megawatt-hours annually. Planning for a new Transmission line into the town has begun in order to improve system reliability.

Energy Sales and Peak Demand

The following table shows the annual energy and the peak demand that DEMEC sold to the Town over the past 10 calendar years.

	Annual Energy (kWh)	Peak (kW)	% Annual Energy Growth	Compound % Annual Energy Growth Since 2005
2014	233,051,722	50,978	6.34%	7.10%
2013	219,162,871	50,749	10.1	7.98
2012	199,147,970	48,585	18.50	8.34
2011	162,207,741	43,538	0.90	14.78
2010	160,757,752	41,890	8.26	11.17
2009	148,497,200	38,216	0.98	11.50
2008	147,049,391	38,835	4.01	12.89
2007	141,384,458	39,200	16.26	14.22
2006	121,612,637	35,324	3.62	13.88
2005	117,365,325	31,802	15.40	

Source: Delaware Municipal Electric Corporation.

The following table shows the annual energy and peak demand that the Town sold to its customers over the past 10 calendar years.

	Annual Energy (kWh)	Peak (kW) (1)	% Annual Energy Growth	Compound % Annual Energy Growth Since 2005
2014	210,629,278	50,978	8.42%	7.07%
2013	194,280,125	50,749	8.44	7.95
2012	179,163,605	48,585	18.30	8.45
2011	146,370,107	43,538	3.85	8.47
2010	140,939,625	41,890	6.98	10.83
2009	131,746,533	38,216	-2.14	11.32
2008	134,630,216	38,835	7.27	13.39
2007	125,510,379	-	14.01	14.45
2006	110,085,215	-	3.46	14.53
2005	106,408,233	-	17.73	

(1) Available only from 2008-2014.

Source: Town of Middletown.

Electric Utility Customers

The chart below shows the total number of meters billed by the Town during the past 10 calendar years. The number of meters billed increased by 35.6% between 2005 and 2014.

	Residential	Commercial (1)	Industrial	Total
2014	7,023	557	290	7,870
2013	6,779	518	276	7,573
2012	6,653	504	278	7,435
2011	6,864	285	644	7,793
2010	6,702	195	635	7,532
2009	6,504	202	626	7,332
2008	6,259	281	621	7,161
2007	5,917	337	571	6,825
2006	5,512	777	-	6,289
2005	5,171	634	-	5,805

(1) Commercial and Industrial customers were categorized together through 2006.
Source: Town of Middletown.

The chart below shows the annual energy by customer class for the past 10 calendar years (kWh).

	Residential	Commercial (1)	Industrial	Total
2014	77,851,103	6,296,625	126,481,550	210,629,278
2013	75,040,115	5,735,457	113,504,553	194,280,125
2012	78,176,503	2,986,619	98,000,483	179,163,605
2011	81,035,106	2,261,799	63,073,202	146,370,107
2010	80,194,730	2,011,367	58,733,528	140,939,625
2009	71,585,985	2,283,287	57,867,261	131,736,533
2008	75,552,557	2,834,733	56,242,926	134,630,216
2007	71,727,327	8,204,403	45,578,649	125,510,379
2006	62,629,147	47,456,068	-	110,085,215
2005	61,950,936	44,457,297	-	106,408,233

(1) Commercial and Industrial customers were categorized together through 2006.
Source: Town of Middletown.

The chart below shows the annual amount billed by customer class for the past 10 calendar years.

	Residential	Commercial (1)	Industrial	Total
2014	$ 12,123,079	$ 1,099,854	$ 14,648,062	$ 27,870,995
2013	11,684,321	980,629	13,302,821	25,967,771
2012	11,980,665	514,910	11,586,793	24,082,368
2011	12,882,841	338,975	8,902,275	22,124,091
2010	12,749,239	301,443	8,289,765	21,340,447
2009	10,030,694	340,917	8,198,721	18,570,332
2008	10,881,164	481,470	7,789,514	19,152,148
2007	9,657,579	796,559	6,280,384	16,734,522
2006	8,606,305	6,816,535	-	15,422,840
2005	7,551,464	5,617,643	-	13,169,107

(1) Commercial and Industrial customers were categorized together through 2006.
Source: Town of Middletown.

STATISTICAL DATA CONCERNING THE MAJOR PARTICIPANTS

Largest Electric Users

Below is a list of the top 10 users of electricity for the Town in calendar year 2014.

Electric User	Business Type	Annual Energy Consumption (kWh)
Johnson Controls	Industrial	43,082,880
Amazon	Industrial	25,254,600
Appoquinimink School District	Public schools	6,521,249
Walmart	Grocery/department store	4,566,300
Lowes	Home improvements	2,558,603
Albertsons - Acme	Grocery store	2,552,400
Giant of Maryland	Grocery store	2,226,000
Home Depot	Home Improvements	1,723,520
Christiana Care	Healthcare	1,654,000
Sabra Health Care	Healthcare	1,353,600
Total Top 10		91,493,152

Source: Town of Middletown.

The Town allows for 100% of the electric fund surplus generated in each year to be transferred out of the Electric Fund for current operations of other funds, particularly the Town's General Fund. Transfers from the Electric Fund ranged between \$3.8 million to \$6.8 million between fiscal years 2010-2014.

DELAWARE MUNICIPAL ELECTRIC CORPORATION

STATISTICAL DATA CONCERNING THE MAJOR PARTICIPANTS

Financial Information Regarding Electric Utility

The chart below shows the audited financial results for the Town's Electric Fund for fiscal years 2010-2014.

Town of Middletown
Statement of Revenue, Expenses, and Changes in Net Assets – Electric Fund
Fiscal Years Ended June 30, 2010-2014

	2014	2013	2012	2011	2010
Operating Revenue					
Charges for services	$ 26,606,015	$ 24,782,838	$ 22,175,633	$ 21,405,293	$ 20,224,477
Miscellaneous	83,249	16,467	83,681	187,512	156,298
Total Operating Revenue	26,689,264	24,799,305	22,259,314	21,592,805	20,380,775
Operating Expenses					
Current purchases	17,631,744	16,792,615	14,694,405	14,578,848	13,337,631
Salaries and wages	861,714	1,014,381	1,102,551	1,100,916	1,057,210
Payroll taxes	66,297	78,368	88,307	82,523	79,971
Pension and benefits	224,630	229,555	229,180	225,465	225,568
Other employee benefits	129,516	127,801	122,504	177,578	225,594
Repairs and maintenance	132,904	162,246	124,754	79,776	101,853
Contingency	-	-	-	-	-
Communications	10,475	8,517	10,863	13,581	13,848
Training, education and uniforms	18,691	24,245	16,841	21,864	18,721
Supplies and materials	5,762	20,695	1,054	5,415	15,508
Vehicle fuel and maintenance	57,801	57,629	81,088	53,905	63,497
Miscellaneous	2,701	-	-	-	-
Interest expense	290,767	61,657	-	-	-
Bad debts (recoveries)	81,958	61,986	130,758	75,282	94,644
Depreciation	293,627	292,580	270,046	276,751	301,751
Total Operating Expenses	19,808,587	18,932,275	16,872,351	16,691,904	15,535,796
Operating Income	6,880,677	5,867,030	5,386,963	4,900,901	4,844,979
Non-Operating Revenue (Expense)					
Capital contributed – developers	344,562	176,888	1,651,822	67,619	100,724
Gain (loss) disposal of assets	-	-	-	-	-
New development expense	(242,471)	(223,421)	(861,794)	(77,177)	(83,194)
Total Non-Operating Revenue (Expense)	102,091	(46,533)	790,028	(9,558)	17,530
Income Before Transfers	6,982,768	5,820,497	6,176,991	4,891,343	4,862,509
Operating Transfers, Net	(6,739,610)	(5,683,654)	(6,767,077)	(5,090,537)	(4,010,433)
Change in Net Assets	243,158	136,843	(590,086)	(199,194)	852,076)
Net Assets					
Beginning of year	5,404,335*	5,114,464	5,704,550	5,903,744	5,051,668
End of year	$ 5,647,493	$ 5,251,307	$ 5,114,464	$ 5,704,550	$ 5,903,744

Source: Town Audited Financial Statements for fiscal years 2010-2014.
*As restated

DELAWARE MUNICIPAL ELECTRIC CORPORATION

STATISTICAL DATA CONCERNING THE MAJOR PARTICIPANTS

The following table shows the assets of the Town's Electric Fund for fiscal years 2010-2014.

Town of Middletown
Assets, Liabilities and Net Assets – Electric Fund
Fiscal Years Ended June 30, 2010-2014

	2014	2013	2012	2011	2010
Current Assets					
Receivables, net					
Customer	$ 1,929,931	$ 1,601,211	$ 1,334,708	$ 1,567,324	$ 1,415,642
Other	443,805	403,590	417,086	334,376	443,405
Inventories	859,796	832,249	729,279	799,366	798,310
Prepaid expenses	-	-	-	-	-
Total Current Assets	3,233,532	2,837,050	2,481,073	2,701,066	2,657,357
Non-Current Assets					
Capital assets:					
Land and construction in progress	16,950	2,900	-	53,501	-
Depreciable buildings, property and equipment, net	6,192,897	6,373,528	6,666,108	6,736,770	6,939,291
Total Non-Current Assets	6,209,847	6,376,428	6,666,108	6,790,271	6,939,291
Total Assets	$ 9,443,379	$ 9,213,478	$ 9,147,181	$ 9,491,337	$ 9,596,648
Current Liabilities					
Accounts payable	$ 33,680	$ 57,937	$ 307,515	$ 52,221	$ 67,529
Accrued expenses	68,404	57,342	57,650	40,720	38,169
Customer deposits	430,641	379,763	335,211	328,360	319,310
Compensated absences	57,519	86,912	84,117	84,377	78,372
General obligation bonds payable	284,225	260,002	-	205,000	95,000
Total Current Liabilities	874,469	841,956	784,493	710,678	598,380
Non-Current Liabilities					
General obligation bonds payable	1,830,773	2,114,998	2,375,000	2,325,000	2,530,000
Unfunded other post-employment obligation	1,004,365	874,849	747,048	624,544	446,966
Compensated absences	86,279	130,368	126,176	126,565	117,558
Total Non-Current Liabilities	2,921,417	3,120,215	3,248,224	3,076,109	3,094,524
Total Liabilities	3,795,886	3,962,171	4,032,717	3,786,787	3,692,904
Net Assets					
Invested in capital assets, net of related debt	4,094,849	4,001,428	4,291,108	4,260,271	4,314,291
Unrestricted	1,552,644	1,249,879	823,356	1,444,279	1,589,453
Encumbrances	-	-	-	-	-
Total Net Assets	5,647,493	5,251,307	5,114,464	5,704,550	5,903,744
Total Liabilities and Net Assets	$ 9,443,379	$ 9,213,478	$ 9,147,181	$ 9,491,337	$ 9,596,648

Source: Town Audited Financial Statements for fiscal years 2010-2014.

DELAWARE MUNICIPAL ELECTRIC CORPORATION

STATISTICAL DATA CONCERNING THE MAJOR PARTICIPANTS

The chart below shows the budget for the Town's Electric Fund for fiscal years 2014 and 2015.

Town of Middletown
Budget – Electric Fund
Fiscal Years Ended June 30, 2014-2015

	2015	2014
Receipts		
Miscellaneous revenue	$ 2,500	$ 5,000
Returned Check Fees	12,500	15,000
Electric receipts	26,212,818	24,180,003
New development labor	35,000	35,133
New development material	150,000	150,000
Total Operating Revenue	26,412,818	24,385,136
Operating Expenses		
Regular wages	574,767	610,602
Overtime wages	40,000	42,000
Standby wages	5,956	5,839
FICA	38,485	40,823
Health insurance	160,590	104,188
Dental benefits	4,286	3,965
Disability insurance	5,016	5,337
Pension expense	37,243	39,506
Eye care benefits	1,639	1,293
Medicare	9,000	9,547
Alarm expense	5,666	5,666
System maintenance	97,000	104,000
Equipment maintenance	3,000	3,000
Equipment Rental	3,500	3,500
Communications	4,536	4,320
Medical expense	1,500	1,500
Training & education	4,000	4,000
Safety/personnel supplies	8,500	8,000
Uniforms	9,156	7,500
Vehicle fuel	25,767	19,624
Vehicle maintenance/repairs	20,000	20,000
Christmas lighting	1,800	250
Contingency	-	-
Utility purchases	16,315,770	15,024,731
Traffic lights	599	599
Community	65,674	71,867
Substation	-	11,599
Vehicle Lease	16,012	
New development expense	155,795	120,000
Total Operating Expenses	17,615,257	16,273,256
Operating Income	$ 8,797,561	$ 8,111,880

Source: Town Budgets for fiscal years 2014-2015.

STATISTICAL DATA CONCERNING THE MAJOR PARTICIPANTS

Town Location and Description

The Town is comprised of an area of 11.96 square miles within southern New Castle County. It lies twenty-four miles south of Wilmington close to the Maryland border. Philadelphia and Baltimore are about an hour and half drive using Interstate 95. The Town is located only minutes from the Chesapeake and Delaware Canal, the nearest navigable waterway. Summit Aviation, a private service airport, is located four miles north of town.

The area encompassing the Town is a mix of open space, residential, commercial, and light industrial uses. The area surrounding the Town is predominantly rural in nature. However, residential and commercial development has been occurring at a brisk pace over the last 10 years due primarily to the Town's close proximity and easy access to the fast-growing Greater Wilmington region. A policy of controlled growth has been pursued by the Mayor and Council of the Town so water, sewer and other services do not become overwhelmed

Form of Government

The Town has a Council-Town Manager form of government with a nonpartisan elected mayor and six members of Council. The Council members are elected at-large for staggered two-year terms. The Town Council has responsibility for all legislative matters, including the enactment of all ordinances and resolutions.

Administrative responsibilities are vested in the Mayor and Council. Each member of Council has direct oversight responsibilities for one or more of the functional areas of government. The Town Manager is appointed and charged with overseeing the day-to-day administrative operations of the municipal government. Town offices provide the following services: public safety, electricity, sewer, water, trash collection, residential street repair, inspections and permits, meter service, and building maintenance. The Town also operates a parks department that maintains the Town's open space and active recreation areas as well as a public pool.

Policy is formulated by the Mayor and Town Council, with input from the professional staff, as well as resident volunteers who serve on the Town's four boards and committees. The boards and committees make recommendations to the Mayor and Town Council which has the sole authority to make policy changes relating to municipal services.

Population

The official population count by the U.S. Bureau of the Census in 2010 for the Town was 18,871, an increase of 206.3% over 2000. The chart bellows shows official census reported populations from 1970 through 2010.

Year	Population	Compound % Population Growth Since 1970
2010	18,871	5.17%
2000	6,161	2.96
1990	3,834	1.98
1980	2,946	1.12
1970	2,644	-

Source: U.S. Census Bureau

Summary of the Economy and Economic Development

A full range of commercial establishments are located in Middletown, including local merchants and national chains. Restaurants, retail, grocery and food shops are located throughout the Town along main shopping streets and in shopping centers.

Major manufacturers located within the municipal boundaries include Johnson Controls, an automobile battery producer; Amazon, an online retailer; Letica, a maker of consumer plastic containers; MacDermid Imaging Technology, Inc., a leader in specialty chemicals and imaging processes for the printed circuit board industry; DelStar, a manufacturer of thermoplastic nets and other extruded materials; East Jordan Iron Works; Southgate Concrete; Rinker Hydro Conduit; and Standard Materials.

The Town of Middletown has recently enjoyed controlled development and growth as has the surrounding region. The Mayor and Town Council, with input from the relevant boards, oversee the development of the Town's comprehensive plan and long-term strategy for growth which meets the needs of the local citizens. Located near major highway arteries, the Town enjoys developmental advantages associated with access to major transportation routes. Additional factors such as the close proximity to urban and suburban Wilmington continue to make Middletown a desired location for residency and business activity. The Town combines the atmosphere, charm, and vibrancy of a small town, a convenient main shopping street, quiet and beautiful residential streets, and a well-served and attractive industrial park.

City of Milford

Description of Electric Utility

The City of Milford (the "City") provides electricity to approximately 7,000 customers both within and outside its corporate limits. The City is a full requirements member of DEMEC and is a participant in the Existing Facilities and the 2011 Facilities. The electric distribution system covers approximately seven and one-half square miles and is served by two substations.

Energy Sales and Peak Demand

The following table shows the annual energy and the peak demand that DEMEC sold to the City over the past 10 calendar years.

	Annual Energy (kWh)	Peak (kW)	% Annual Energy Growth	Compound % Annual Energy Growth Since 2005
2014	228,726,021	45,940	2.1%	1.47%
2013	223,925,622	46,998	3.0	2.20
2012	217,459,476	47,168	-0.92	1.28
2011	219,474,167	46,586	-2.48	1.61
2010	225,063,980	46,528	2.43	2.23
2009	219,716,607	45,296	-1.77	2.21
2008	223,670,783	46,161	-0.42	2.72
2007	224,623,460	48,943	6.51	3.18
2006	210,891,700	46,850	6.74	2.63
2005	197,578,262	44,822	9.73	

Source: Delaware Municipal Electric Corporation.

The following table shows the annual dollar sales and peak demand that the City sold to its customers over the past ten fiscal years.

	Annual Sales	Peak (kW)	% Annual Sales Growth	Compound % Annual Sales Growth Since 2005
2014	$24,550,112	45,940	-0.9%	2.13%
2013	24,768,274	46,998	2.7	4.20
2012	24,123,950	47,168	-13.9	4.08
2011	28,031,645	46,586	-2.71	5.65
2010	28,575,000	46,528	5.59	8.47
2009	27,061,000	45,296	-4.66	8.57
2008	28,384,000	46,161	6.35	11.90
2007	26,689,000	48,943	-0.08	13.33
2006	26,711,000	46,850	34.33	18.19
2005	19,885,000	44,822	21.12	

Source: City of Milford.

DELAWARE MUNICIPAL ELECTRIC CORPORATION

STATISTICAL DATA CONCERNING THE MAJOR PARTICIPANTS

Electric Utility Customers

The chart below shows the total number of meters billed by the City during the past 10 fiscal years. The number of meters billed increased by 17.9% between 2005 and 2014.

	Residential	Commercial	Industrial	Total
2014	5,987	1,067	16	7,070
2013	5,947	1,050	16	7,013
2012	5,846	1,041	16	6,903
2011	5,758	1,018	16	6,792
2010	5,745	1,017	16	6,778
2009	5,765	1,012	16	6,793
2008	5,681	1,003	16	6,700
2007	5,568	994	16	6,578
2006	5,268	958	16	6,242
2005	5,051	929	16	5,996

Source: City of Milford.

The chart below shows the annual amount billed by customer class for the past ten fiscal years.

	Residential	Commercial	Industrial	Total
2014	$ 9,116,869	$ 6,937,726	$ 8,495,517	$ 24,550,112
2013	9,163,813	6,956,237	8,648,224	24,768,274
2012	8,706,192	6,479,972	8,937,786	24,123,950
2011	10,123,000	7,813,000	10,096,000	28,032,000
2010	9,740,000	8,596,000	10,239,000	28,575,000
2009	9,237,000	7,709,000	10,115,000	27,061,000
2008	9,510,000	8,043,000	10,831,000	28,384,000
2007	9,364,000	7,720,000	9,605,000	26,689,000
2006	9,355,000	7,770,000	9,586,000	26,711,000
2005	7,733,000	5,728,000	6,424,000	19,885,000

Source: City of Milford.

Largest Electric Users

Below is a list of the top 10 users of electricity for the City in calendar year 2014.

Electric User	Business Type	Annual Energy Consumption (kWh)
Perdue Farms	Industrial	32,380,800
Milford Memorial Hospital	Healthcare	32,083,175
US Cold Storage	Industrial	14,256,000
L.D. Caulk, Industrial	Industrial	8,019,157
Sea Watch International	Industrial	7,760,400
Wal-Mart Stores	Grocery/department store	5,241,600
Milford School District	Public Schools	5,236,023
State of Delaware	State Agency	2,980,320
IG Burton	Retail Store	2,941,360
Genesis	Healthcare	2,221,440
Total Top 10		113,120,275

Source: City of Milford.

Transfer Policies/Practices

The City transfers $2.5 million from the Electric Fund to the General Fund each year, which the City uses to balance its general operating budget and to pay for a substantial portion of its general operating expenses. The $2.5 million transfer was determined in fiscal year 2001 and has not been changed since. The City can transfer funds from the Electric Fund to other City funds with the approval of City Council. The Electric Fund has not borrowed funds from any other reserve fund of the City.

DELAWARE MUNICIPAL ELECTRIC CORPORATION

STATISTICAL DATA CONCERNING THE MAJOR PARTICIPANTS

Financial Information Regarding Electric Utility

The chart below shows the audited financial results for the City's Electric Fund for fiscal years 2010-2014.

City of Milford
Statement of Revenue, Expenses, and Changes in Net Assets – Electric Fund
Fiscal Years Ended June 30, 2010-2014

	2014	2013	2012	2011	2010
Operating Revenue					
Charges for services	$ 24,570,302	$ 24,647,844	$ 25,401,989	$ 27,697,694	$ 26,716,178
Miscellaneous	288,776	299,904	344,507	385,754	278,665
Total Operating Revenue	24,859,078	24,947,748	25,746,496	28,083,448	26,994,843
Operating Expenses					
Personnel services	1,902,332	1,999,302	2,007,596	2,021,633	2,092,247
Contractual services	18,620,765	18,507,215	18,924,762	20,933,716	20,345,831
Utilities	4,393	6,524	6,385	8,678	5,865
Repairs and maintenance	465,530	285,192	391,461	386,275	363,463
Other supplies and expenses	407,384	102,059	344,808	64,407	84,494
Insurance claims and expenses	85,513	67,455	54,017	39,936	46,783
Amortization	-	-	-	-	10,500
Depreciation	462,781	439,153	428,801	405,824	297,888
Total Operating Expenses	21,948,698	21,406,900	22,157,830	23,860,469	23,247,071
Operating Income	2,910,380	3,540,848	3,588,666	4,222,979	3,747,772
Non-Operating Revenue (Expense)					
Interest and investment revenue	15,689	66,685	147,428	43,565	184,194
Impact fees	34,301	29,550	-	-	42,200
Miscellaneous revenue	1,699	(1,390)	1,622	8,946	986
Operating grants and contributions	-	-	-	50,000	-
Interest expense	(320,318)	(325,427)	(333,305)	(138,495)	(133,110)
Miscellaneous expenses			(5,105)	(300)	(300)
Total Non-Operating Revenue (Expense)	(268,629)	(230,582)	(189,360)	(36,284)	93,970
Income Before Transfers	2,641,751	3,310,266	3,399,306	4,186,695	3,841,742
Operating Transfers, Net	(2,240,150)	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)
Change in Net Assets	401,601	810,266	899,306	1,686,695	1,341,742
Net Assets					
Beginning of year (1)	21,335,010	20,524,744	19,625,438	(1) 17,938,743	17,450,140
End of year	$ 21,736,611	$ 21,335,010	$ 20,524,744	$ 19,625,438	$ 18,791,882

Source: City Audited Financial Statements for fiscal years 2010-2014.
(1): 2011 decrease resulting from recognition of depreciation in prior years not previously recognized - $(853,139).

DELAWARE MUNICIPAL ELECTRIC CORPORATION

STATISTICAL DATA CONCERNING THE MAJOR PARTICIPANTS

The following table shows the assets of the City's Electric Fund for fiscal years 2010-2014.

City of Milford
Assets, Liabilities and Net Assets – Electric Fund
Fiscal Years Ended June 30, 2010-2014

	2014	2013	2012	2011	2010
Current Assets					
Cash and cash equivalents	$ 7,025,981	$ 9,436,856	$ 11,329,328	$ 10,098,221	$ 4,872,106
Investments	6,393,600	8,623,459	7,452,792	7,703,919	7,789,229
Accounts receivable	2,159,257	2,124,808	2,250,783	2,979,640	2,836,474
Prepaid expenses	-	-	-	-	-
Other receivables	5,235	26,748	81,870	3,301	29,325
Inventories	1,180,942	1,278,853	1,095,525	1,054,300	1,124,476
Deferred bond discount and issue costs	123,879	131,745	139,611	147,477	67,053
Total Current Assets	16,888,894	21,622,469	22,349,909	21,986,858	16,718,663
Non-Current Assets					
Capital assets, net:					
Land and improvements	1,404,437	1,204,437	1,704,152	1,405,351	312,981
Utility system	17,104,324	12,887,000	11,061,623	10,593,827	9,686,361
Buildings and improvements	6,543,768	6,049,421	5,850,346	5,850,346	5,838,126
Equipment and furniture	2,863,219	2,382,053	2,237,169	2,293,995	2,137,997
Less accumulated depreciation	(12,532,773)	(11,901,752)	(11,623,455)	(11,323,334)	(10,064,371)
Total Non-Current Assets	15,382,975	10,621,159	9,229,835	8,820,185	7,911,094
Total Assets	$ 32,271,869	$ 32,243,628	$ 31,579,744	$ 30,807,043	$ 24,629,757
Current Liabilities					
Accounts payable	$ 1,864,183	$ 2,027,294	$ 1,823,156	$ 2,054,255	$ 2,130,370
Salaries payable	42,841	35,737	32,255	28,498	24,863
Other accrued expenses	268,469	178,876	239,566	26,416	23,309
Customer deposits	446,135	430,732	410,200	344,450	337,510
Compensated absences	25,056	22,962	20,156	21,204	20,454
Bonds, notes and loans payable	353,906	338,906	333,906	172,917	170,000
Total Current Liabilities	3,000,590	3,034,507	2,859,239	2,647,740	2,706,506
Non-Current Liabilities					
Compensated absences	100,225	91,850	80,624	84,822	81,817
Bonds, notes and loans payable	7,434,443	7,782,261	8,115,137	8,449,043	3,049,552
Total Non-Current Liabilities	7,534,668	7,874,111	8,195,761	8,533,865	3,131,369
Total Liabilities	10,535,258	10,908,618	11,055,000	11,181,605	5,837,875
Net Assets					
Invested in capital assets, net of related debt	7,594,626	2,499,992	780,792	198,225	4,691,542
Restricted for capital improvements	3,112,396	290,452	257,828	257,828	42,200
Unrestricted	11,029,589	18,544,566	19,486,124	19,169,385	14,058,140
Total Net Assets	21,736,611	21,335,010	20,524,744	19,625,438	18,791,882
Total Liabilities and Net Assets	$ 32,271,869	$ 32,243,628	$ 31,579,744	$ 30,807,043	$ 24,629,757

Source: City Audited Financial Statements for fiscal years 2010-2014.

See accompanying independent auditors' report.

The chart below shows the budget for the City's Electric Fund for fiscal years 2014-2016.

City of Milford
Budget – Electric Fund
Fiscal Years Ended June 30, 2014-2016

	2016	2015	2014
Revenue			
Service billing	$ 25,625,000	$ 24,500,000	$ 24,500,000
Late penalties	60,000	65,000	65,000
Returned checks	3,000	3,500	4,500
Connection fees	80,000	70,000	75,000
Underground fees	8,000	10,000	10,000
Miscellaneous	5,000	5,000	5,000
Earnings on investments	6,000	4,000	7,000
Sale of property or equipment	2,000	2,000	2,000
Transfer from Reserves	273,315	-	861,895
Total Revenue	26,062,315	24,659,500	25,530,395
Expenditures			
Operations and maintenance	1,748,140	1,771,015	1,686,340
Employee benefits	394,965	356,270	377,370
Transfers to other funds	3,314,615	3,306,705	3,310,095
Power purchased	19,625,000	18,500,000	18,500,000
Debt Service	344,595	382,695	641,230
Capital outlay	635,000	342,815	1,005,950
Total Expenditures	26,062,315	24,659,500	25,521,165
Change in Fund Balance	$ -	$ -	$ 9,230

Source: City Budget for fiscal years 2014-2016.

City Location and Description

The City is the sixth largest city in population in the State of Delaware. Located on the Mispillion River, within both Kent and Sussex Counties, the City is approximately 95 miles from Philadelphia, Pennsylvania, 85 miles from Baltimore, Maryland and 100 miles from Washington, D.C. Locally, the City is 19 miles south of Dover, the State Capital.

The City is residential in nature with a commercial center affording residents and the surrounding area various retail and professional services. Milford Memorial Hospital is located within the City providing a full range of medical services. Banking services are provided by M&T Bank., PNC Bank and Citizens Bank. The City is served by two main highways: Delaware Route 1 to the east and U.S. Route 113 to the west.

STATISTICAL DATA CONCERNING THE MAJOR PARTICIPANTS

Form of Government

The City is governed by the provisions of its Charter, as adopted by the Delaware General Assembly and as further amended from time to time. The elected government of the City consists of eight councilmen who serve two year terms and a Mayor who serves for two years. They are assisted by a City Manager who carries out their policies and supervises municipal employees.

The City provides electric, water, sewer and trash service, maintains a police department and a parks and recreational department and enforces the zoning ordinance and the building, housing, plumbing and electrical codes. The City also derives a significant amount of revenues from the resale of electricity. The principal document used by the Mayor and the City Council to guide the City's growth and development is the Comprehensive Land Use Plan which was established in 1989 and last updated in 2011. Legal services of the City Government are provided by the City Solicitor, who is appointed by the City Council.

Population

The official population count by the U.S. Bureau of the Census in 2010 for the City was 9,559, an increase of 42.0% over 2000. The chart bellows shows official census reported populations from 1970 through 2010.

Year	Population	Compound % Population Growth Since 1970
2010	9,559	1.52%
2000	6,732	0.82
1990	6,040	0.68
1980	5,366	0.11
1970	5,314	-

Source: U.S. Census Bureau

Summary of the Economy and Economic Development

While the City is predominantly residential in character, it is nonetheless a thriving business community. Commercial activity, including three shopping centers, is located to the west. The bulk of Milford's industry is located on the western side of the City and provides several hundred managerial, technical and skilled/unskilled jobs to area residents.

The City has grown steadily over the past ten years due to several factors. New business and residential growth has occurred. Existing developments have expanded. Also, the City has over this period annexed large areas of undeveloped land which are now under construction of new housing. The 2010 census showed the City to be one of Delaware's fastest growing communities and it is now the sixth largest city in the State.

With the recently announced Bayhealth campus project to be constructed in the near future the city will need to expand their water, sewer and electric infrastructure to meet the growing needs of the community.

City of Newark

Description of Electric Utility

The City of Newark's ("Newark") Electric Utility supplies electric power to approximately 12,300 residential, commercial and industrial customers. Newark is a full requirements member of DEMEC and is a participant in the Existing Facilities and the 2011 Facilities. Newark purchases wholesale electricity from DEMEC under a long-term, full requirements supply contract and distributes this power through its own distribution system. Newark's electric utility is fed by nine power substations, 58 circuit breakers, 27 power transformers and a distribution system consisting of approximately 165 miles of distribution lines.

Energy Sales and Peak Demand

The following table shows the annual energy and the peak demand that DEMEC sold to Newark over the past 10 calendar years.

	Annual Energy (kWh)	Peak (kW)	% Annual Energy Growth	Compound % Annual Energy Growth Since 2005
2014	439,675,340	88,542	1.0%	0.03%
2013	435,308,952	91,265	-0.002	0.20
2012	436,312,645	90,359	0.01	0.46
2011	436,108,136	92,836	-0.09	0.40
2010	440,066,918	88,244	4.27	0.55
2009	422,048,298	82,506	-2.78	0.08
2008	434,096,704	87,154	-0.83	0.53
2007	437,712,037	89,858	2.49	0.73
2006	427,063,224	89,843	-2.63	0.37
2005	438,576,480	89,973	2.75	1.15

Source: Delaware Municipal Electric Corporation.

The following table shows the annual energy and peak demand that Newark sold to its customers over the past 10 calendar years.

	Annual Energy (kWh)	Peak (kW)	% Annual Energy Growth	Compound % Annual Energy Growth Since 2005
2014	404,814,997	88,542	0.007%	0.32%
2013	402,020,356	91,265	-0.001	0.32
2012	402,465,476	90,359	-0.01	0.50
2011	401,980,074	92,836	-0.01	0.53
2010	406,053,402	88,244	3.61	0.94
2009	391,915,725	82,506	-3.29	0.62
2008	405,233,794	87,154	1.03	1.19
2007	401,090,439	89,858	3.06	1.21
2006	389,164,191	89,843	-3.04	0.85
2005	401,364,652	89,973	3.07	1.84

Source: City of Newark.

DELAWARE MUNICIPAL ELECTRIC CORPORATION

STATISTICAL DATA CONCERNING THE MAJOR PARTICIPANTS

Electric Utility Customers

The chart below shows the total number of meters billed by Newark during the past 10 fiscal years. The number of meters billed increased by 5.6% between 2005 and 2014.

	Residential	Commercial	Industrial	University	Total
2014	10,500	1,474	53	25	12,052
2013	10,055	1,429	53	25	11,562
2012	10,289	1,396	53	25	11,763
2011	10,255	1,437	54	1	11,747
2010	10,425	1,372	52	1	11,850
2009	10,394	1,367	55	1	11,817
2008	10,568	1,364	56	1	11,989
2007	10,098	1,362	52	1	11,513
2006	10,186	1,354	51	1	11,592
2005	10,024	1,338	51	1	11,414

Source: City of Newark.

The chart below shows the annual energy by customer class for the past 10 fiscal years (kWh).

	Residential	Commercial	Industrial	University	Total
2014	93,042,185	77,147,270	91,928,003	145,697,539	404,814,997
2013	90,374,056	76,290,773	90,233,965	145,121,562	402,020,356
2012	90,231,853	70,596,053	94,263,963	147,373,607	402,465,476
2011	91,825,911	69,658,960	94,563,322	145,931,881	401,980,074
2010	95,050,384	70,985,485	99,556,219	140,461,314	406,053,402
2009	88,897,987	70,135,918	98,225,136	134,656,684	391,915,725
2008	90,912,923	72,463,286	104,279,135	137,578,450	405,233,794
2007	93,500,629	75,696,947	98,276,336	133,616,527	401,090,439
2006	91,267,630	71,952,626	92,955,211	132,988,724	389,164,191
2005	101,147,622	72,096,285	95,934,668	132,186,077	401,364,652

Source: City of Newark.

The chart below shows the annual amount billed by customer class for the past 10 fiscal years.

	Residential	Commercial	Industrial	University	Total
2014	$ 14,341,836	$ 10,351,510	$ 11,969,138	$ 13,447,627	$ 50,110,111
2013	13,710,184	10,439,109	11,380,234	15,088,929	50,618,456
2012	13,615,230	9,689,088	11,644,586	16,428,015	51,376,919
2011	15,120,100	10,409,620	12,792,357	17,466,559	55,788,636
2010	14,726,803	10,709,367	14,169,577	17,851,612	57,457,359
2009	13,002,979	9,912,707	12,648,019	15,040,237	50,603,942
2008	13,332,225	10,139,848	14,111,313	15,465,962	53,049,348
2007	13,024,245	9,885,974	12,472,474	13,908,227	49,290,920
2006	12,088,909	9,449,201	11,132,663	12,971,590	45,642,363
2005	10,322,536	7,526,829	7,883,381	8,856,840	34,589,586

Source: City of Newark.

DELAWARE MUNICIPAL ELECTRIC CORPORATION

STATISTICAL DATA CONCERNING THE MAJOR PARTICIPANTS

Largest Electric Users

Below is a list of the top 10 users of electricity for Newark in calendar year 2014.

Electric User	Business Type	Annual Energy Consumption (kWh)
University of Delaware	University	158,903,719
Rohm & Haas	Manufacturing-Various	27,338,592
Power Systems Composites	Wholesale Electric Equip.	9,255,120
E I Dupont De Nemours	Chemicals and Synthetics	5,812,968
A&P Food Stores	Retail-Groceries	5,430,304
CHF-Del LLC	Rental Apartments	4,644,269
Fraunhofer USA	R&D-Biotechnology	4,353,840
Christiana School District	Public Schools	3,851,998
Verizon Communications	Public utility	3,783,951
618 G P Warehouse LLC	Warehousing	3,628,080
Total Top 10		227,002,841

Source: City of Newark.

Transfer Policies/Practices

Operating revenues from the Electric Utility are Newark’s largest single source of revenue and operating surpluses are transferred to other Newark funds, including the General Fund to fund current operations. Transfers from the Electric Fund ranged between $9.5 million to $12.5 million between fiscal years 2010-2014 with an average transfer of $10.2 million. Electric reserves as of December 31, 2014 included $9.0 million in unrestricted operating reserves.

Net revenue generated by the Electric Fund in a given year is available for transfers to other funds as needed for operational or reserve purposes. Generally, the annual operating budget for the Electric Fund shows that approximately 90% of an amount equal to the net operating income less capital outlays from current resources and debt service payments is budgeted to be transferred to other funds. At year-end, Newark's management may adjust the actual total transfers after considering operational results and reserve requirements.

DELAWARE MUNICIPAL ELECTRIC CORPORATION

STATISTICAL DATA CONCERNING THE MAJOR PARTICIPANTS

Financial Information Regarding Electric Utility

The chart below shows the audited financial results for Newark's Electric Fund for fiscal years 2010-2014.

City of Newark
Statement of Revenue, Expenses, and Changes in Net Assets – Electric Fund
Fiscal Years Ended December 31, 2010-2014

	2014	2013	2012	2011	2010
Operating Revenue					
Charges for services	$ 50,110,111	$ 50,618,455	$ 53,094,738	$ 55,788,636	$ 57,457,359
Penalties and fees	287,421	381,075	250,963	345,019	239,486
Miscellaneous	88,181	156,771	91,370	96,523	60,755
Total Operating Revenue	50,485,713	51,156,301	53,437,071	56,230,178	57,757,600
Operating Expenses					
Personnel	2,489,292	2,459,031	2,291,878	2,333,599	2,288,793
Utility purchases	34,492,434	34,557,650	37,327,221	40,313,836	41,074,085
Materials and supplies	167,200	183,069	161,889	180,136	156,521
Contracted services	1,125,881	1,028,379	897,406	1,085,143	859,002
Depreciation	1,224,891	1,061,466	871,452	791,521	783,326
Other	122,888	93,655	94,513	86,807	96,588
Total Operating Expenses	39,622,586	39,383,250	41,644,359	44,791,042	45,258,315
Operating Income	10,863,127	11,773,051	11,792,712	11,439,136	12,499,285
Non-Operating Revenue (Expense)					
Interest and investment revenue	50,446	(1,319)	55,297	20,130	6,663
Gain (loss) on sale of capital assets	(941)	(113)	18,025	-	(636)
Bond and lease issuance cost	-	-	(49)	-	-
Interest expense	(124,969)	(132,150)	(37,562)	(24,031)	(14,393)
Total Non-Operating Revenue (Expense)	(75,464)	(133,582)	35,711	(3,901)	(8,366)
Income Before Capital Grants and Transfers	10,787,663	11,639,469	11,828,423	11,435,235	12,490,919
Capital Grants	179,830	143,240		26,906	656,727
Operating Transfers, Net	(9,944,669)	(9,492,610)	(10,016,255)	(9,677,430)	(12,096,726)
Change in Net Position	1,022,824	2,290,099	1,812,168	1,784,711	1,050,920
Net Position					
Beginning of year	21,945,476	19,655,377*	17,861,679	16,076,968	15,026,048
End of year	$ 22,968,300	$ 21,945,476	$ 19,673,847	$ 17,861,679	$ 16,076,968

Source: Newark Audited Financial Statements for fiscal years 2010-2014.
*Restated

See accompanying independent auditors' report.

DELAWARE MUNICIPAL ELECTRIC CORPORATION

STATISTICAL DATA CONCERNING THE MAJOR PARTICIPANTS

The following table shows the assets of Newark's Electric Fund for fiscal years 2010-2014.

City of Newark
Assets, Liabilities and Net Assets – Electric Fund
Fiscal Years Ended December 31, 2010-2014

	2014	2013	2012	2011	2010
Current Assets					
Cash and cash equivalents	$ 2,164,622	$ 863,891	$ 1,411,028	$ 3,881,432	$ 192,818
Restricted Assets:					
Cash and cash equivalents	-	485,380	4,043,212	-	-
Investments	748,250	746,744	1,030,458	657,450	640,182
Investments, unrestricted	3,857,281	3,872,263	3,754,340	509,925	27,193
Accounts receivable, net	6,987,526	7,192,263	5,669,535	6,301,310	7,224,145
Inventory	1,241,654	1,194,553	1,091,043	1,100,800	1,040,040
Prepaid expenses	37,164	5,713	2,005,534	17,271	13,610
Bonds, notes, and lease issuance costs	-	-	1,615	-	-
Total Current Assets	15,036,497	14,360,807	19,006,765	12,468,188	9,137,988
Non-Current Assets					
Bond and lease issuance costs	-	-	16,855	-	-
Net pension asset	121,315	70,802	91,292	80,007	63,087
Capital assets, net:					
Construction in progress	-	-	-	634,928	-
Buildings	7,351,475	6,514,525	6,367,506	5,462,934	5,803,002
Improvements	11,044,476	11,073,157	5,101,975	5,153,768	5,224,999
Intangibles	1,000	1,000	1,000	-	-
Machinery and equipment	401,239	372,975	533,970	339,734	418,452
Total Non-Current Assets	18,919,505	18,032,459	12,112,598	11,671,371	11,509,540
Total Assets	$ 33,956,002	$ 32,393,26[illegible]	$ 31,119,363	$ 24,139,559	$ 20,647,528
Current Liabilities					
Accounts payable	$ 2,978,352	$ 3,149,87[illegible]	$ 3,875,908	$ 3,303,273	$ 3,802,976
Customer deposits	748,250	746,744	715,371	657,450	640,182
Regulatory liability	1,310,576	206,798	367,749	2,228,611	-
Compensated absences	5,572	5,501	5,344	5,093	5,549
Unearned Revenue	288,620	110,903	-	-	-
Accrued Interest Payable	4,210	4,707	22,614	-	-
Bonds, notes, and lease payable	505,510	393,896	104,993	-	-
Total Current Liabilities	5,841,090	4,618,421	5,091,979	6,194,427	4,448,707
Non-Current Liabilities					
Compensated absences	50,143	49,507	48,095	45,836	49,944
Net other post-employment benefits obligation	33,850	38,759	36,528	37,617	71,909
Unearned Revenue	-	-	7,685	-	-
Bonds, notes, and lease payable	5,062,619	5,741,103	6,261,229	-	-
Total Non-Current Liabilities	5,146,612	5,829,369	6,353,537	83,453	121,853
Total Liabilities	10,987,702	10,447,790	11,445,516	6,277,880	4,570,560

See accompanying independent auditors' report.

DELAWARE MUNICIPAL ELECTRIC CORPORATION

STATISTICAL DATA CONCERNING THE MAJOR PARTICIPANTS

City of Newark
Assets, Liabilities and Net Assets – Electric Fund
Fiscal Years Ended December 31, 2010-2014 (cont.)

	2014	2013	2012	2011	2010
Net Position					
Net Investment in capital assets	$ 13,230,061	$ 17,567,761	$ 11,899,458	$ 11,591,364	$ 11,446,453
Restricted:					
Customer Deposits	748,250	746,744	715,371	-	-
Capital Projects	-	485,380	4,358,299	-	-
Unrestricted	8,989,989	3,145,591	2,700,719	6,270,315	4,630,515
Total Net Position	22,968,300	21,945,476	19,673,847	17,861,679	16,076,968
Total Liabilities and Net Position	$ 33,956,002	$ 32,393,266	$ 31,119,363	$ 24,139,559	$ 20,647,528

Source: Newark Audited Financial Statements for fiscal years 2010-2014.

The chart below shows the budget for Newark's Electric Fund for fiscal year 2015.

City of Newark
Budget – Electric Fund
Fiscal Year Ending December 31, 2015

	2015
Revenue	
Utility sales	$ 49,635,913
Utility purchases	(33,674,603)
Utility gross margin	15,961,310
Utility other service revenue	393,137
Utility contributions	16,354,447
Other revenue	106,614
Net transfers	(10,000,000)
Total Operating Revenue	6,461,061
Expenditures	
Personnel services	2,616,690
Materials and supplies	225,930
Contractual services	1,096,553
Equipment depreciation	235,974
Other	126,347
Inter-department charges	699,992
Total Operating Expenses	5,001,486
Capital Improvements	
Gross capital improvements	1,675,015
Less: Other sources	(1,002,435)
Net Capital Improvements	672,580
Debt Service	620,662
Net Current Surplus	166,333
Total Expenditures	6,461,061
Change in Fund Balance	$ -

Source: Newark Budget for fiscal year 2015.

See accompanying independent auditors' report.

STATISTICAL DATA CONCERNING THE MAJOR PARTICIPANTS

City Location and Description

Newark is comprised of an area of 9.3 square miles within New Castle County. The Municipal Building is located in the Western part of Newark on South Main Street. Newark lies approximately in an area bounded by the Maryland-Delaware border to the West, I-95 to the South, Marrows Road to the East and a line roughly extending from Carpenter State Park through White Clay Creek to the North.

The area encompassing Newark is a mix of residential, commercial, industrial and higher education uses. Newark has enjoyed controlled development thanks to close adherence to its comprehensive master plan. Future growth will occur through annexation of adjacent unincorporated areas, as they are developed. This policy of controlled development has ensured that adequate sewerage capacity and other services are available to accommodate new growth. A full range of commercial establishments are located in Newark. Restaurants, retail, grocery and food shops are located throughout Newark either along main shopping districts or in clusters along major thoroughfares. A large regional shopping mall is within a ten-minute drive.

The University of Delaware occupies a large percent of Newark's area. The University of Delaware is a full-service land grant university, serving some 23,000 students. The University operates dormitories, classroom buildings, research facilities and a major sports complex convocation center. In addition, the University holds some undeveloped land for future uses as well as an agricultural station for use with its agricultural sciences program.

Form of Government

Newark has a Council-City Manager form of government with a non-partisan elected Mayor and six members of Council. The Council members are elected from separate districts for staggered two-year terms. The City Council has responsibility for all legislative matters, including the enactment of all ordinances and resolutions.

Administrative responsibilities are vested in a City Manager, who is charged with overseeing the day-to-day operations of the municipal government. Major public services include general administration, police protection, parks and recreation, land use, building code enforcement, sewer, water, and electric utilities, refuse collection, residential street repair, snow removal, parking, judiciary, parks and recreation, street and storm water maintenance and improvements.

Policy is formulated by the City Council and Mayor, with input from the professional staff, as well as resident volunteers who serve on Newark's 16 boards, committees and authorities.

Population

The official population count by the U.S. Bureau of the Census in 2010 for Newark was 31,454, an increase of 10.2% over 2000. The chart below shows official census reported populations from 1970 through 2010.

Year	Population	Compound % Population Growth Since 1970
2010	31,454	1.07%
2000	28,547	1.10
1990	25,098	1.00
1980	25,247	2.20
1970	20,757	-

Source: U.S. Census Bureau

DELAWARE MUNICIPAL ELECTRIC CORPORATION

STATISTICAL DATA CONCERNING THE MAJOR PARTICIPANTS

Summary of the Economy and Economic Development

Newark is one of Delaware's principal economic, industrial and academic centers. Newark's population, taxable assessments, electric load and water distribution have all steadily grown over the last several years, which provides evidence of sustainable levels of growth throughout the city. As a college town, Newark is more affluent and economically stable, as supported by median family incomes that are significantly higher than the state and national levels. Newark boasts a disproportionate amount of residents with four-year, graduate and post-graduate degrees compared to Delaware and the broader US, which along with the higher income levels, tends to bring more stable employment levels. The City's unemployment rate is lower than the national and state levels. City and neighboring County residents enjoy employment opportunities in high-paying sectors such as finance, healthcare and education. The diversity and size of the business and industries in and around Newark serve to ensure relatively smooth and stable local economic growth. Newark remains an industrial, commercial and service hub for New Castle County and nearby counties in Pennsylvania and Maryland, in addition to its status as the State's principal home for higher education.

The main campus of the University of Delaware is located within the City. The University is a leading scientific and research institution with a special focus on bio-technology, chemical engineering and composite materials. Nearly 23,000 full-and part-time undergraduate and graduate students attend the University in Newark. Newark's largest manufacturer had been the East Coast assembly plant for the Chrysler Corporation, which in recent years had produced a line of sport utility vehicles. However, Chrysler closed the plant in 2008 due to the well-publicized financial difficulties that crippled US auto makers at the time. The plant site has since been purchased by the University of Delaware, which has extensive plans for development of the site as a science and technology center in connection with Thomas Jefferson University, Christiana Care and Nemours through the Delaware Health Sciences Alliance (DHSA), the U.S. Army's Aberdeen Proving Grounds and Bloom Energy. E.I. DuPont de Nemours and Company (agricultural research), Dow Chemical (silicone wafer polishing compounds), Gore (Gore-Tex), FMC (biopolymers), GE Aviation (composites) and other major international firms maintain large facilities in and around the City. Newark is also the home of Delaware's premier high-tech industrial center – the Delaware Technology Park – located south of the College Square Shopping Center between Library Avenue and Marrows Road. The Bank of America, one of the nation's leading credit card banks, also anchors a robust financial services sector in the region. While Newark's industrial sector remains relatively healthy, the City works with area industrial park operators – including the Delaware Technology Park, the State and New Castle County Chambers of Commerce and the Delaware Development Office – to bring new high quality, low impact manufacturing firms to Newark. The City offers several tax and related benefits as incentives for high quality industrial growth and recently expanded this program by offering targeted electric rate discounts for new or enlarged industrial facilities.

Our nation's main East Coast north-south roadway, Interstate 95, passes through the southern portion of the City. In addition, AMTRAK provides limited intercity passenger rail service up and down the eastern seaboard at the City owned, historic Newark Railroad Station. A nearby SEPTA commuter rail station provides daily service to Wilmington and Philadelphia, and future plans for Maryland Transportation Administration (MARC) service to Baltimore and Washington, DC are well underway. The CSX and Norfolk Southern freight lines pass through the community and provide freight rail connections to all major points along the eastern seaboard.

The City has, over the last quarter century, successfully revitalized its traditional Main Street with an exciting and vibrant mix of adaptively reused historic and new buildings occupied with street level commercial businesses and apartments and condominiums on upper floors. The City has encouraged pedestrian, rather than auto-oriented, businesses to limit the traffic impact on Main Street and curb the demand for off-street parking. With this in mind, the City completed construction of the Pomeroy Trail in the summer of 2012. A cycling/pedestrian trail that bisects the Downtown corridor, the Pomeroy connects the University's Laird Campus with the already established James Hall Trail, which parallels the AMTRAK rail tracks. These trails, the most heavily used in the State of Delaware, are a part of the East Coast Greenway, a 2,900 mile urban trail linking Calasis, Maine at the Canadian border with Key West, Florida. The City's paved trail system, along with other bike-friendly initiatives such as the "sharrows" on our Main Street, the successful Newark Bike Project, off-road mountain biking trails in our parks system, an annual triathlon and the Mayor's annual fun ride all contribute to the City's award winning designation as a Bike Friendly Community. Newark welcomes thousands of cycling and mountain biking enthusiasts year round and has been recognized as the only Gold-level "Healthy Community" in Delaware.

Since the grand opening of the Embassy Suites on South College Avenue in March 2000, two additional hotels have been constructed – a Homewood Suites adjoining the Embassy Suites at the University's Athletic Complex and a Marriot Courtyard Hotel on the University's north campus – each of which contributed to the City's hotel inventory.

In 1999 and 2000, two facilities totaling 50,000 square feet were located at the Delaware Technology Park. Shortly thereafter, the City's last idle downtown industrial site – the old National Vulcanized Fiber plant on White Clay Creek – was successfully redeveloped with waterfront dining and shops, forty apartments and 107,000 square feet of commercial office space. The original mill at this location was constructed in the early eighteenth century and the current structure, built in 1853, operated as a woolen mill and later produced vulcanized fiber (a composite material) up to the early 1990s. Many of the historic structures on the site have been preserved and renovated. The City's creative and flexible approach to planning and zoning that made the project possible was highlighted in the November 11, 2000 Sunday edition of *The New York Times*.

In 2001, one of the City's most acclaimed historic landmarks, the Deer Park Hotel, was fully restored and reopened under new management as the Deer Park Tavern. The property was recorded in 1982 on the U.S. Department of the Interior National Register of Historic Places inventory; it has been operated continuously at its current location since 1851, with original roots dating back to 1747 as St. Patrick's Inn. Notable travelers staying at the Inn include surveyors Charles Mason and Jeremiah Dixon, General George Washington and soldiers of the American Revolution. Later in the 19th Century, Edgar Allen Poe stayed at the Tavern after lecturing at Newark Academy. The restored Deer Park Tavern, reviewed and approved through the City's strict historic preservation ordinance, has drawn large crowds since reopening in the fall of 2001. In addition to being one of the City's most notable landmarks and a popular local entertainment center, the Deer Park is a significant business anchor at the west end of Main Street near the edge of the University campus.

In the late 1990s, Newark focused heavily on water infrastructure investments to ensure sufficient quantity and quality of drinking water for future needs. Following a successful referendum, Newark was able to design and build its South Well Field Water Treatment Plant in 2003 and a 318 million gallon pump storage reservoir in 2006. Capable of providing three months of drinking water supply, the reservoir was the first of its kind constructed in Delaware in over 70 years.

Construction of the Washington House, which consists of mixed-use condominiums and commercial development, received Council approval in 2005. The facility was completed in 2008 with occupancy beginning in early 2009. The project brought 54 up-scale condominium apartments, commercial space and parking availability to the site of the former Stone Balloon tavern. The significance of this project included the introduction of housing for "nonstudents" in the Downtown neighborhood, reflecting a desire that exists today for a more diverse mix of residential housing. Newark continues to make efforts to bring owner-occupied or "post-college" professionals back downtown by encouraging development of one and two bedroom housing units. In addition, some of Newark's most recent development projects have been limited to adults, age fifty-five and older, as part of the City's effort to increase its available housing stock for more mature Newarkers.

While the City has a strong and diverse economic base, it has not been entirely immune to the effects of the national economic recession. The impact of the recession on the local housing market was significant, as the slowdown in housing sales reduced the City's real estate transfer tax revenues in several consecutive years. However, the City is confident that the recovery is well underway and ongoing. While the construction of new stand-alone single family housing remains slow, the construction of apartments, primarily designed for the student population, is at an all-time high. Prior to the recession, off-campus student housing entered a new era in Newark when the University Courtyard complex was opened in August 2001. This attractive garden apartment complex on a 22 acre abandoned brownfield factory site is the City's first privately financed "dormitory" intended to provide high quality apartment amenities for University of Delaware students seeking off-campus housing near University facilities and a short walk from downtown. Since, the market for off-campus housing has continued to grow. Beginning in 2012, the City has approved 714 new rental units (representing an increase of 18%), many as part of mixed use development downtown. In addition, nearly 100 new apartment units are under development review for consideration. This development activity has been beneficial to the City's financial position over the last several years; more new apartment units were approved in 2013 than in the previous 12 years combined. Many of these developments contain commercial space on the first floor with upper story apartments clustered around the downtown corridors of

East Main Street and Delaware Avenue, and now along South Main Street, which saw significant streetscape enhancements in 2013, and was renamed and dedicated as part of the downtown district to take advantage of the booming downtown economy.

The local Newark economy is considerably resilient in part due to the presence of the University of Delaware, which boasts an endowment in excess of $1.3 billion, ranking it 69th among 851 colleges and universities surveyed nationwide by the National Association of College and University Business Officers in 2014. The University is also the City's single largest employer and electric customer. The City's December, 2014 unemployment rate was stable at 5.3% after falling from 6.5% in 2012 to 5.3% in 2013, while the State unemployment rate was 5.2%. For at least the third consecutive year, each measure remains below the national unemployment rate, which was 5.7% at the conclusion of 2014. As previously mentioned, the University has acquired the dormant Chrysler assembly plant site and has developed a twenty-five year plan to revitalize the site into a science and technology campus with designs for renewable energy research/manufacturing and health sciences, as well as residential and other commercial activities and an intermodal transportation hub for rail service by AMTRAK, SEPTA and the Maryland Transit Administration. Bloom Energy Corporation was the first manufacturing facility to locate at the site. The manufacturer of solid oxide fuel cells marketed under the name Bloom Energy Servers™ has completed the construction of its first East Coast facility, which is expected to bring hundreds of 21st century manufacturing jobs to Newark. The activity on the STAR campus is occurring in conjunction with continued construction on the University campus, including new science facilities and a new dining and residence hall.

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DEMEC

Delaware Municipal Electric Corporation

AGENDA

DELAWARE MUNICIPAL ELECTRIC CORPORATION

REGULAR MEETING
Tuesday, April 19, 2016
DEMEC Offices
22 Artisan Drive, Smyrna, DE
9:00 am

1. CALL TO ORDER

2. ROLL CALL

3. APPROVAL OF MINUTES
   a. Minutes of the Meeting of March 15, 2016
   b. Minutes of the Executive Session of March 15, 2016

4. TREASURER'S REPORT
   a. Monthly Financial Reports – February, 2016
   b. Distribution of the 2015 Annual Financial Report
   c. Distribution of Auditor's Management Letter and Staff Response

5. APPOINTMENTS/ELECTIONS
   a. Audit Committee Member Confirmation

6. PRESENTATIONS
   a. Audit Presentation & Discussion – Baker Tilly

7. RESOLUTIONS
   a. 2016-5 Amending the Corporate Risk Management Policy

8. COMMITTEE REPORTS
   a. Executive Committee
   b. Audit Committee
      i. DRAFT Minutes of the Meeting February 4, 2016

9. PRESIDENT'S REPORTS TO BOARD
   a. Generation Projects Status Report
   b. Construction Projects Status Report
   c. Middletown Technology Center
   d. Legislative Report
   e. Training/Education
      i. AMP Finance & Accounting Workshop – Thursday, April 7, 2016
      ii. Legislative Hall – DEMEC Day – April 13, 2016
      iii. Earth Day Displays – Earth Day is April 22
      iv. Joint Council Briefing - June 1, 2016
      v. APPA National Conference – Phoenix, AZ

vi. Board Continuing Education Webinars as Requested

f. DEMEC Green Energy Programs Status Report
   i. LED Lighting Program
   ii. Demand Response Update
   iii. Energy Efficiency Advisory Council Update
   iv. Energy Efficiency Program Proposal
   v. Renewable Energy Tracking
   vi. Smyrna Solar Project Update
   vii. Customer Sited Generation Policies

10. BUSINESS FROM THE FLOOR

11. EXECUTIVE SESSION
   a. To discuss strategic business and commercial generation operations, dispatch, negotiations and planning

12. SET NEXT MEETING DATES
(Third Tuesday of each Month; Subject to Change)

   a. Tuesday, May 17, 2016
   b. Tuesday, June 21, 2016
   c. Tuesday, July 19, 2016

13. ADJOURNMENT

Posted 04/12/2016

CITY MANAGER'S OFFICE
CITY OF NEWARK

220 South Main Street • Newark, Delaware 19711
302.366.7000 • Fax 302.366.7035 • www.cityofnewarkde.us

April 8, 2016

Mr. Rick Deadwyler
UD Government Relations Office
Ms. Justine Talley-Beck
UD Development and Alumni Relation
University of Delaware
323 Hullihen Hall
Newark, DE 19716

Dear Mr. Deadwyler and Ms. Talley-Beck:

As requested and in association with the 2016 Dela-bration Alumni Weekend event, I authorize an extension of the 9 p.m. City Noise Ordinance regulation normally enforced on weekdays and weekends. Per the requirements of the City Code, a special waiver is granted to the University of Delaware, Offices of Government Relations and Alumni Relations for the evening of Friday, June 3, 2016 or the rain date of Saturday, June 4, 2016.

You have advised one band will be performing on The Green north of Mitchell Hall on one of the above evenings from 7:00 p.m. to 11:00 p.m. in coordination with the UD Alumni Reunion Weekend events. In accordance with previous years' successful events, we again ask that sound levels of any entertainment be reduced at 10 p.m. Additionally, we expect that all alcohol service will once again be located on the North Green eliminating the need for attendees to cross Delaware Avenue with cups of alcohol. Both of these modifications in past years served your event and our community well.

Please note if we do receive any complaints related to noise from this venue during the extended hours, the Newark Police Department will respond in accordance with our City Code with the cooperation of the University of Delaware Police Department. It is my understanding that one or both of you will be onsite throughout the event to ensure compliance in relationship with this waiver. By copy of this letter, I am notifying both the Newark and University of Delaware Police Departments of your planned events and agreement regarding the end time of all entertainment.

If you have any questions, please do not hesitate to contact me. I wish you a successful event.

Sincerely,

Carol S. Houck

Carol S. Houck
City Manager

CSH/mp
c: Paul M. Tiernan, Chief of Police
Patrick A. Ogden, Chief of Police, Public Safety

Rotary

Flags for Heroes 2016

This is our Clubs 2nd Annual display of Flags Honoring Veterans of our Armed Services.

- You can help by sponsoring your personal Hero with a $50 tax deductible donation.
- Flags will be displayed in Newark in front of the City of Newark Municipal Building on South Main Street
- Heroes will be recognized in a local Newspaper.
- Proceeds will support local Veteran support groups in Delaware.
- The form on the reverse can be given to any club member or mailed to: Newark Rotary Club c/o Barbara Roberts 3420 Old Capitol Trail, Wilmington, DE 19808 along with your check made payable to: Newark Rotary Foundation
- To assure heroes and sponsors are correctly identified, please honor only one hero per form. One check may be written to cover multiple heroes.

Rotary

Flags for Heroes

Remembering those who have served
Honoring those who serve currently

All gave some, some gave all

May 13-31, 2016

Flags will be displayed in front of the City of Newark Municipal Building South Main Street

Newark Rotary Club

Newark Rotary Club

Flags for Heroes 2016

Sponsor a flag for $50

Honor a member of military service, a first responder, or other hero (past or present), by sponsoring a flag. Flags will be proudly displayed at the City of Newark Building on South Main Street May 13 - Memorial Day 2016. Proceeds go to support local Veterans programs, scholarships, and Newark Rotary's community projects.

To help assure accuracy, please list only one Hero per form

Name of Hero ____

Sponsor Name ____

Address ____State _____ Zip ______

Phone _____ _____-______ Email Address ____

Sold By (Rotarian)______________________________ Cash ________ Check # ___________

Make your $50* check payable to: Newark Rotary foundation (makes contribution tax-deductible). Please write Flags for Heroes on memo line. Give to a Rotarian or mail to: Newark Rotary Club c/o Barbara Roberts, 3420 Old Capitol Trail, Wilmington, DE 19808. *One check may be written for multiple flag sponsorships at $50 each.

Thank you

Receipt

The Newark Rotary Club thanks:

Sponsor: ______________________________

Cash ____ Check # _________

Sold By (Rotarian) _________________________ Date ___/___/____

NEWARK POLICE DEPARTMENT

WEEK 04/03/16-04/09/16	INVESTIGATIONS			CRIMINAL CHARGES		
	2015 TO DATE	2016 TO DATE	THIS WEEK 2016	2015 TO DATE	2016 TO DATE	THIS WEEK 2016
PART I OFFENSES						
a)Murder/Manslaughter	0	0	0	0	0	0
b)Attempt	0	0	0	0	0	0
Kidnap	3	2	0	1	2	0
Rape	2	0	0	0	3	0
Unlaw. Sexual Contact	0	3	0	0	1	0
Robbery	12	11	1	16	5	0
- Commercial Robberies	6	5	1	7	0	0
- Robberies with Known Suspect	1	1	0	0	0	0
- Attempted Robberies	2	1	0	5	0	0
- Other Robberies	3	4	0	4	5	0
Assault/Aggravated	1	5	0	8	3	0
Burglary	17	28	3	6	12	0
- Commercial Burglaries	2	6	0	1	0	0
- Residential Burglaries	13	18	3	4	10	0
- Other Burglaries	2	4	0	1	2	0
Theft	114	176	13	64	46	2
Theft/Auto	9	7	0	5	5	0
Arson	0	0	0	0	0	0
All Other	14	31	0	27	20	0
TOTAL PART I	172	263	17	127	97	2
PART II OFFENSES						
Other Assaults	78	95	3	44	42	2
Rec. Stolen Property	2	0	0	11	9	0
Criminal Mischief	56	49	2	30	24	1
Weapons	5	3	0	37	12	0
Other Sex Offenses	0	0	0	0	0	0
Alcohol	69	79	2	118	126	3
Drugs	17	40	1	77	54	13
Noise/Disorderly Premise	93	189	11	54	84	8
Disorderly Conduct	41	43	1	26	33	0
Trespass	44	47	2	23	14	0
All Other	111	153	8	82	93	11
TOTAL PART II	516	698	30	502	491	38
MISCELLANEOUS:						
Alarm	270	270	19	0	0	0
Animal Control	113	123	17	0	0	0
Recovered Property	61	87	5	0	0	0
Service	7540	9337	639	0	0	0
Suspicious Per/Veh	127	168	13	0	0	0
TOTAL MISC.	8111	9985	693	0	0	0

	THIS WEEK 2015	2015 TO DATE	THIS WEEK 2016	2016 TO DATE
TOTAL CALLS	826	10,717	846	12,538

Newark Police Department
Weekly Traffic Report
04/03/16-04/09/16

TRAFFIC SUMMONSES	2015 YTD	2016 YTD	THIS WEEK 2015	THIS WEEK 2016
Moving/Non-Moving	2,462	2,654	176	173
DUI	59	53	6	2
TOTAL	2,521	2,707	182	175

TRAFFIC ACCIDENTS				
Fatal	0	0	0	0
Personal Injury	50	52	0	6
Property Damage **(Reportable)**	99	206	13	19
Property Damage **(Non-Reportable)**	110	37	8	7
Hit and Run	83	78	4	3
TOTAL	342	373	25	35