

**NORTH PENN WATER AUTHORITY**

**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**

*Years Ended December 31, 2019 and 2018*



*Certified Public Accountants and Business Consultants*

# **INTRODUCTORY SECTION**

**NORTH PENN WATER AUTHORITY**  
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**YEARS ENDED DECEMBER 31, 2019 AND 2018**

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## **FINANCIAL SECTION**

## ***Independent Auditors' Report***

To the Members of the Board  
North Penn Water Authority  
Lansdale, Pennsylvania

We have audited the accompanying financial statements of the North Penn Water Authority, which comprise the statements of net position as of December 31, 2019 and 2018, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended and the related notes to the financial statements.

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

North Penn Water Authority's 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Members of the Board  
North Penn Water Authority  
Lansdale, Pennsylvania

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Penn Water Authority as of December 31, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 14 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 evidence sufficient to express an opinion or provide any assurance.

#### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the North Penn Water Authority's basic financial statements. The supplementary information as listed 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Maillie LP*

Oaks, Pennsylvania  
February 24, 2020

# **NORTH PENN WATER AUTHORITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

### **YEARS ENDED DECEMBER 31, 2019 AND 2018**

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As management of the North Penn Water Authority, we are offering readers of the Authority's financial statements this narrative overview and analysis of the Authority's financial performance during the fiscal year ended December 31, 2019. Please read it in conjunction with the Authority's financial statements, which follow this section.

#### **2019 FINANCIAL HIGHLIGHTS**

- During the year, the Authority's net position increased by \$2,891,407 or 1.9%.
- During the year, the Authority's operating revenues were \$19,318,630, a slight decrease from \$19,340,761 in 2018, while operating expenses increased to \$9,969,349, up from \$9,800,422 in 2018 or 1.7%.
- Capital Contributions to the Authority decreased by \$883,147 to \$1,305,901, down from \$2,189,048 in 2018 or 40%.
- During the year, long-term debt decreased by \$6,095,000.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the basic Financial Statements. The Financial Statements also include notes that provide additional information that is essential to the full understanding of the data provided in the statements.

#### **REQUIRED FINANCIAL STATEMENTS**

The Financial Statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer the short- and long-term financial information about its activities. The Statement of Net Position includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Authority's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, along with the profitability and creditworthiness. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash balance during the reporting year.

**NORTH PENN WATER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

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**FINANCIAL ANALYSIS OF THE AUTHORITY**

One of the most important questions asked about the Authority's finances is, "Is North Penn Water Authority as a whole better off or not as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority in a way that will help answer this question. These two statements report the net position of the Authority and changes in this net position. One can think of the Authority's net position (the difference between assets and liabilities) as one way to measure financial health or financial position. Over time, increases and decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other nonfinancial factors such as changes in economic conditions, population growth and new or changing governmental legislation.

**Net Position**

The following table summarizes the changes in net position between December 31, 2019 and 2018:

***Condensed Statements of Net Position***

	December 31,		Variance	
	2019	2018	Dollar	%
<b>ASSETS</b>				
Current assets	\$ 18,972,188	\$ 19,925,428	\$ (953,240)	-4.8%
Restricted assets	29,534,517	36,487,950	(6,953,433)	-19.1%
Utility plant	178,173,242	174,179,577	3,993,665	2.3%
Other assets	1,858,249	1,976,323	(118,074)	-6.0%
<b>TOTAL ASSETS</b>	<b>228,538,196</b>	<b>232,569,278</b>	<b>(4,031,082)</b>	<b>-1.7%</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	995,461	1,197,928	(202,467)	-16.9%
<b>LIABILITIES</b>				
Current liabilities	8,540,251	9,023,752	(483,501)	-5.4%
Long-term liabilities	62,970,439	69,361,492	(6,391,053)	-9.2%
<b>TOTAL LIABILITIES</b>	<b>71,510,690</b>	<b>78,385,244</b>	<b>(6,874,554)</b>	<b>-8.8%</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Accumulated increase in fair value of hedging derivative	1,847,332	1,961,964	(114,632)	-5.8%
Deferred pension credit	315,670	451,440	(135,770)	-30.1%
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,163,002</b>	<b>2,413,404</b>	<b>(250,402)</b>	<b>-10.4%</b>
<b>NET POSITION</b>				
Net investment in capital assets	125,298,433	116,784,682	8,513,751	7.3%
Unrestricted assets	30,561,532	36,183,876	(5,622,344)	-15.5%
<b>TOTAL NET POSITION</b>	<b>\$ 155,859,965</b>	<b>\$ 152,968,558</b>	<b>\$ 2,891,407</b>	<b>1.9%</b>



**NORTH PENN WATER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

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- Total assets decreased by \$4,031,082 in 2019 due primarily to the reduction in restricted assets stemming from the 2014 bond refunding project.
- Total liabilities decreased \$6,874,554 due primarily to the repayment of long-term debt.
- The net effect of these changes resulted in a \$2.89 million increase in total net position.

**Statements of Revenues, Expenses and Changes in Net Position**

While the Statements of Net Position show the change in financial position on net assets, the Statements of Revenues, Expenses and Changes in Net Position provide answers as to the nature and source of these changes.

***Condensed Statements of Revenues, Expenses and Changes in Net Position***

	Year Ended December 31,		Variance	
	2019	2018	Dollar	%
Operating revenues	\$ 19,318,630	\$ 19,340,761	\$ (22,131)	-0.1%
Operating expenses	9,969,349	9,800,422	168,927	1.7%
INCOME FROM OPERATIONS	9,349,281	9,540,339	(191,058)	-2.0%
Nonoperating revenues	2,227,339	2,433,911	(206,572)	-8.5%
Nonoperating expenses	9,991,114	9,729,329	261,785	2.7%
NONOPERATING EXPENSES, net	(7,763,775)	(7,295,418)	(468,357)	-6.4%
INCOME BEFORE CONTRIBUTIONS	1,585,506	2,244,921	(659,415)	29.4%
Contributions in aid of construction	1,305,901	2,189,048	(883,147)	-40.3%
CHANGE IN NET POSITION	\$ 2,891,407	\$ 4,433,969	\$ (1,542,562)	-34.8%

**Revenues**

- Operating revenues decreased \$22,131 to \$19,318,630 or 0.1% from 2018 to 2019.

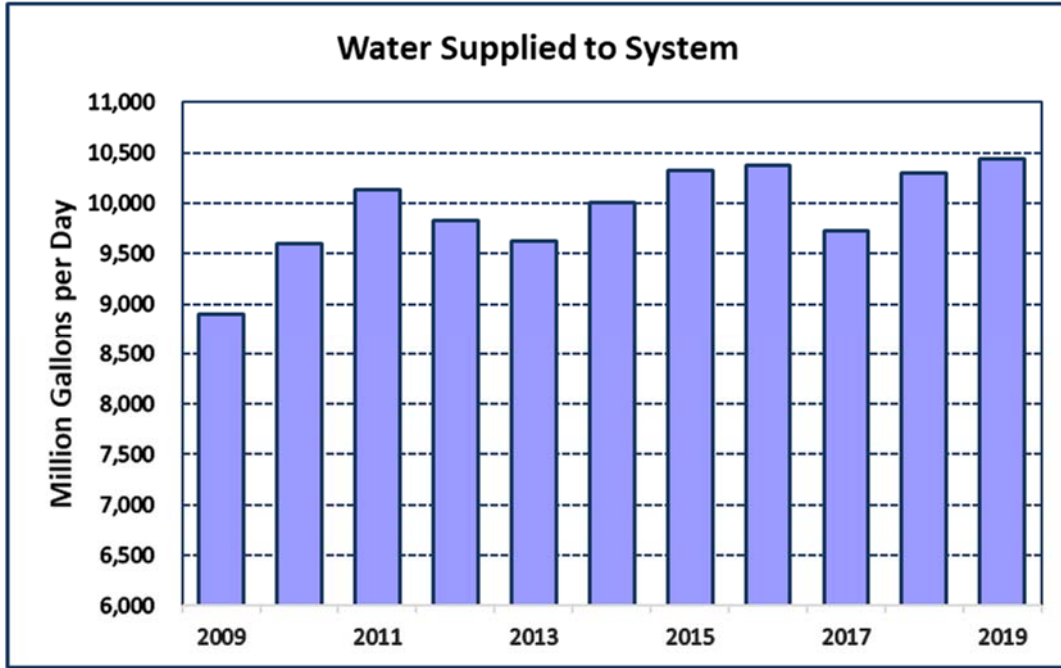
Operating revenues include the following:

	2019	2018
Metered sales	\$ 18,724,786	\$ 18,754,148
Unmetered sales	545,912	538,600
Other revenues	47,932	48,013
	\$ 19,318,630	\$ 19,340,761

**NORTH PENN WATER AUTHORITY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

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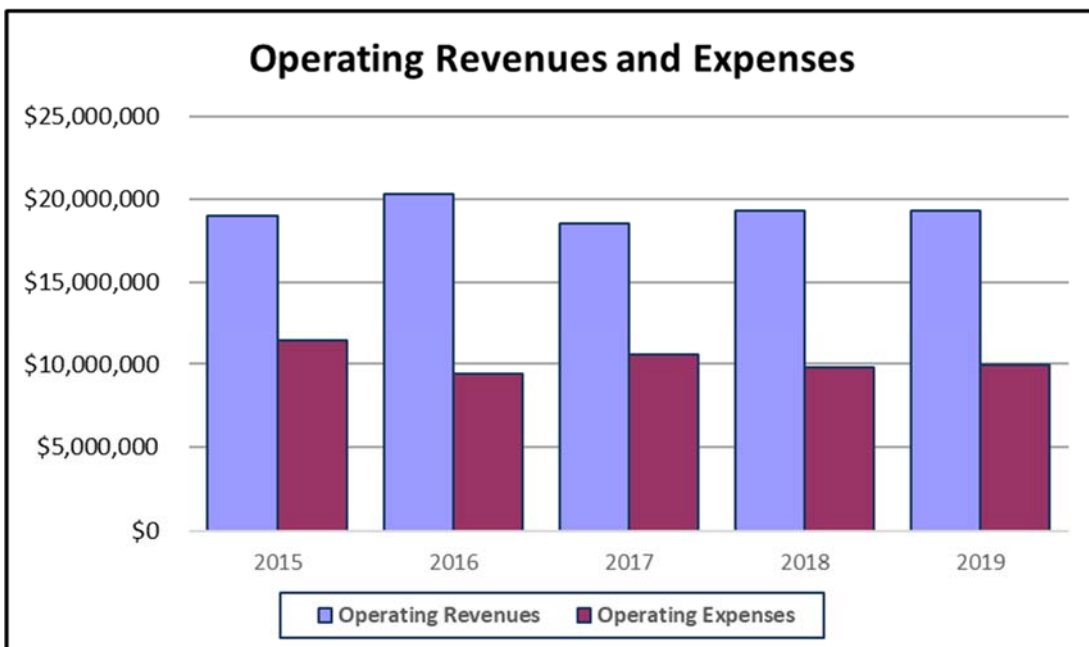
The chart below shows the historical average daily water supplied to the system for the years 2009 through 2019.



**Operating Expenses**

- Operating expenses increased by \$168,927 to \$9,969,349 or 1.7% from 2018 to 2019.

***Historical Operating Revenues and Expenses***



**NORTH PENN WATER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**Capital Assets**

At the end of 2019, the Authority had invested \$209,247,483 in property, plant and equipment and also had invested \$90,502,811 in Forest Park Water. The greatest additions to the Authority's capital assets were additions to and replacements of the Authority's water distribution system.

	Year Ended December 31,		Variance	
	2019	2018	Dollar	%
<b>PROPERTY, PLANT AND EQUIPMENT</b>				
Land	\$ 2,190,511	\$ 2,193,030	\$ (2,519)	-0.1%
Wells	940,292	952,379	(12,087)	-1.3%
Storage and distribution system	183,378,540	173,878,035	9,500,505	5.5%
Plant and structures	10,821,841	10,775,837	46,004	0.4%
Equipment	11,614,790	11,822,699	(207,909)	-1.8%
Organization expense	301,509	301,509	-	0.0%
TOTAL	<u>209,247,483</u>	<u>199,923,489</u>	<u>9,323,994</u>	<u>4.7%</u>
Accumulated depreciation	<u>(73,012,338)</u>	<u>(69,322,707)</u>	<u>(3,689,631)</u>	<u>-5.3%</u>
NET PROPERTY, PLANT AND EQUIPMENT	<u>\$ 136,235,145</u>	<u>\$ 130,600,782</u>	<u>\$ 5,634,363</u>	<u>4.3%</u>
<b>INVESTMENT IN FOREST PARK WATER</b>				
Forest Park Water Treatment Plant	\$ 73,287,210	\$ 72,319,487	\$ 967,723	1.3%
Point Pleasant Pumping Station	13,934,433	13,902,919	31,514	0.2%
PECO Contract	3,281,168	3,890,802	(609,634)	-15.7%
TOTAL	<u>90,502,811</u>	<u>90,113,208</u>	<u>389,603</u>	<u>0.4%</u>
Accumulated depreciation	<u>(48,564,714)</u>	<u>(46,534,413)</u>	<u>(2,030,301)</u>	<u>-4.4%</u>
NET INVESTMENT IN FOREST PARK WATER	<u>\$ 41,938,097</u>	<u>\$ 43,578,795</u>	<u>\$ (1,640,698)</u>	<u>-3.8%</u>

**Capital Contributions**

North Penn Water Authority has complied with GASB Statement No. 33, which requires that Contributions in Aid of Construction be shown as revenue. This is classified as Nonoperating Income. Contributions in Aid of Construction involve both assets contributions (water mains and other facilities) and cash contributions (tapping fees and assessments). Together, these contributions totaled \$1,305,901 in 2019, which is a decrease of \$883,147 from 2018.

	Year Ended December 31,		Variance	
	2019	2018	Dollar	%
Contribution in assets	\$ 658,243	\$ 1,907,973	\$ (1,249,730)	-65.50%
Contribution in tapping fees	<u>647,658</u>	<u>281,075</u>	<u>366,583</u>	<u>130.42%</u>
TOTAL	<u>\$ 1,305,901</u>	<u>\$ 2,189,048</u>	<u>\$ (883,147)</u>	<u>-40.34%</u>

**NORTH PENN WATER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

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**Long-Term Debt**

At the end of 2019, the North Penn Water Authority had total debt outstanding of \$63,665,000. The Authority's total debt decreased by \$6,060,000. All outstanding bonds carry an Aa3 rating from Moody's Investors Service. The Authority's long-term debt consists of the following Water Revenue Bonds:

	<u>Issue Amount</u>	<u>Debt Outstanding December 31, 2019</u>
2012 Bonds	\$ 32,655,000	\$ 25,495,000
2015 Bonds	18,050,000	15,385,000
2019 Bonds	<u>22,785,000</u>	<u>22,785,000</u>
TOTAL	<u>\$ 73,490,000</u>	<u>\$ 63,665,000</u>

As management of the North Penn Water Authority, we are offering readers of the Authority's financial statements this narrative overview and analysis of the Authority's financial performance during the fiscal years ended December 31, 2019 and 2018. Please read it in conjunction with the Authority's financial statements, which follow this section.

**2018 FINANCIAL HIGHLIGHTS**

- During the year, the Authority's net position increased by \$4,433,969 or 3%.
- During the year, the Authority's operating revenues were \$19,340,761, an increase from \$18,539,765 in 2017 or 4.3%, while operating expenses decreased to \$9,800,422, down from \$10,573,071 in 2017 or 7.3%.
- Capital Contributions to the Authority decreased by \$592,144 to \$2,189,048, down from \$2,781,192 in 2017 or 21.3%.
- During the year, long-term debt decreased by \$4,515,000.

**NORTH PENN WATER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

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**Net Position**

The following table summarizes the changes in net position between December 31, 2018 and 2017:

***Condensed Statements of Net Position***

	December 31,		Variance	
	2018	2017	Dollar	%
<b>ASSETS</b>				
Current assets	\$ 19,925,428	\$ 17,308,153	\$ 2,617,275	15.1%
Restricted assets	36,487,950	42,767,446	(6,279,496)	-14.7%
Utility plant	174,179,577	169,138,714	5,040,863	3.0%
Other assets	1,976,323	2,791,646	(815,323)	-29.2%
<b>TOTAL ASSETS</b>	<b>232,569,278</b>	<b>232,005,959</b>	<b>563,319</b>	<b>0.2%</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	1,197,928	1,400,395	(202,467)	-14.5%
<b>LIABILITIES</b>				
Current liabilities	9,023,752	7,175,385	1,848,367	25.8%
Long-term liabilities	69,361,492	74,347,545	(4,986,053)	-6.7%
<b>TOTAL LIABILITIES</b>	<b>78,385,244</b>	<b>81,522,930</b>	<b>(3,137,686)</b>	<b>-3.8%</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Accumulated increase in fair value of hedging derivative	1,961,964	2,762,108	(800,144)	-29.0%
Deferred pension credit	451,440	586,727	(135,287)	-23.1%
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,413,404</b>	<b>3,348,835</b>	<b>(935,431)</b>	<b>-27.9%</b>
<b>NET POSITION</b>				
Net investment in capital assets	116,784,682	107,135,233	9,649,449	9.0%
Unrestricted assets	36,183,876	41,399,356	(5,215,480)	-12.6%
<b>TOTAL NET POSITION</b>	<b>\$ 152,968,558</b>	<b>\$ 148,534,589</b>	<b>\$ 4,433,969</b>	<b>3.0%</b>

**NORTH PENN WATER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

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- Total assets increased by \$563,319 in 2018 due primarily to the payment of tapping fee and additions in utility plant.
- Total liabilities decreased \$3,137,686 due primarily to the repayment of long-term debt.
- The net effect of these changes resulted in a \$4.4 million increase in total net position.

**Statements of Revenues, Expenses and Changes in Net Position**

While the Statements of Net Position show the change in financial position on net assets, the Statements of Revenues, Expenses and Changes in Net Position provide answers as to the nature and source of these changes.

***Condensed Statements of Revenues, Expenses and Changes in Net Position***

	Year Ended December 31,		Variance	
	2018	2017	Dollar	%
Operating revenues	\$ 19,340,761	\$ 18,539,765	\$ 800,996	4.3%
Operating expenses	9,800,422	10,573,071	(772,649)	-7.3%
<b>INCOME FROM OPERATIONS</b>	<b>9,540,339</b>	<b>7,966,694</b>	<b>1,573,645</b>	<b>19.8%</b>
Nonoperating revenues	2,433,911	2,074,137	359,774	17.3%
Nonoperating expenses	9,729,329	9,924,696	(195,367)	-2.0%
<b>NONOPERATING EXPENSES, net</b>	<b>(7,295,418)</b>	<b>(7,850,559)</b>	<b>555,141</b>	<b>7.1%</b>
<b>INCOME BEFORE CONTRIBUTIONS</b>	<b>2,244,921</b>	<b>116,135</b>	<b>2,128,786</b>	<b>-1833.0%</b>
Contributions in aid of construction	2,189,048	2,781,192	(592,144)	-21.3%
<b>CHANGE IN NET POSITION</b>	<b>\$ 4,433,969</b>	<b>\$ 2,897,327</b>	<b>\$ 1,536,642</b>	<b>53.0%</b>

**Revenues**

- Operating revenues increased \$800,996 to \$19,340,761 or 4.3% from 2017 to 2018.

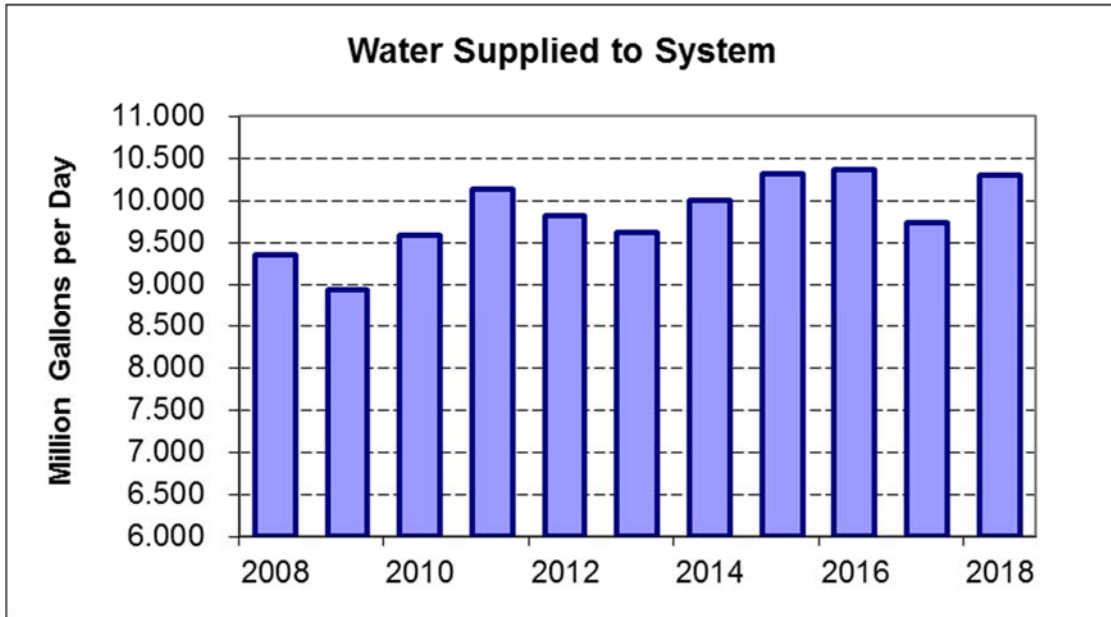
Operating revenues include the following:

	2018	2017
Metered sales	\$ 18,754,148	\$ 17,878,226
Unmetered sales	538,600	613,610
Other revenues	48,013	47,929
	<b>\$ 19,340,761</b>	<b>\$ 18,539,765</b>

**NORTH PENN WATER AUTHORITY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

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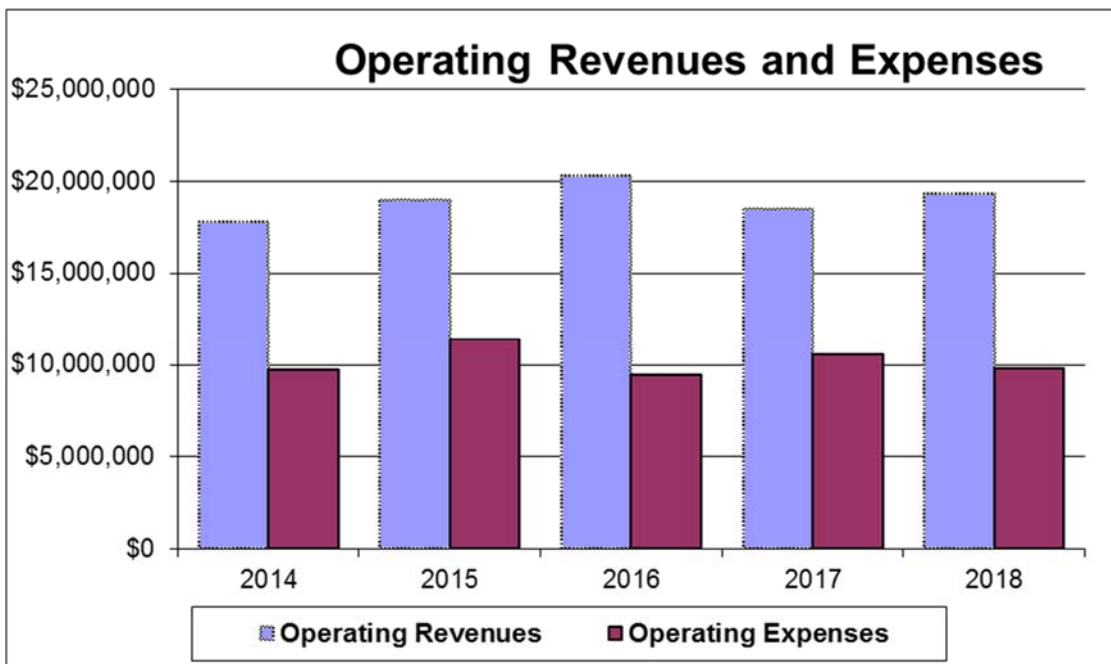
The chart below shows the historical average daily water supplied to the system for the years 2008 through 2018.



**Operating Expenses**

- Operating expenses decreased by \$772,649 to \$9,800,422 or 7.3% from 2017 to 2018.

***Historical Operating Revenues and Expenses***



**NORTH PENN WATER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**Capital Assets**

At the end of 2018, the Authority had invested \$198,771,902 in property, plant and equipment and also had invested \$90,113,208 in Forest Park Water. The greatest additions to the Authority's capital assets were additions to and replacements of the Authority's water storage and distribution system.

	Year Ended December 31,		Variance	
	2018	2017	Dollar	%
<b>PROPERTY, PLANT AND EQUIPMENT</b>				
Land	\$ 2,193,030	\$ 1,946,280	\$ 246,750	12.7%
Wells	952,379	952,379	-	0.0%
Storage and distribution system	173,878,035	166,044,994	7,833,041	4.7%
Plant and structures	10,775,837	10,645,000	130,837	1.2%
Equipment	11,822,699	11,373,664	449,035	3.9%
Organization expense	301,509	301,509	-	0.0%
TOTAL	199,923,489	191,263,826	8,659,663	4.5%
Accumulated depreciation	(69,322,707)	(64,752,975)	(4,569,732)	-7.1%
<b>NET PROPERTY, PLANT AND EQUIPMENT</b>	<b>\$ 130,600,782</b>	<b>\$ 126,510,851</b>	<b>\$ 4,089,931</b>	<b>3.2%</b>
<b>INVESTMENT IN FOREST PARK WATER</b>				
Forest Park Water Treatment Plant	\$ 72,319,487	\$ 68,868,622	\$ 3,450,865	5.0%
Point Pleasant Pumping Station	13,902,919	13,864,566	38,353	0.3%
PECO Contract	3,890,802	4,466,366	(575,564)	-12.9%
TOTAL	90,113,208	87,199,554	2,913,654	3.3%
Accumulated depreciation	(46,534,413)	(44,571,692)	(1,962,721)	-4.4%
<b>NET INVESTMENT IN FOREST PARK WATER</b>	<b>\$ 43,578,795</b>	<b>\$ 42,627,862</b>	<b>\$ 950,933</b>	<b>2.2%</b>

**Capital Contributions**

North Penn Water Authority has complied with GASB Statement No. 33, which requires that Contributions in Aid of Construction be shown as revenue. This is classified as Nonoperating Income. Contributions in Aid of Construction involve both assets contributions (water mains and other facilities) and cash contributions (tapping fees and assessments). Together, these contributions totaled \$2,189,048 in 2018, which is a decrease of \$592,144 from 2017.

	Year Ended December 31,		Variance	
	2018	2017	Dollar	%
Contribution in assets	\$ 1,907,973	\$ 2,041,391	\$ (133,418)	-6.54%
Contribution in tapping fees	281,075	739,801	(458,726)	-62.01%
<b>TOTAL</b>	<b>\$ 2,189,048</b>	<b>\$ 2,781,192</b>	<b>\$ (592,144)</b>	<b>-21.29%</b>



**NORTH PENN WATER AUTHORITY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEARS ENDED DECEMBER 31, 2019 AND 2018

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**Long-Term Debt**

At the end of 2018, the North Penn Water Authority had total debt outstanding of \$69,725,000. The Authority's total debt decreased by \$4,515,000. All outstanding bonds carry an Aa3 rating from Moody's Investors Service. The Authority's long-term debt consists of the following Water Revenue Bonds:

	<u>Issue Amount</u>	<u>Debt Outstanding December 31, 2018</u>
2012 Bonds	\$ 32,655,000	\$ 25,495,000
2014 Bonds	39,120,000	28,155,000
2015 Bonds	<u>18,050,000</u>	<u>16,075,000</u>
TOTAL	<u>\$ 89,825,000</u>	<u>\$ 69,725,000</u>

**NORTH PENN WATER AUTHORITY**

## STATEMENTS OF NET POSITION

DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 11,398,995	\$ 12,078,482
Investments	726,880	707,660
Accounts receivable		
Customers	2,121,416	2,311,185
PECO	493,638	531,288
Other	455,165	421,328
Assessments receivable, current portion	21,872	16,490
Unbilled revenues	2,171,271	1,964,182
Materials inventory	1,347,853	1,585,062
Interest receivable	8,489	16,620
Other	226,609	293,131
TOTAL CURRENT ASSETS	<u>18,972,188</u>	<u>19,925,428</u>
RESTRICTED ASSETS		
Cash and equivalents	29,210,904	35,942,184
Prepaid pension asset	315,670	451,440
Interest receivable	7,943	94,326
TOTAL RESTRICTED ASSETS	<u>29,534,517</u>	<u>36,487,950</u>
UTILITY PLANT		
Property, plant and equipment, net	136,235,145	130,600,782
Investment in Forest Park Water, net	41,938,097	43,578,795
TOTAL UTILITY PLANT	<u>178,173,242</u>	<u>174,179,577</u>
OTHER ASSETS		
Derivative instrument, rate swap	1,847,332	1,961,964
Assessments receivable, noncurrent portion	10,917	14,359
TOTAL OTHER ASSETS	<u>1,858,249</u>	<u>1,976,323</u>
TOTAL FORWARD	<u>228,538,196</u>	<u>232,569,278</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	995,461	1,197,928
TOTAL FORWARD	<u>\$ 995,461</u>	<u>\$ 1,197,928</u>

**NORTH PENN WATER AUTHORITY**

## STATEMENTS OF NET POSITION

DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
TOTAL FORWARDED	\$ <u>228,538,196</u>	\$ <u>232,569,278</u>
DEFERRED OUTFLOWS OF RESOURCES		
TOTAL FORWARDED	<u>995,461</u>	<u>1,197,928</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	1,274,816	1,461,450
Main extension deposits	1,290,804	1,682,245
Other	827,076	726,309
Current liabilities payable from restricted assets		
Accrued interest on bonds	422,555	463,748
Bonds payable	<u>4,725,000</u>	<u>4,690,000</u>
TOTAL CURRENT LIABILITIES	<u>8,540,251</u>	<u>9,023,752</u>
NONCURRENT LIABILITIES		
Long-term debt, bonds payable	58,940,000	65,035,000
Unamortized bond premium, net	<u>4,030,439</u>	<u>4,326,492</u>
TOTAL NONCURRENT LIABILITIES	<u>62,970,439</u>	<u>69,361,492</u>
TOTAL LIABILITIES	<u>71,510,690</u>	<u>78,385,244</u>
DEFERRED INFLOWS OF RESOURCES		
Accumulated increase in fair value of hedging derivative	1,847,332	1,961,964
Deferred pension credit	<u>315,670</u>	<u>451,440</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,163,002</u>	<u>2,413,404</u>
NET POSITION		
Net investment in capital assets	125,298,433	116,784,682
Unrestricted assets	<u>30,561,532</u>	<u>36,183,876</u>
TOTAL NET POSITION	<u>\$ 155,859,965</u>	<u>\$ 152,968,558</u>

*See accompanying notes to the basic financial statements.*

**NORTH PENN WATER AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>OPERATING REVENUES</b>		
Metered sales	\$ 18,724,786	\$ 18,754,148
Unmetered sales	545,912	538,600
Other revenues	47,932	48,013
TOTAL OPERATING REVENUES	<u>19,318,630</u>	<u>19,340,761</u>
<b>OPERATING EXPENSES</b>		
Water collection system	2,154,853	2,144,914
Purification system	75,948	74,665
Laboratory costs	428,441	401,879
Pumping system	634,056	557,734
Metering and customer service	489,748	456,595
Distribution system	1,040,762	1,343,527
Landscape maintenance	28,220	31,847
Administrative and engineering	2,383,125	2,034,782
General expenses	2,734,196	2,754,479
TOTAL OPERATING EXPENSES	<u>9,969,349</u>	<u>9,800,422</u>
OPERATING INCOME	9,349,281	9,540,339
<b>NONOPERATING INCOME</b>		
INCOME BEFORE DEBT SERVICE COSTS AND DEPRECIATION AND AMORTIZATION	<u>3,533,240</u>	<u>4,622,959</u>
INCOME BEFORE DEBT SERVICE COSTS AND DEPRECIATION AND AMORTIZATION	<u>12,882,521</u>	<u>14,163,298</u>
<b>DEBT SERVICE COSTS</b>		
Interest on bonds	3,238,607	3,405,885
Bond issuance costs	242,679	-
Amortization of bond discount and premium	(296,053)	(296,053)
TOTAL DEBT SERVICE COSTS	<u>3,185,233</u>	<u>3,109,832</u>
INCOME EXCLUSIVE OF DEPRECIATION AND AMORTIZATION	<u>9,697,288</u>	<u>11,053,466</u>
<b>DEPRECIATION AND AMORTIZATION</b>		
Property, plant and equipment	4,775,581	4,656,775
Forest Park Water	2,030,300	1,962,722
TOTAL DEPRECIATION AND AMORTIZATION	<u>6,805,881</u>	<u>6,619,497</u>
CHANGE IN NET POSITION	2,891,407	4,433,969
<b>NET POSITION AT BEGINNING OF YEAR</b>		
NET POSITION AT BEGINNING OF YEAR	<u>152,968,558</u>	<u>148,534,589</u>
<b>NET POSITION AT END OF YEAR</b>		
NET POSITION AT END OF YEAR	<u>\$ 155,859,965</u>	<u>\$ 152,968,558</u>

*See accompanying notes to the basic financial statements.*

**NORTH PENN WATER AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 20,518,366	\$ 20,314,030
Cash paid to suppliers	(6,255,735)	(4,745,284)
Cash paid to employees	(3,953,713)	(3,708,867)
<b>NET CASH PROVIDED BY OPERATING</b>		
<b>ACTIVITIES</b>	<u>10,308,918</u>	<u>11,859,879</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED</b>		
<b>FINANCING ACTIVITIES</b>		
Overhead and equipment usage charged to fixed		
capital assets	7,579	26,755
Contributions and assessments for main extensions	1,305,901	2,189,048
Acquisition and construction of capital assets	(10,717,817)	(8,777,763)
Additions (deletions) to (from) Forest Park Water, net	(389,603)	(2,913,654)
Proceeds from rental of fixed assets	445,408	472,678
Proceeds from bond issue	22,785,000	-
Principal paid on Water Revenue Bonds	(28,845,000)	(4,515,000)
Interest paid on Water Revenue Bonds	(3,077,333)	(3,205,332)
Issuance costs paid on bonds	(242,678)	-
<b>NET CASH USED BY CAPITAL</b>		
<b>AND RELATED FINANCING ACTIVITIES</b>	<u>(18,728,543)</u>	<u>(16,723,268)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	1,028,078	879,540
Net sales (purchases) of investments	(19,220)	(11,925)
<b>NET CASH PROVIDED BY INVESTING</b>		
<b>ACTIVITIES</b>	<u>1,008,858</u>	<u>867,615</u>
<b>NET DECREASE IN CASH</b>		
<b>AND CASH EQUIVALENTS</b>	(7,410,767)	(3,995,774)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF</b>		
<b>YEAR</b>	<u>48,020,666</u>	<u>52,016,440</u>
<b>CASH AND CASH EQUIVALENTS AT</b>		
<b>END OF YEAR</b>	<u>\$ 40,609,899</u>	<u>\$ 48,020,666</u>
<b>CASH AND CASH EQUIVALENTS COMPRISED OF</b>		
Current	\$ 11,398,995	\$ 12,078,482
Restricted	<u>29,210,904</u>	<u>35,942,184</u>
	<u>\$ 40,609,899</u>	<u>\$ 48,020,666</u>

**NORTH PENN WATER AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 9,349,281	\$ 9,540,339
Penalties, service connection fees, miscellaneous sales, other nonoperating reimbursements and revenues from PECO	1,148,661	1,083,255
Adjustments to reconcile operating income to net cash provided by operating activities		
(Increase) decrease in		
Accounts receivable		
Customers	189,769	(346,415)
PECO	37,650	64,778
Other	(33,837)	77,250
Assessments receivable	(1,940)	18,274
Unbilled revenues	(207,089)	12,985
Materials inventory	237,209	(329,010)
Other current assets	66,522	63,142
Increase (decrease) in		
Accounts payable	(186,634)	821,985
Main extension deposits	(391,441)	888,914
Other current liabilities	100,767	(35,618)
	<u>10,308,918</u>	<u>11,859,879</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>10,308,918</u>	\$ <u>11,859,879</u>

*See accompanying notes to the basic financial statements.*

**NORTH PENN WATER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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**NOTE A - THE AUTHORITY**

North Penn Water Authority (the "Authority") was incorporated on August 10, 1964, under the Municipality Authorities Act of 1945. The Authority provides water service to approximately 35,000 customers in all or part of 20 municipalities in Montgomery and Bucks Counties in Pennsylvania. The Authority is governed by a Board of Directors consisting of one representative from each of the ten member municipalities. Board members are appointed for a term of five years with the exception of the newest member, whose term may be for less than five years to ensure that subsequent reappointments are equally distributed among the ten existing members. Two members of the Board are appointed, or their memberships renewed, in each year.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Use of Estimates**

The preparation of financial statements maintained on the accrual basis of accounting 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 disclosures 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 these estimates.

**Rate-Regulated Entity**

In accordance with current accounting standards, which require a rate-regulated entity to reflect the effects of regulatory decisions in its financial statements, the Authority has deferred certain credits, which it expects to pass on to its customers through the adjustment of water rates.

**Trust Indenture**

Trust Indenture stipulated accounts (accounts relating to restricted monetary assets and the liabilities pertinent thereto) are maintained as restricted funds in accordance with the provisions of the Trust Indenture dated as of December 1, 1992, as amended.

**Tax Status**

The Authority currently qualifies and intends to continue to qualify as a tax-exempt organization under applicable sections of the Internal Revenue Code. Accordingly, no provisions for federal or state income taxes are required.

**NORTH PENN WATER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Utility Plant**

Utility plant, consisting of property, plant and equipment, and investments in Forest Park Water are recorded at cost, and depreciation is calculated on the straight-line basis over the estimated useful lives of the assets. Authority organization expenses (feasibility studies, planning studies, valuation of systems to be acquired, etc.) are considered to be a component of property, plant and equipment and are also being amortized on the straight-line basis.

**Investments**

Investments of the Authority are generally represented by certificates of deposit, U.S. Government securities (including U.S. Government agencies) and commercial paper. The Authority's investments are carried at fair value or at cost, which approximates fair value. For purposes of reporting cash flows, all highly liquid short-term investments with original maturities of three months or less are considered cash equivalents.

In accordance with GASB Statements No. 72 *Fair Value Measurement and Application* and No. 79 *Certain External Investment Pools and Pool Participants*, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. Investments in qualifying external investment pools are reported at amortized cost basis.

**Inventory**

Inventories consist primarily of materials and supplies and are stated at the lower of cost or net realizable value, with cost being determined on the average cost basis.

**Bond Discounts and Premiums**

Bond discounts and premiums are amortized on the straight-line basis over the life of the bond issue.

**Accounts Receivable**

Accounts receivable are stated at their gross value. Based on historical experience, no allowance for doubtful accounts has been deemed necessary.

**Revenue Recognition**

Revenues are recognized when services are rendered and include estimates for amounts unbilled at the end of the year for water consumed subsequent to the last billing cycle.

**Operating Revenues and Expenses**

The Authority's operating accounts are maintained on the accrual basis of accounting.



**NORTH PENN WATER AUTHORITY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Authority only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

The Authority has two types of items, which arise only under a modified accrual basis of accounting, that qualify for reporting in this category. They are the accumulated increase in fair value of hedging derivative and the deferred pension credit.

These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**Net Position Flow Assumption**

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Reclassifications**

Certain amounts represented in the prior year have been reclassified in order to be consistent with the current year's presentation.

**NOTE C - BASIS OF PRESENTATION**

The focus measurement is upon determination of net income and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector.

The Authority establishes water rates, collects water revenues, operates the water system, employs personnel to operate the water system and sends water bills and handles fiscal management for the water system.

**NORTH PENN WATER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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**NOTE D - PROPERTY, PLANT AND EQUIPMENT**

The major components of property, plant and equipment of the Authority are as follows:

	Estimated Useful Life (Years)	Balance December 31, 2017	Additions
<b>COMPONENTS</b>			
Land	40	\$ 1,946,280	\$ 246,750
Wells	33-50	952,379	-
Storage and distribution system	10-50	166,044,994	7,924,115
Plant and structures	5-10	10,645,000	130,837
Equipment	40	11,373,664	452,580
Organization expense		301,509	-
TOTAL COMPONENTS		<u>191,263,826</u>	<u>8,754,282</u>
<b>Accumulated depreciation</b>			
Wells		(631,047)	(16,183)
Storage and distribution system		(50,072,968)	(3,565,734)
Plant and structures		(5,326,163)	(446,479)
Equipment		(8,516,387)	(620,991)
Organization expense		(206,410)	(7,390)
TOTAL ACCUMULATED DEPRECIATION		<u>(64,752,975)</u>	<u>(4,656,777)</u>
PROPERTY, PLANT AND EQUIPMENT, net		<u>\$ 126,510,851</u>	<u>\$ 4,097,505</u>

**NOTE E - DEPOSITS AND INVESTMENTS**

**Deposits**

***Custodial Credit Risk*** - Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk.

As of December 31, 2019 and 2018, \$41,433,094 and \$47,578,363, respectively, of the Authority's bank balance was exposed to custodial credit risk as follows:

	<u>2019</u>	<u>2018</u>
Uninsured and collateralized with securities held by the pledging bank's trust department not in the Authority's name	\$ <u>41,433,094</u>	\$ <u>47,578,363</u>

	Balance December 31, 2018	Additions	Disposals	Balance December 31, 2019
<u>Disposals</u>				
\$ -	\$ 2,193,030	\$ -	\$ (2,519)	\$ 2,190,511
-	952,379	-	(12,087)	940,292
(91,074)	173,878,035	10,368,531	(868,026)	183,378,540
-	10,775,837	66,312	(20,308)	10,821,841
(3,545)	11,822,699	439,260	(647,169)	11,614,790
-	301,509	-	-	301,509
<u>(94,619)</u>	<u>199,923,489</u>	<u>10,874,103</u>	<u>(1,550,109)</u>	<u>209,247,483</u>
-	(647,230)	(15,825)	12,088	(650,967)
83,588	(53,555,114)	(3,662,752)	410,940	(56,806,926)
3,457	(5,769,185)	(447,485)	16,648	(6,200,022)
-	(9,137,378)	(642,129)	646,274	(9,133,233)
-	(213,800)	(7,390)	-	(221,190)
<u>87,045</u>	<u>(69,322,707)</u>	<u>(4,775,581)</u>	<u>1,085,950</u>	<u>(73,012,338)</u>
\$ <u><u>(7,574)</u></u>	\$ <u><u>130,600,782</u></u>	\$ <u><u>6,098,522</u></u>	\$ <u><u>(464,159)</u></u>	\$ <u><u>136,235,145</u></u>

**NORTH PENN WATER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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**NOTE E - DEPOSITS AND INVESTMENTS (Continued)**

**Investments**

The Authority had the following investments and maturities:

<u>Investment Type</u>	2019			
	<u>Fair Value</u>	<u>Amortized Cost</u>	<u>Investment Maturities</u>	
			<u>Less Than 1 Year</u>	<u>1 to 5 Years</u>
State investment pools	\$ <u>          -</u>	\$ <u>  726,880</u>	\$ <u>  726,880</u>	\$ <u>          -</u>

<u>Investment Type</u>	2018			
	<u>Fair Value</u>	<u>Amortized Cost</u>	<u>Investment Maturities</u>	
			<u>Less Than 1 Year</u>	<u>1 to 5 Years</u>
State investment pools	\$ <u>          -</u>	\$ <u>  707,660</u>	\$ <u>  707,660</u>	\$ <u>          -</u>

A portion of the Authority's investments is in the PLGIT program, of which are funds similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PLGIT cash investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at December 31, 2019 and 2018 is \$726,880 and \$707,660, respectively. These assets maintain a stable net asset value of \$1 per share.

All investments are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis.

Investments held with qualifying external state investment pools are valued at amortized cost in accordance with GASB Statement No. 79.

**Fair Value Measurement**

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. The Authority did not have any recurring fair value measurements as of December 31, 2019 and December 31, 2018.

**NORTH PENN WATER AUTHORITY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

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**NOTE E - DEPOSITS AND INVESTMENTS (Continued)**

**Interest Rate Risk** - The Authority meets with its advisors on a regular basis as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk** - The Municipal Authorities Act allows the Authority to invest in the following instruments:

1. United States Treasury bills.
2. Short-term obligations of the United States Government or its agencies or instrumentalities.
3. Deposits in savings accounts or time deposits or share accounts of institutions insured by federal deposit insurance to the extent that such accounts are so insured, and for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.
4. Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

The Authority's investment policy limits its investment choices to credit ratings of A- and above. As of December 31, 2019 and 2018, the Authority's investments were rated as:

<u>Investment</u>	<u>Standard &amp; Poor's</u>
PLGIT	AAAm

**Concentration of Credit Risk** - In 2019 and 2018, all of the Authority's investments were in state investment pools.

**NORTH PENN WATER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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**NOTE F - NONEXCHANGE TRANSACTIONS**

The Authority receives contributions to fund construction necessary to extend service to new areas and improve service to existing areas. Contributions received during the years ended December 31, 2019 and 2018, are recorded as nonoperating income in the statements of revenues, expenses and changes in net position.

The changes in contributions in aid of construction of the Authority are as follows:

	Main Extensions	Assessments	Distribution and Capacity Charges	Totals
BALANCE, DECEMBER 31, 2017	\$ 95,633,345	\$ 758,472	\$ 11,668,787	\$ 108,060,604
Additions	1,907,973	-	281,075	2,189,048
BALANCE, DECEMBER 31, 2018	97,541,318	758,472	11,949,862	110,249,652
Additions	658,242	-	647,658	1,305,900
BALANCE, DECEMBER 31, 2019	<u>\$ 98,199,560</u>	<u>\$ 758,472</u>	<u>\$ 12,597,520</u>	<u>\$ 111,555,552</u>

**NOTE G - EMPLOYEE BENEFIT PLANS**

Through June 1995, the Authority provided pension benefits for all of its employees through a defined benefit pension plan (the "Retirement Plan") and a 401(k) benefit plan. Effective June 1995, the Authority terminated the Retirement Plan and replaced it with a defined contribution pension plan (the "Contribution Plan"). The trustee of the Contribution Plan and 401(k) benefit plan is Securian Retirement Services. See Note H for further discussion of the termination of the Retirement Plan.

Following are descriptions of the Authority's employee benefit plans which were in effect during 2019 and 2018:

**Defined Contribution Pension Plan**

The Authority sponsors a Contribution Plan for substantially all its full-time employees. Employees are eligible to participate after three full months of employment. The Contribution Plan provides for contributions by the Authority of 7% of eligible employee salaries. Authority contributions are fully vested after five years of service.

As discussed in Note H, the Authority intends to partially fund its annual contributions to this plan until the year 2025 by using the assets available from its prior overfunding of the Retirement Plan.

**NORTH PENN WATER AUTHORITY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

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**NOTE G - EMPLOYEE BENEFIT PLANS (Continued)**

Authority contributions for 2019 salaries were \$240,005, of which \$151,546 was contributed in connection with the termination of the Retirement Plan. The Authority contributed \$226,541 to this plan for 2018 salaries, of which \$143,044 was contributed in connection with the termination of the Retirement Plan.

**401(k) Benefit Plan**

The Authority also has a 401(k) benefit plan which is available to all full-time employees with one or more years of service. The Authority matches 50% of employee contributions up to 6% of employee salaries contributed to the 401(k) benefit plan. The Authority's contribution to the 401(k) benefit plan for 2019 and 2018 was \$94,733 and \$87,534, respectively.

**NOTE H - DEFERRED PENSION CREDIT**

**Retirement Plan**

Through June 1995, the Authority participated in a Public Employee Retirement System (PERS) through the North Penn Water Authority Retirement Income Plan. The PERS was a single-employer defined benefit pension plan covering substantially all of the Authority's full-time employees. The Authority's funding policy provided for actuarially determined periodic contributions to the Retirement Plan so that sufficient assets would be available to pay benefits when due. The contribution rate for normal cost was determined using the entry age normal actuarial funding method.

Effective June 1995, the Authority terminated the Retirement Plan and replaced it with the Contribution Plan.

In connection with the termination of the Retirement Plan, the Authority purchased annuities for the retired participants of the Retirement Plan in order to settle the Plan's obligations to these individuals. For active participants, the Authority made a "rollover" contribution into the Contribution Plan in an amount equal to each active participant's actuarially determined benefit under the Retirement Plan as of June 30, 1995.

Following the purchase of the annuities and the "rollover" contribution, there was approximately \$1,460,000 in Retirement Plan assets remaining as a result of the funded status of the Retirement Plan at the date of termination. The remaining funds will be used to reduce the Authority's future contributions to the Contribution Plan. In accordance with current accounting standards, the gain resulting from the termination of the Retirement Plan was deferred, and a regulatory liability (deferred pension credit) was established for the amount of the gain. The remaining assets of the Retirement Plan, which are being held pending future contributions to the Contribution Plan, are included in the Authority's restricted assets balance. For the years ended December 31, 2019 and 2018, investment gains and earnings on these restricted assets were approximately \$7,274 and \$8,855, respectively. These amounts will also be used to offset future contributions to the Contribution Plan. Accordingly, the investment gains and earnings have also been deferred and recorded as a regulatory liability.

**NORTH PENN WATER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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**NOTE I - BONDS PAYABLE**

The following changes occurred in long-term debt:

	Balance January 1, 2018	Additions	Principal Retirements
<b>BONDS PAYABLE</b>			
Series of 2019	\$ -	\$ -	\$ -
Series of 2015	16,745,000	-	(670,000)
Series of 2014	32,000,000	-	(3,845,000)
Series of 2012	25,495,000	-	-
	<u>\$ 74,240,000</u>	<u>\$ -</u>	<u>\$ (4,515,000)</u>

**Series of 2019 Bonds and Interest Rate Swap**

On October 3, 2019, the Authority issued \$22,785,000 of Water Revenue Bonds, Series of 2019 (the "2019 Bonds"). The bond proceeds were used to:

1. Currently refund all the Authority's outstanding 2014 Water Revenue Bonds,
2. Fund a deposit to the Debt Service Reserve Fund and
3. Pay the costs of issuing and insuring the 2019 Bonds.

Details of scheduled future annual maturities of the 2019 Bonds payable at December 31, 2019, are as follows:

Maturing November 1,	Annual Interest Rate	Principal	Interest
2020	3.50%	\$ 4,010,000	\$ 1,088,819
2021	3.50%	4,255,000	844,509
2022	3.50%	4,435,000	664,738
2023	3.50%	4,860,000	472,917
2024	3.50%	5,225,000	247,534
		<u>\$ 22,785,000</u>	<u>\$ 3,318,517</u>



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Balance December 31, 2018	Additions	Principal Retirements	Balance December 31, 2019	Current Portion
\$ -	\$ 22,785,000	\$ -	\$ 22,785,000	\$ 4,010,000
16,075,000	-	(690,000)	15,385,000	715,000
28,155,000	-	(28,155,000)	-	-
25,495,000	-	-	25,495,000	-
<u>\$ 69,725,000</u>	<u>\$ 22,785,000</u>	<u>\$ (28,845,000)</u>	<u>\$ 63,665,000</u>	<u>\$ 4,725,000</u>

**NORTH PENN WATER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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**NOTE I - BONDS PAYABLE (Continued)**

**Series of 2015 Bonds**

On May 1, 2015, the Authority issued \$18,050,000 of Water Revenue Bonds, Series of 2015 (the "2015 Bonds"). The bond proceeds were used to:

1. Fund capital projects and improvements to existing water tanks,
2. Fund a deposit to the Debt Service Reserve Fund and
3. Pay the costs of issuing and insuring the 2015 Bonds.

Details of scheduled future annual maturities of the 2015 Bonds payable at December 31, 2019, are as follows:

<u>Maturing November 1,</u>	<u>Annual Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
2020	2.25%	\$ 715,000	\$ 658,938
2021	2.00%-3.00%	730,000	642,850
2022	3.00%-5.00%	750,000	624,950
2023	3.00%-5.00%	770,000	602,450
2024	3.00%-5.00%	805,000	571,650
2025 to 2029	5.00%-4.00%	4,580,000	2,294,150
2030 to 2034	4.00%-5.00%	5,725,000	1,142,750
2035 to 2036	4.00%-5.00%	1,310,000	65,500
		<u>\$ 15,385,000</u>	<u>\$ 6,603,238</u>

**NORTH PENN WATER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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**NOTE I - BONDS PAYABLE (Continued)**

**Series of 2012 Bonds**

On October 9, 2012, the Authority issued \$32,655,000 of Water Revenue Bonds, Series of 2012 (the "2012 Bonds"). The bond proceeds were used to:

1. Currently refund the Authority's Series of 2002 Water Revenue Bonds,
2. Fund a deposit to the Debt Service Reserve Fund and
3. Pay the costs of issuing and insuring the 2012 Bonds.

Details of scheduled future annual maturities of the 2012 Bonds payable at December 31, 2019, are as follows:

<u>Maturing November 1,</u>	<u>Annual Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
2020	1.50%	\$ -	\$ 1,274,750
2021	1.50%	-	1,274,750
2022	1.50%	-	1,274,750
2023	1.50%	-	1,274,750
2024	1.50%	-	1,274,750
2025 to 2029	1.50%-5.00%	13,050,000	5,132,500
2030 to 2034	5.00%	<u>12,445,000</u>	<u>1,407,500</u>
		<u>\$ 25,495,000</u>	<u>\$ 12,913,750</u>

**NORTH PENN WATER AUTHORITY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

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**NOTE J - DERIVATIVE INSTRUMENTS - INTEREST RATE HEDGE SWAP**

**GASB Statement No. 53**

The Authority has adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement requires the Authority to record the derivative instrument in the government-wide financial statements.

In order to follow this statement, the Authority has to evaluate the derivative to determine if the financial instruments effectively hedge risks utilizing the methods defined under GASB Statement No. 53. The accounting for recording these derivative instruments is different for derivative instruments that are determined to be effective versus those that are determined to be ineffective.

For those derivative instruments that are determined to be effective, the derivative asset or liability is recorded in the statement of net position, and a corresponding deferred inflow or outflow will be recorded in the statement of net position as well. For those derivative instruments that are determined to be ineffective, the derivative asset or liability is recorded in the statement of net position; however, the change in fair value of the instrument will be reported in the investment revenue (expense) classification in the statement of revenues, expenses and changes in net position.

Hedge accounting under GASB Statement No. 53 terminates if the hedge is no longer effective based on the qualitative and quantitative methods. If the hedged asset or liability is sold or retired, or if the government entity is re-exposed to the hedged financial risk, hedge accounting will no longer apply. Once the hedge no longer qualifies for hedge accounting, the fair value changes are recorded as investment gain or loss.

**Interest Rate Hedge Swap**

***Interest Rate Hedge Swap, Series of 2019*** - On December 18, 2001, the Authority entered into an interest rate swap agreement (the "2005 Bonds Swap") with Morgan Stanley Capital Services Inc. (the "Swap Provider"), having a future commencement date of November 1, 2005, to coincide with the redemption of the 1995 Bonds and the issuance of the 2005 Bonds and having a term ending on November 1, 2024, which was the final maturity date of the 2005 Bonds.

In connection with refunding the 2005 Bonds, the Authority had determined to reallocate the 2005 Bonds Swap to the 2008 Bonds; however, the Authority continued to be subject to the inherent risks associated with the 2005 Bonds Swap.

In connection with refunding the 2008 Bonds, the Authority has determined to reallocate the 2005 Bonds Swap to the 2014 Bonds; however, the Authority will continue to be subject to the inherent risks associated with the 2005 Bonds Swap.

In connection with refunding the 2014 Bonds, the Authority has determined to reallocate the 2005 Bonds Swap to the 2019 Bonds; however, the Authority will continue to be subject to the inherent risks associated with the 2005 Bonds Swap.

**NORTH PENN WATER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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**NOTE J - DERIVATIVE INSTRUMENTS - INTEREST RATE HEDGE SWAP (Continued)**

The Authority has entered into the Swap for the purpose of creating a synthetic fixing of the interest rate obligation on a portion of the 2019 Bonds, subject to the inherent risks associated with the 2005 Bonds Swap, including a payment to the Swap Provider in the event the 2005 Bonds Swap is terminated early.

As of December 31, 2019, the Series of 2019 Interest Rate Hedge Swap was active as disclosed in the following paragraphs.

The Interest Rate Hedge Swap on the Series of 2019 Bonds became active on December 1, 2019, previously hedging the 2014 Bonds, 2008 Bonds and 2005 Bonds. Under this agreement, the Authority will pay a fixed rate of interest equal to 4.165% under the 2005 Bonds Swap and receive in exchange a variable rate of interest equal to 67% of the USD-LIBOR-BBA, both on the initial notional amount of \$33,815,000, which will be reduced annually. The variable rate received by the Authority will be used by the Authority to offset the variable rate interest on its 2019 Bonds, thereby making the interest rate on the 2019 Bonds “synthetically” fixed on a “net basis” through the 2019 Swap.

**NORTH PENN WATER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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**NOTE J - DERIVATIVE INSTRUMENTS - INTEREST RATE HEDGE SWAP (Continued)**

As of December 31, 2019, the counterparty was rated A+ by Standard & Poor's, A1 by Moody's Investors Service and A+ by Fitch Ratings.

The objectives, terms and values of the hedging derivative outstanding at the end of the period are summarized as follows:

<u>Type</u>	<u>Objective</u>	<u>Fair Market Value of Derivative at December 31, 2019</u> <u>Positive (Negative)</u>	<u>Notional Amount as of December 31, 2019</u>
2019 pay-fixed interest rate swap	Hedge changes in cash flows on Series of 2019 bonds	\$ <u>(1,847,332)</u>	\$ <u>18,850,000</u>

The derivative instrument activity during the reporting period and balances at the end of the period are summarized below:

***Change in Fair Value for the Period Ended December 31, 2019***

	<u>Classification</u>	<u>Amount</u>
Cash flow hedges, 2019 pay-fixed interest rate swap	Deferred inflow	\$ <u>(114,632)</u>

***Fair Value at December 31, 2019***

	<u>Classification</u>	<u>Fair Value Positive (Negative)</u>	<u>Notional Amount</u>
Cash flow hedges, 2019 pay fixed interest rate swap	Debt	\$ <u>(1,847,332)</u>	\$ <u>18,850,000</u>

***Fair Market Value Determination*** - The fair value of the interest rate swap was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

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Bonds Outstanding at December 31, 2019	Effective Date	Termination Date	Terms
\$ <u>22,785,000</u>	October 3, 2019	November 1, 2024	Pay 4.165%; receive variable rate equal to 67% of USD-LIBOR

**NORTH PENN WATER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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**NOTE J - DERIVATIVE INSTRUMENTS - INTEREST RATE HEDGE SWAP (Continued)**

**Evaluation of Effectiveness and Recording of Derivative** - The Authority evaluated the hedge effectiveness for the interest rate swap described previously under the methods as defined by GASB Statement No. 53. The interest rate swap for the Series of 2019 was determined to be effective under the dollar-offset method. Under the dollar-offset method, the governmental entity divides the changes in the fair value of the derivative by the changes in fair value of the hedgeable item. This evaluation may be made using changes in the current period or on a life-to-date basis. The result of the calculation must fall within 80% to 125% in order for the derivative to be considered effective.

The derivative described above was determined to be effective and the fair market value of the interest rate swap was a negative (\$1,847,332) as of December 31, 2019. Therefore, pursuant to GASB Statement No. 53, the instrument was recorded in the statement of net position as a deferred inflow and a corresponding asset was recorded.

**Swap Payments and Associated Debt** - As of December 31, 2019, debt service requirements of the Series of 2019 Bonds were as follows:

<u>Maturing November 1,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
2020	3.50%	\$ 4,010,000	\$ 1,088,819
2021	3.50%	4,255,000	844,509
2022	3.50%	4,435,000	664,738
2023	3.50%	4,860,000	472,917
2024	3.50%	<u>5,225,000</u>	<u>247,534</u>
		<u>\$ 22,785,000</u>	<u>\$ 3,318,517</u>

Assumptions:

- (1) Bond interest based on a rate of 3.50% as of December 31, 2019.

**Risks Associated With Interest Rate Hedge Swaps**

**Credit Risk** - As of December 31, 2019, the Authority is not exposed to credit risk since each of the interest rate hedge swaps have negative values and therefore are liabilities. However, should interest rates change and the net fair market value of the interest rate hedge swaps become positive, the Authority would be subject to credit risk in the amount of the net fair market value. As of December 31, 2019, the swap counterparty was rated A+ by Fitch Ratings, A+ by Standard & Poor's and A1 by Moody's Investor Service.



**NORTH PENN WATER AUTHORITY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

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**NOTE J - DERIVATIVE INSTRUMENTS - INTEREST RATE HEDGE SWAP (Continued)**

**Interest Rate Risk** - As of December 31, 2019, the Authority is exposed to interest rate risk on its pay-fixed, receive-variable interest rate swap. As the LIBOR index decreases, the Authority's net payment on the swap increases.

**Basis Risk** - The Authority is exposed to basis risk on its pay-fixed interest rate swap hedging instruments because the variable-rate payments received by the Authority on these hedging derivative instruments are based on the LIBOR index, and the Authority pays on its hedged variable-rate debt a tax-exempt rate based on the weekly SIFMA Municipal Swap Index. If the relationship between the LIBOR and the variable rate on the associated bonds converge, then the overall synthetic fixed rate would change.

**Termination Risk** - The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If, at the time of termination, the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

**NOTE K - INVESTMENT IN FOREST PARK WATER**

The Authority's investment in Forest Park Water ("Forest Park") represents amounts invested in a joint venture with North Wales Water Authority. The Authority and North Wales Water Authority (collectively, the "Authorities") originally entered into the venture to design, construct, own and operate a water treatment plant (the "Treatment Plant") to receive water diverted from the Delaware River via the Point Pleasant Water Diversion Project (the "Water Diversion Project") and to treat the water for transmission to retail public water agencies, including the Authorities.

During 2007, Forest Park completed a plant expansion, which increased capacity from 30 million gallons per day ("mpg") of treated water to 40 mpg. The Treatment Plant also includes a sludge handling facility and a dewatering facility. All costs incurred in constructing the Treatment Plant were shared equally by the Authorities.

The scope of the Forest Park joint venture also includes a share of the outstanding assets of Phase I of the Water Diversion Project from Bucks County, Pennsylvania, and contribution of certain of these assets to Forest Park. Forest Park is responsible for operating the Water Diversion Project, which supplies water to the Treatment Plant and to PECO Energy Company's (PECO) Limerick nuclear generating facility.

Forest Park will receive annual "capital contributions" from PECO related to the Water Diversion Project. The present value of these amounts has been recorded as a note receivable, which is being realized over 30 years, the period of the PECO capital contribution agreement. The interest portion of these capital contributions is recorded as nonoperating income.

**NORTH PENN WATER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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**NOTE K - INVESTMENT IN FOREST PARK WATER (Continued)**

At December 31, 2019 and 2018, the Authority had capitalized \$90,502,811 and \$90,113,208, respectively, related to its investment in Forest Park, which consisted of the following amounts:

	<u>2019</u>	<u>2018</u>
Treatment Plant	\$ 73,287,210	\$ 72,319,487
Water Diversion Project	13,934,433	13,902,919
PECO Contract	<u>3,281,168</u>	<u>3,890,802</u>
	90,502,811	90,113,208
Accumulated depreciation	<u>(48,564,714)</u>	<u>(46,534,413)</u>
	<u>\$ 41,938,097</u>	<u>\$ 43,578,795</u>

The total cost of the project as of September 30, 2019 and 2018 (Forest Park's year-end) was \$167,467,140 and \$164,985,607, respectively. Depreciation of the plant facilities and Water Diversion Project assets has not been recognized as a component of the cost of water provided to the Authorities.

All costs incurred in constructing the Treatment Plant were shared by the Authorities. The fixed operating costs of the Treatment Plant are shared equally by the Authorities, while the variable operating costs of the Treatment Plant are shared based on the relative amounts of water used by each Authority. The operating costs of the Water Diversion Project are shared among PECO and the Authorities, based on the ratio of the Authorities' combined historical maximum daily utilization of the Project (water withdrawn in million gallons per day) to PECO's fixed daily utilization of 46 million gallons per day. As of December 31, 2019, the Authorities have reimbursed Forest Park for all of the operating costs incurred to date with respect to the Water Diversion Project, including PECO's share of operating costs. Accordingly, the Authority has recorded a receivable from PECO for amounts paid to Forest Park by the Authority on PECO's behalf.

## **SUPPLEMENTARY INFORMATION SECTION**

**NORTH PENN WATER AUTHORITY**  
**SCHEDULE OF CORPORATE ENTITY**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

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The North Penn Water Authority was incorporated on August 10, 1964, under the Municipality Authorities Act of 1945, P.L. 382, as amended, of the Commonwealth of Pennsylvania.

The Authority was incorporated pursuant to actions taken by the municipal authorities of the Boroughs of Lansdale and Souderton and the Townships of Franconia, Hatfield, Lower Salford, Towamencin and Worcester and all of Montgomery County, Pennsylvania (the "Member Municipalities"). The Authority's purpose, as designated by the Member Municipalities, is to acquire, hold, construct, improve, interconnect, maintain, operate, own and lease (either in the capacity of lessor or lessee), water works, sources of water supply, water rights and allocations, water supply works and water distribution systems in the above-mentioned Member Municipalities or any of them, or anywhere else, and for such Member Municipalities or any of them and for such other territories as it may be authorized to serve. The Townships of Skippack and New Britain became members during 1986 and 1987, respectively. The Borough of Hatfield became a member during 1988.

The powers of the Authority are exercised by a Board comprised of ten members, one appointed by each of the governing bodies of the Member Municipalities (appointed for five-year terms). Members of the Board at December 31, 2019, were as follows:

<u>Member</u>	<u>Office Held</u>	<u>Appointed By</u>	<u>Term Expires December 31,</u>
George E. Witmayer	Member	Franconia Township	2020
William K. Dingman	Assistant Treasurer	Towamencin Township	2020
Paul D. Ziegler	Vice Chair	Worcester Township	2021
John S. Strobel	Chair	Hatfield Township	2021
Richard C. Mast	Member	Lower Salford Township	2022
Kenneth V. Farrall	Secretary	Hatfield Borough	2022
Jeffrey H. Simcox	Member	Lansdale Borough	2023
Helen Haun	Assistant Secretary	New Britain Township	2023
Marvin A. Anders	Treasurer	Souderton Borough	2019
Robert A. Fisher	Member	Skippack Township	2019

**NORTH PENN WATER AUTHORITY**  
**SCHEDULES OF OPERATING REVENUES**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019		Actual
	Budget	Actual	2018
<b>OPERATING REVENUES</b>			
Metered sales			
Domestic	\$ 11,600,000	\$ 11,262,001	\$ 10,987,449
Commercial	2,000,000	2,106,991	2,112,113
Industrial	2,600,000	2,967,588	2,967,904
Public	470,000	774,212	1,017,002
FPW metered sales to BCWSA	1,600,000	1,524,061	1,540,826
Other	75,000	89,933	128,854
TOTAL METERED SALES	<u>18,345,000</u>	<u>18,724,786</u>	<u>18,754,148</u>
Unmetered sales			
Private fire protection	245,000	256,841	251,093
Public fire protection	212,000	217,051	215,502
Bulk sales	10,000	72,020	72,005
TOTAL UNMETERED SALES	<u>467,000</u>	<u>545,912</u>	<u>538,600</u>
Other revenues	<u>47,000</u>	<u>47,932</u>	<u>48,013</u>
TOTAL OPERATING REVENUES	<u>\$ 18,859,000</u>	<u>\$ 19,318,630</u>	<u>\$ 19,340,761</u>

**NORTH PENN WATER AUTHORITY**  
**SCHEDULES OF OPERATING EXPENSES, EXCLUSIVE OF**  
**DEPRECIATION AND AMORTIZATION**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019		Actual 2018
	Budget	Actual	
<b>OPERATING EXPENSES</b>			
Water collection system			
Water purchased, general	\$ 72,000	\$ 78,390	\$ 72,084
Forest Park Water operating expenses	2,150,000	2,076,463	2,072,830
<b>TOTAL WATER COLLECTION SYSTEM</b>	<b>2,222,000</b>	<b>2,154,853</b>	<b>2,144,914</b>
Purification system			
Supplies and expenses	40,000	36,073	31,018
Maintenance of equipment	55,000	39,875	43,647
<b>TOTAL PURIFICATION SYSTEM</b>	<b>95,000</b>	<b>75,948</b>	<b>74,665</b>
Laboratory costs			
Labor	236,000	230,181	223,419
Chemicals and supplies	61,000	50,255	48,514
Maintenance of equipment	37,000	36,169	28,951
Utilities	29,000	11,308	28,233
Education and training	1,000	-	-
Regulated sampling	128,000	100,528	72,762
<b>TOTAL LABORATORY COSTS</b>	<b>492,000</b>	<b>428,441</b>	<b>401,879</b>
Pumping system			
Labor	183,000	220,230	186,839
Regional well monitoring	3,000	1,608	1,709
SCADA system	21,000	22,427	14,507
Supplies	12,000	12,736	10,446
Power purchased	300,000	236,402	246,082
Maintenance of equipment	93,000	140,653	98,151
<b>TOTAL PUMPING SYSTEM</b>	<b>612,000</b>	<b>634,056</b>	<b>557,734</b>
Metering and customer service			
Labor, meter setting	13,000	9,250	18,419
Back flow prevention	1,000	1,046	389
Maintenance of meters and boxes	415,000	437,193	389,670
Labor, meter readers	25,000	25,327	31,120
General meter supplies	20,000	16,932	16,997
<b>TOTAL METERING AND CUSTOMER SERVICE</b>	<b>474,000</b>	<b>489,748</b>	<b>456,595</b>
<b>SUBTOTAL OPERATING EXPENSES FORWARD</b>	<b>\$ 3,895,000</b>	<b>\$ 3,783,046</b>	<b>\$ 3,635,787</b>

**NORTH PENN WATER AUTHORITY**  
**SCHEDULES OF OPERATING EXPENSES, EXCLUSIVE OF**  
**DEPRECIATION AND AMORTIZATION**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019		Actual
	Budget	Actual	2018
OPERATING EXPENSES			
SUBTOTAL FORWARDED	\$ 3,895,000	\$ 3,783,046	\$ 3,635,787
Distribution system			
Operating labor	397,000	400,425	356,733
Supplies and expense	48,000	44,296	44,587
Gratuitous service	15,000	980	5,577
One call - location	87,000	83,093	84,285
Maintenance of service lines	150,000	117,106	127,113
Maintenance of mains	354,000	229,581	418,348
Maintenance of valves	45,000	43,250	39,028
Maintenance of fire hydrants	109,000	98,951	93,441
Leak surveys	23,000	20,089	20,264
Reservoirs, general maintenance	-	-	8,440
Special plant maintenance	-	2,991	145,711
TOTAL DISTRIBUTION SYSTEM	<u>1,228,000</u>	<u>1,040,762</u>	<u>1,343,527</u>
Landscape maintenance			
Lawn mowing	32,000	20,238	22,940
General labor and miscellaneous expenses	17,000	7,982	8,907
TOTAL LANDSCAPE MAINTENANCE	<u>49,000</u>	<u>28,220</u>	<u>31,847</u>
Administrative and engineering			
Salaries			
General officers	470,000	535,693	448,631
Customer service and accounting	575,000	536,345	553,382
Engineering	105,000	73,544	75,953
Data processing expenses	554,000	466,474	344,132
Administration and public relations expenses	599,000	608,646	502,148
Maps and records	30,000	23,991	27,282
Personnel expenses	79,000	138,432	83,254
TOTAL ADMINISTRATIVE AND ENGINEERING	<u>2,412,000</u>	<u>2,383,125</u>	<u>2,034,782</u>
SUBTOTAL OPERATING EXPENSES FORWARD	\$ <u>7,584,000</u>	\$ <u>7,235,153</u>	\$ <u>7,045,943</u>

**NORTH PENN WATER AUTHORITY**  
**SCHEDULES OF OPERATING EXPENSES, EXCLUSIVE OF**  
**DEPRECIATION AND AMORTIZATION**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019		Actual
	Budget	Actual	2018
OPERATING EXPENSES			
SUBTOTAL FORWARDED	\$ 7,584,000	\$ 7,235,153	\$ 7,045,943
General expenses			
General office supplies	29,000	28,576	28,455
Copy machine	17,000	15,681	15,026
Postage	90,000	108,112	83,877
Officers' general expenses	122,000	97,437	95,100
Education, training	65,000	67,873	43,664
Other general office expenses	142,000	154,567	141,651
On call expense labor and miscellaneous cost	33,000	26,825	22,715
Taxes			
Employee payroll	285,000	289,530	265,750
Uncollected consumer accounts	1,000	223	384
General law expenses	110,000	104,985	99,769
Engineering consultation	65,000	43,815	94,216
Audit expenses	25,000	26,525	25,000
Insurance			
Corporate	247,000	224,079	241,888
Employee	1,383,000	1,219,535	1,279,251
Trustee fee	15,000	17,080	7,470
Pensions	102,000	96,950	92,040
Radio expenses	1,000	503	503
Personnel department			
Safety program	3,000	2,172	1,296
Public information	85,000	71,016	102,120
Maintenance of general properties	172,000	120,131	114,190
Cost-sell Lansdale properties	-	-	114
TOTAL GENERAL EXPENSES	<u>2,992,000</u>	<u>2,734,196</u>	<u>2,754,479</u>
TOTAL OPERATING EXPENSES	\$ <u>10,576,000</u>	\$ <u>9,969,349</u>	\$ <u>9,800,422</u>



**NORTH PENN WATER AUTHORITY**  
**SCHEDULES OF NONOPERATING INCOME**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>NONOPERATING INCOME</b>		
Interest on investments		
Revenue Fund	\$ 74,141	\$ 77,026
Operation and Maintenance Fund	730	865
Debt Service and Sinking Fund	44,950	45,641
Bond Redemption and Improvement Fund	587,158	557,641
Consumer Deposit Fund	90	80
Main Extension Fund	169	183
Debt Service Reserve Fund	168,538	155,338
Other funds	57,788	45,506
<b>TOTAL INTEREST ON INVESTMENTS</b>	<u>933,564</u>	<u>882,280</u>
Other nonoperating income		
Overhead reimbursement, developers	7,579	26,755
Penalties on assessments and customer bills	246,199	193,000
Equipment rental	445,408	472,678
Service connection fees	430,004	305,279
Miscellaneous income (expense)	(58,191)	28,210
Net loss on disposal of fixed assets	(300,294)	(4,302)
Contributions in aid of construction	1,305,901	2,189,048
Interest income on the PECO Contract	523,070	530,011
<b>TOTAL OTHER NONOPERATING INCOME</b>	<u>2,599,676</u>	<u>3,740,679</u>
<b>TOTAL NONOPERATING INCOME</b>	<u>\$ 3,533,240</u>	<u>\$ 4,622,959</u>

**NORTH PENN WATER AUTHORITY**  
**SCHEDULES OF PROPERTY, PLANT AND EQUIPMENT**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019		
	Cost	Accumulated Depreciation and Amortization	Net
PROPERTY, PLANT AND EQUIPMENT			
Land	\$ 2,190,511	\$ -	\$ 2,190,511
Wells	940,292	650,968	289,324
Chemical treatment plant	542,780	488,393	54,387
Pumping station structures	3,432,136	1,931,533	1,500,603
Pumps and pumping station	2,755,888	2,025,457	730,431
Electrical equipment	1,946,567	1,397,309	549,258
Storage reservoirs and sandpipes	14,913,780	4,155,789	10,757,991
Distribution mains	132,583,107	39,792,938	92,790,169
Service pipes	22,102,728	8,961,171	13,141,557
Meters and remote readers	8,749,146	2,045,268	6,703,878
Fire hydrants	5,029,779	1,851,760	3,178,019
General office structure	6,846,925	3,783,554	3,063,371
General office equipment	2,697,492	2,388,217	309,275
Radio equipment	104,260	90,111	14,149
Automobile vehicle equipment	158,023	135,657	22,366
Truck vehicle equipment	1,674,176	1,284,837	389,339
Backhoe equipment	350,891	303,520	47,371
Compressor equipment	27,114	27,114	-
Distribution department equipment	566,259	537,688	28,571
Pump department equipment	7,846	7,846	-
Meter department equipment	651,953	340,207	311,746
Grounds maintenance equipment	37,133	35,048	2,085
Vehicle maintenance equipment	59,991	57,277	2,714
Engineering equipment	15,145	13,878	1,267
General in-house equipment	104,811	95,376	9,435
Organization expense, capitalized	301,509	221,188	80,321
Laboratory equipment	457,241	390,234	67,007
	<u>209,247,483</u>	<u>73,012,338</u>	<u>136,235,145</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	\$ <u>209,247,483</u>	\$ <u>73,012,338</u>	\$ <u>136,235,145</u>

2018		
Cost	Accumulated Depreciation and Amortization	Net
\$ 2,193,030	\$ -	\$ 2,193,030
952,379	647,231	305,148
554,026	476,051	77,975
3,441,198	1,699,045	1,742,153
2,784,265	1,893,896	890,369
1,960,100	1,281,180	678,920
14,954,676	3,843,240	11,111,436
123,190,767	37,518,906	85,671,861
22,129,230	8,349,634	13,779,596
8,494,423	2,064,371	6,430,052
5,108,939	1,778,964	3,329,975
6,780,613	3,597,547	3,183,066
2,777,136	2,458,333	318,803
104,260	89,539	14,721
177,481	136,001	41,480
1,791,334	1,485,243	306,091
429,535	348,358	81,177
27,114	27,114	-
538,930	529,746	9,184
7,846	7,846	-
604,394	308,307	296,087
37,133	31,937	5,196
59,991	55,643	4,348
15,145	13,456	1,689
104,811	92,917	11,894
301,509	213,799	87,710
403,224	374,403	28,821
<u>\$ 199,923,489</u>	<u>\$ 69,322,707</u>	<u>\$ 130,600,782</u>