

NORTH PENN WATER AUTHORITY
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Years Ended December 31, 2020 and 2019

INTRODUCTORY SECTION

NORTH PENN WATER AUTHORITY
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YEARS ENDED DECEMBER 31, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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).

Emphasis of Matter

As discussed in Note L, the spread of the COVID-19 coronavirus is affecting the United States and global economies and may have an impact on North Penn Water Authority's operational and financial performance. At this point, North Penn Water Authority cannot reasonably estimate the impact on its operations or financial results. Our opinion is not modified with respect to this matter.

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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Maillie LLP

Limerick, Pennsylvania
March 17, 2021

NORTH PENN WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020. Please read it in conjunction with the Authority's financial statements, which follow this section.

2020 FINANCIAL HIGHLIGHTS

- During the year, the Authority's net position increased by \$3,167,274 or 2.0%.
- During the year, the Authority's operating revenues were \$20,187,029, an increase from \$19,318,630 in 2019, while operating expenses increased to \$10,935,487, up from \$9,969,349 in 2019 or 9.7%.
- Capital Contributions to the Authority increased by \$560,769 to \$1,866,670, up from \$1,305,901 in 2019 or 43%.
- During the year, long-term debt decreased by \$4,725,000.

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, 2020 AND 2019

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, 2020 and 2019:

Condensed Statements of Net Position

	December 31,		Variance	
	2020	2019	Dollar	%
ASSETS				
Current assets	\$ 20,802,048	\$ 18,972,188	\$ 1,829,860	9.6%
Restricted assets	22,959,684	29,534,517	(6,574,833)	-22.3%
Utility plant	180,975,936	178,173,242	2,802,694	1.6%
Other assets	22,851	10,917	11,934	109.3%
TOTAL ASSETS	<u>224,760,519</u>	<u>226,690,864</u>	<u>(1,930,345)</u>	-0.9%
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivative	1,738,201	1,847,332	(109,131)	-5.9%
Deferred charge on refunding	792,995	995,461	(202,466)	-20.3%
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,531,196</u>	<u>2,842,793</u>	<u>(311,597)</u>	-11.0%
LIABILITIES				
Current liabilities	8,671,532	8,540,251	131,281	1.5%
Long-term liabilities	59,427,587	64,817,771	(5,390,184)	-8.3%
TOTAL LIABILITIES	<u>68,099,119</u>	<u>73,358,022</u>	<u>(5,258,903)</u>	-7.2%
DEFERRED INFLOWS OF RESOURCES				
Deferred pension credit	165,357	315,670	(150,313)	-47.6%
NET POSITION				
Net investment in capital assets	132,919,713	125,298,433	7,621,280	6.1%
Unrestricted assets	26,107,526	30,561,532	(4,454,006)	-14.6%
TOTAL NET POSITION	<u>\$ 159,027,239</u>	<u>\$ 155,859,965</u>	<u>\$ 3,167,274</u>	2.0%

NORTH PENN WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2020 AND 2019

- Total assets decreased by \$1,930,345 in 2020 due primarily to the reduction in restricted assets stemming from the acquisition of capital assets, the repayment of long-term debt, and the reduction in interest income.
- Total liabilities decreased \$5,258,903 due primarily to the repayment of long-term debt.
- The net effect of these changes resulted in a \$3,167,274 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	
	2020	2019	Dollar	%
Operating revenues	\$ 20,187,029	\$ 19,318,630	\$ 868,399	4.5%
Operating expenses	10,935,487	9,969,349	966,138	9.7%
INCOME FROM OPERATIONS	9,251,542	9,349,281	(97,739)	-1.0%
Nonoperating revenues	1,838,433	2,227,339	(388,906)	-17.5%
Nonoperating expenses	9,789,371	9,991,114	(201,743)	-2.0%
NONOPERATING EXPENSES, net	(7,950,938)	(7,763,775)	(187,163)	-2.4%
INCOME BEFORE CONTRIBUTIONS	1,300,604	1,585,506	(284,902)	18.0%
Contributions in aid of construction	1,866,670	1,305,901	560,769	42.9%
CHANGE IN NET POSITION	\$ 3,167,274	\$ 2,891,407	\$ 275,867	9.5%

Revenues

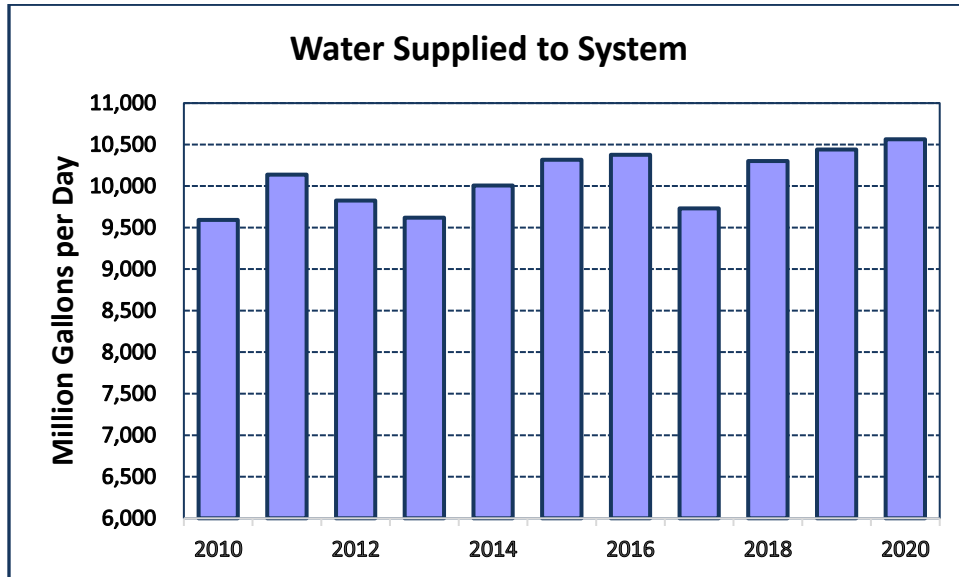
- Operating revenues increased \$868,399 to \$20,187,029 or 4.5% from 2019 to 2020.

Operating revenues include the following:

	2020	2019
Metered sales	\$ 19,579,948	\$ 18,724,786
Unmetered sales	558,793	545,912
Other revenues	48,288	47,932
	\$ 20,187,029	\$ 19,318,630

NORTH PENN WATER AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2020 AND 2019

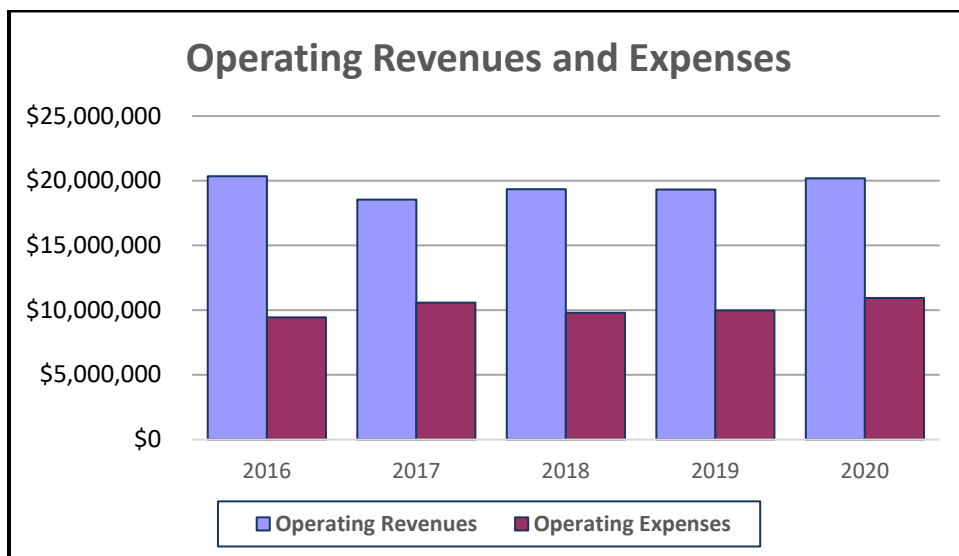
The chart below shows the historical average daily water supplied to the system for the years 2010 through 2020.



Operating Expenses

- Operating expenses increased by \$966,138 to \$10,935,487 or 9.7% from 2019 to 2020.

Historical Operating Revenues and Expenses



NORTH PENN WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2020 AND 2019

Capital Assets

At the end of 2020, the Authority had invested \$218,434,433 in property, plant and equipment and also had invested \$91,047,388 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	
	2020	2019	Dollar	%
PROPERTY, PLANT AND EQUIPMENT				
Land	\$ 2,190,511	\$ 2,190,511	\$ -	0.0%
Wells	940,292	940,292	-	0.0%
Storage and distribution system	192,377,865	183,378,540	8,999,325	4.9%
Plant and structures	10,831,416	10,821,841	9,575	0.1%
Equipment	11,792,840	11,614,790	178,050	1.5%
Organization expense	301,509	301,509	-	0.0%
TOTAL	<u>218,434,433</u>	<u>209,247,483</u>	<u>9,186,950</u>	4.4%
Accumulated depreciation	<u>(77,708,878)</u>	<u>(73,012,338)</u>	<u>(4,696,540)</u>	-6.4%
NET PROPERTY, PLANT AND EQUIPMENT	\$ <u>140,725,555</u>	\$ <u>136,235,145</u>	\$ <u>4,490,410</u>	3.3%
INVESTMENT IN FOREST PARK WATER				
Forest Park Water Treatment Plant	\$ 74,051,386	\$ 73,287,210	\$ 764,176	1.0%
Point Pleasant Pumping Station	14,360,554	13,934,433	426,121	3.1%
PECO Contract	2,635,448	3,281,168	(645,720)	-19.7%
TOTAL	<u>91,047,388</u>	<u>90,502,811</u>	<u>544,577</u>	0.6%
Accumulated depreciation	<u>(50,797,007)</u>	<u>(48,564,714)</u>	<u>(2,232,293)</u>	-4.6%
NET INVESTMENT IN FOREST PARK WATER	\$ <u>40,250,381</u>	\$ <u>41,938,097</u>	\$ <u>(1,687,716)</u>	-4.0%

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 \$1,866,670 in 2020, which is an increase of \$560,769 from 2019.

	Year Ended December 31,		Variance	
	2020	2019	Dollar	%
Contribution in assets	\$ 1,351,713	\$ 658,243	\$ 693,470	105.35%
Contribution in tapping fees	<u>514,957</u>	<u>647,658</u>	<u>(132,701)</u>	-20.49%
TOTAL	<u>\$ 1,866,670</u>	<u>\$ 1,305,901</u>	<u>\$ 560,769</u>	42.94%

NORTH PENN WATER AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2020 AND 2019

Long-Term Debt

At the end of 2020, the North Penn Water Authority had total debt outstanding of \$58,940,000. The Authority’s total debt decreased by \$4,725,000. 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, 2020</u>
2012 Bonds	\$ 32,655,000	\$ 25,495,000
2015 Bonds	18,050,000	14,670,000
2019 Bonds	<u>22,785,000</u>	<u>18,775,000</u>
TOTAL	<u>\$ 73,490,000</u>	<u>\$ 58,940,000</u>

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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 years ended December 31, 2019 and 2018. 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.

NORTH PENN WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2020 AND 2019

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	%
ASSETS				
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	10,917	14,359	(3,442)	-24.0%
TOTAL ASSETS	<u>226,690,864</u>	<u>230,607,314</u>	<u>(3,916,450)</u>	-1.7%
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivative	1,847,332	1,961,964	(114,632)	-5.8%
Deferred charge on refunding	995,461	1,197,928	(202,467)	-16.9%
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,842,793</u>	<u>3,159,892</u>	<u>(317,099)</u>	-10.0%
LIABILITIES				
Current liabilities	8,540,251	9,023,752	(483,501)	-5.4%
Long-term liabilities	64,817,771	71,323,456	(6,505,685)	-9.1%
TOTAL LIABILITIES	<u>73,358,022</u>	<u>80,347,208</u>	<u>(6,989,186)</u>	-8.7%
DEFERRED INFLOWS OF RESOURCES				
Deferred pension credit	315,670	451,440	(135,770)	-30.1%
NET POSITION				
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%
TOTAL NET POSITION	<u>\$ 155,859,965</u>	<u>\$ 152,968,558</u>	<u>\$ 2,891,407</u>	1.9%

NORTH PENN WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2020 AND 2019

- Total assets decreased by \$3,916,450 in 2019 due primarily to the reduction in restricted assets stemming from the 2014 bond refunding project.
- Total liabilities decreased \$6,989,186 due primarily to the repayment of long-term debt.
- The net effect of these changes resulted in a \$2,891,407 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

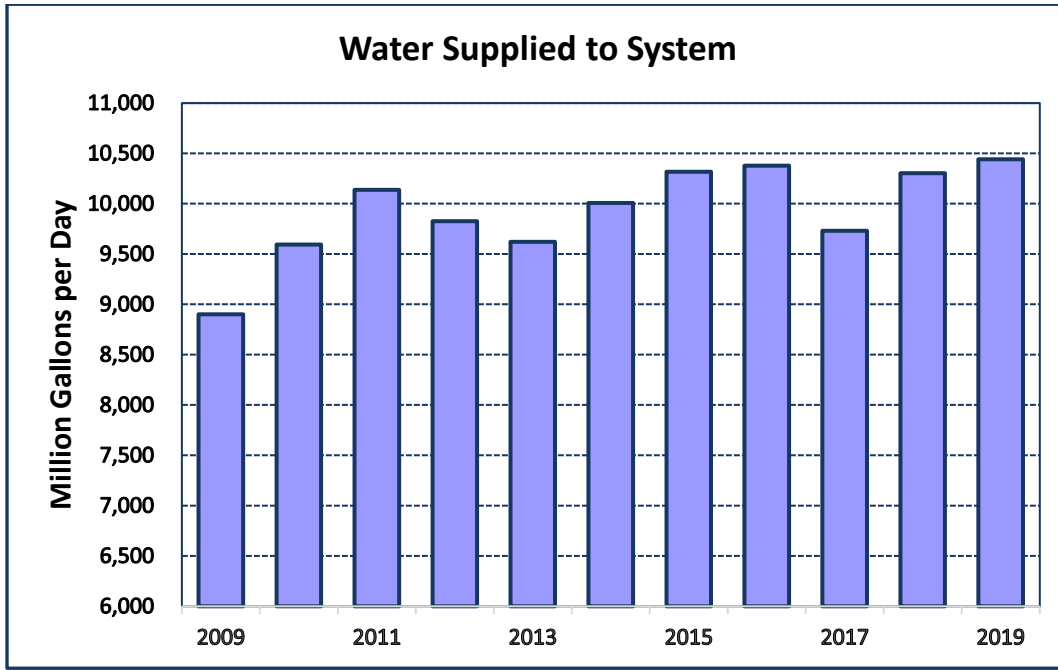
- Operating revenues decreased \$22,131 to \$19,318,630 or 0.1% from 2018 to 2019.

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, 2020 AND 2019

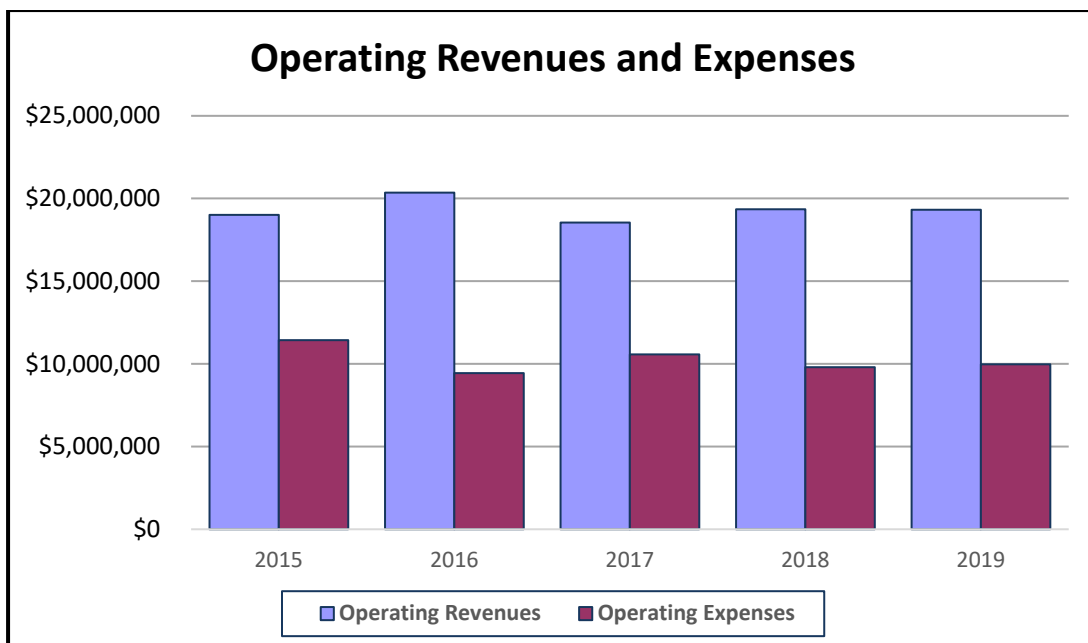
The chart below shows the historical average daily water supplied to the system for the years 2009 through 2019.



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, 2020 AND 2019

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	%
PROPERTY, PLANT AND EQUIPMENT				
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	209,247,483	199,923,489	9,323,994	4.7%
Accumulated depreciation	(73,012,338)	(69,322,707)	(3,689,631)	-5.3%
NET PROPERTY, PLANT AND EQUIPMENT	\$ 136,235,145	\$ 130,600,782	\$ 5,634,363	4.3%
INVESTMENT IN FOREST PARK WATER				
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	90,502,811	90,113,208	389,603	0.4%
Accumulated depreciation	(48,564,714)	(46,534,413)	(2,030,301)	-4.4%
NET INVESTMENT IN FOREST PARK WATER	\$ 41,938,097	\$ 43,578,795	\$ (1,640,698)	-3.8%

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	647,658	281,075	366,583	130.42%
TOTAL	\$ 1,305,901	\$ 2,189,048	\$ (883,147)	-40.34%

NORTH PENN WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2020 AND 2019

Long-Term Debt

At the end of 2019, the North Penn Water Authority had total debt outstanding of \$63,665,000. On October 3, 2019, the Authority issued \$22,785,000 of Water Revenue Bonds, Series of 2019, refunding the 2014 Bonds with a principal balance of \$28,155,000. 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>

NORTH PENN WATER AUTHORITY

STATEMENTS OF NET POSITION

DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 12,918,424	\$ 11,398,995
Investments	731,342	726,880
Accounts receivable		
Customers	2,271,297	2,121,416
PECO	482,405	493,638
Other	398,081	455,165
Assessments receivable, current portion	8,986	21,872
Unbilled revenues	2,383,119	2,171,271
Materials inventory, net	1,420,853	1,347,853
Interest receivable	-	8,489
Other	187,541	226,609
TOTAL CURRENT ASSETS	<u>20,802,048</u>	<u>18,972,188</u>
RESTRICTED ASSETS		
Cash and equivalents	22,794,327	29,210,904
Prepaid pension asset	165,357	315,670
Interest receivable	-	7,943
TOTAL RESTRICTED ASSETS	<u>22,959,684</u>	<u>29,534,517</u>
UTILITY PLANT		
Property, plant and equipment, net	140,725,555	136,235,145
Investment in Forest Park Water, net	40,250,381	41,938,097
TOTAL UTILITY PLANT	<u>180,975,936</u>	<u>178,173,242</u>
OTHER ASSETS		
Assessments receivable, noncurrent portion	22,851	10,917
TOTAL FORWARD	<u>224,760,519</u>	<u>226,690,864</u>
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated decrease in fair value of hedging derivative	1,738,201	1,847,332
Deferred charge on refunding	792,995	995,461
TOTAL FORWARD	<u>\$ 2,531,196</u>	<u>\$ 2,842,793</u>

NORTH PENN WATER AUTHORITY

STATEMENTS OF NET POSITION

DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
TOTAL FORWARDED	\$ <u>224,760,519</u>	\$ <u>226,690,864</u>
DEFERRED OUTFLOWS OF RESOURCES		
TOTAL FORWARDED	<u>2,531,196</u>	<u>2,842,793</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	549,094	1,274,816
Main extension deposits	1,959,500	1,290,804
Other	769,656	827,076
Current liabilities payable from restricted assets		
Accrued interest on bonds	408,282	422,555
Bonds payable	<u>4,985,000</u>	<u>4,725,000</u>
TOTAL CURRENT LIABILITIES	<u>8,671,532</u>	<u>8,540,251</u>
NONCURRENT LIABILITIES		
Derivative instrument, rate swap	1,738,201	1,847,332
Long-term debt, bonds payable	53,955,000	58,940,000
Unamortized bond premium, net	<u>3,734,386</u>	<u>4,030,439</u>
TOTAL NONCURRENT LIABILITIES	<u>59,427,587</u>	<u>64,817,771</u>
TOTAL LIABILITIES	<u>68,099,119</u>	<u>73,358,022</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred pension credit	<u>165,357</u>	<u>315,670</u>
NET POSITION		
Net investment in capital assets	132,919,713	125,298,433
Unrestricted assets	<u>26,107,526</u>	<u>30,561,532</u>
TOTAL NET POSITION	<u>\$ <u>159,027,239</u></u>	<u>\$ <u>155,859,965</u></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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Metered sales	\$ 19,579,948	\$ 18,724,786
Unmetered sales	558,793	545,912
Other revenues	48,288	47,932
TOTAL OPERATING REVENUES	<u>20,187,029</u>	<u>19,318,630</u>
OPERATING EXPENSES		
Water collection system	2,189,063	2,154,853
Purification system	87,822	75,948
Laboratory costs	444,401	428,441
Pumping system	591,843	634,056
Metering and customer service	1,040,519	489,748
Distribution system	1,094,973	1,040,762
Landscape maintenance	33,075	28,220
Administrative and engineering	2,607,329	2,383,125
General expenses	2,846,462	2,734,196
TOTAL OPERATING EXPENSES	<u>10,935,487</u>	<u>9,969,349</u>
OPERATING INCOME	9,251,542	9,349,281
NONOPERATING INCOME	1,838,433	2,227,339
CAPITAL CONTRIBUTIONS	<u>1,866,670</u>	<u>1,305,901</u>
INCOME BEFORE DEBT SERVICE COSTS AND DEPRECIATION AND AMORTIZATION	<u>12,956,645</u>	<u>12,882,521</u>
DEBT SERVICE COSTS		
Interest on bonds	3,086,955	3,238,607
Bond issuance costs	-	242,679
Amortization of bond discount and premium	(296,053)	(296,053)
TOTAL DEBT SERVICE COSTS	<u>2,790,902</u>	<u>3,185,233</u>
INCOME EXCLUSIVE OF DEPRECIATION AND AMORTIZATION	<u>10,165,743</u>	<u>9,697,288</u>
DEPRECIATION AND AMORTIZATION		
Property, plant and equipment	4,766,175	4,775,581
Forest Park Water	2,232,294	2,030,300
TOTAL DEPRECIATION AND AMORTIZATION	<u>6,998,469</u>	<u>6,805,881</u>
CHANGE IN NET POSITION	3,167,274	2,891,407
NET POSITION AT BEGINNING OF YEAR	<u>155,859,965</u>	<u>152,968,558</u>
NET POSITION AT END OF YEAR	<u>\$ 159,027,239</u>	<u>\$ 155,859,965</u>

See accompanying notes to the basic financial statements.

NORTH PENN WATER AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 21,196,103	\$ 20,518,366
Cash paid to suppliers	(6,921,214)	(6,255,735)
Cash paid to employees	(4,201,719)	(3,953,713)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>10,073,170</u>	<u>10,308,918</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Overhead and equipment usage charged to fixed capital assets	23,400	7,579
Contributions and assessments for main extensions	1,866,670	1,305,901
Acquisition and construction of capital assets	(9,320,387)	(10,717,817)
Additions (deletions) to (from) Forest Park Water, net	(544,577)	(389,603)
Proceeds from rental of fixed assets	426,077	445,408
Proceeds from bond issue	-	22,785,000
Principal paid on Water Revenue Bonds	(4,725,000)	(28,845,000)
Interest paid on Water Revenue Bonds	(2,898,763)	(3,077,333)
Issuance costs paid on bonds	-	(242,678)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(15,172,580)</u>	<u>(18,728,543)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	206,724	1,028,078
Net sales (purchases) of investments	(4,462)	(19,220)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>202,262</u>	<u>1,008,858</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,897,148)	(7,410,767)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>40,609,899</u>	<u>48,020,666</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 35,712,751</u>	<u>\$ 40,609,899</u>
CASH AND CASH EQUIVALENTS COMPRISED OF		
Current	\$ 12,918,424	\$ 11,398,995
Restricted	<u>22,794,327</u>	<u>29,210,904</u>
	<u>\$ 35,712,751</u>	<u>\$ 40,609,899</u>

NORTH PENN WATER AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 9,251,542	\$ 9,349,281
Penalties, service connection fees, miscellaneous sales, other nonoperating reimbursements and revenues from PECO	1,262,466	1,148,661
Change in inventory reserve	620,377	-
Adjustments to reconcile operating income to net cash provided by operating activities		
(Increase) decrease in		
Accounts receivable		
Customers	(149,881)	189,769
PECO	11,233	37,650
Other	57,084	(33,837)
Assessments receivable	952	(1,940)
Unbilled revenues	(211,848)	(207,089)
Materials inventory	(693,377)	237,209
Other current assets	39,068	66,522
Increase (decrease) in		
Accounts payable	(725,722)	(186,634)
Main extension deposits	668,696	(391,441)
Other current liabilities	(57,420)	100,767
	<u> </u>	<u> </u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 10,073,170</u>	<u>\$ 10,308,918</u>

See accompanying notes to the basic financial statements.

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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.

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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. The Authority reduces inventory cost by an allowance for obsolescence.

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, 2020 AND 2019

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 has two items that qualify for reporting in this category. They are the deferred charge on refunding and the accumulated decrease in fair value of hedging derivative as 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. Deferred outflows from a derivative instrument, rate swap result from accumulating decreases in fair value of the hedging derivative.

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 one item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. It is the deferred pension credit (See Note H).

This amount is 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, 2020 AND 2019

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, 2018	Additions
COMPONENTS			
Land	40	\$ 2,193,030	\$ -
Wells	33-50	952,379	-
Storage and distribution system	10-50	173,878,035	10,368,531
Plant and structures	5-10	10,775,837	66,312
Equipment	40	11,822,699	439,260
Organization expense		301,509	-
TOTAL COMPONENTS		<u>199,923,489</u>	<u>10,874,103</u>
Accumulated depreciation			
Wells		(647,230)	(15,825)
Storage and distribution system		(53,555,114)	(3,662,752)
Plant and structures		(5,769,185)	(447,485)
Equipment		(9,137,378)	(642,129)
Organization expense		(213,800)	(7,390)
TOTAL ACCUMULATED DEPRECIATION		<u>(69,322,707)</u>	<u>(4,775,581)</u>
PROPERTY, PLANT AND EQUIPMENT, net		<u>\$ 130,600,782</u>	<u>\$ 6,098,522</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, 2020 and 2019, \$36,032,391 and \$41,433,094, respectively, of the Authority's bank balance was exposed to custodial credit risk as follows:

	<u>2020</u>	<u>2019</u>
Uninsured and collateralized with securities held by the pledging bank's trust department not in the Authority's name	\$ <u>36,032,391</u>	\$ <u>41,433,094</u>

	Balance December 31, 2019		Balance December 31, 2020
<u>Disposals</u>		<u>Additions</u>	<u>Disposals</u>
\$ (2,519)	\$ 2,190,511	\$ -	\$ 2,190,511
(12,087)	940,292	-	940,292
(868,026)	183,378,540	9,241,956	192,377,865
(20,308)	10,821,841	9,575	10,831,416
(647,169)	11,614,790	181,284	11,792,840
-	301,509	-	301,509
<u>(1,550,109)</u>	<u>209,247,483</u>	<u>9,432,815</u>	<u>218,434,433</u>
12,088	(650,967)	(15,093)	(666,060)
410,940	(56,806,926)	(3,750,895)	(60,557,821)
16,648	(6,200,022)	(446,026)	(6,576,413)
646,274	(9,133,233)	(546,756)	(9,679,989)
-	(221,190)	(7,405)	(228,595)
<u>1,085,950</u>	<u>(73,012,338)</u>	<u>(4,766,175)</u>	<u>(77,708,878)</u>
<u>\$ (464,159)</u>	<u>\$ 136,235,145</u>	<u>\$ 4,666,640</u>	<u>\$ 140,725,555</u>

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE E - DEPOSITS AND INVESTMENTS (Continued)

Investments

The Authority had the following investments and maturities:

Investment Type	2020			
	Fair Value	Amortized Cost	Investment Maturities	
			Less Than 1 Year	1 to 5 Years
State investment pools	\$ <u> -</u>	\$ <u> 731,342</u>	\$ <u> 731,342</u>	\$ <u> -</u>

Investment Type	2019			
	Fair Value	Amortized Cost	Investment Maturities	
			Less Than 1 Year	1 to 5 Years
State investment pools	\$ <u> -</u>	\$ <u> 726,880</u>	\$ <u> 726,880</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, 2020 and 2019 is \$731,342 and \$726,880, 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, 2020 and December 31, 2019 except for its Interest Rate Hedge Swap (See Note J).

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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, 2020 and 2019, the Authority's investments were rated as:

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

Concentration of Credit Risk - In 2020 and 2019, all of the Authority's investments were in state investment pools.

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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, 2020 and 2019, 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, 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>
Additions	1,351,713	-	514,957	1,866,670
BALANCE, DECEMBER 31, 2020	<u>\$ 99,551,273</u>	<u>\$ 758,472</u>	<u>\$ 13,112,477</u>	<u>\$ 113,422,222</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 2020 and 2019:

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.

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE G - EMPLOYEE BENEFIT PLANS (Continued)

Authority contributions for 2020 salaries were \$265,201, of which \$165,357 was contributed in connection with the termination of the Retirement Plan. The Authority contributed \$240,005 to this plan for 2019 salaries, of which \$151,546 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 2020 and 2019 was \$101,716 and \$94,733, 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, 2020 and 2019, investment gains and earnings on these restricted assets were approximately \$1,233 and \$7,274, 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. The remaining funds were expended in full with the Authority's 2020 pension contribution in the amount of \$165,357, which was paid in January 2021.

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE I - BONDS PAYABLE

The following changes occurred in long-term debt:

	Balance January 1, 2019	Additions	Principal Retirements
BONDS PAYABLE			
Series of 2019	\$ -	\$ 22,785,000	\$ -
Series of 2015	16,075,000	-	(690,000)
Series of 2014	28,155,000	-	(28,155,000)
Series of 2012	25,495,000	-	-
	<u>\$ 69,725,000</u>	<u>\$ 22,785,000</u>	<u>\$ (28,845,000)</u>

Series of 2019 Bonds

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, 2020, are as follows:

Maturing November 1,	Interest Rate	Principal	Interest
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>\$ 18,775,000</u>	<u>\$ 2,229,698</u>

<u>Balance December 31, 2019</u>	<u>Additions</u>	<u>Principal Retirements</u>	<u>Balance December 31, 2020</u>	<u>Current Portion</u>
\$ 22,785,000	\$ -	\$ (4,010,000)	\$ 18,775,000	\$ 4,255,000
15,385,000	-	(715,000)	14,670,000	730,000
-	-	-	-	-
<u>25,495,000</u>	<u>-</u>	<u>-</u>	<u>25,495,000</u>	<u>-</u>
<u>\$ 63,665,000</u>	<u>\$ -</u>	<u>\$ (4,725,000)</u>	<u>\$ 58,940,000</u>	<u>\$ 4,985,000</u>

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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, 2020, are as follows:

<u>Maturing November 1,</u>	<u>Annual Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
2021	2.25%	\$ 730,000	\$ 642,850
2022	2.00%-3.00%	750,000	624,950
2023	3.00%-5.00%	770,000	602,450
2024	3.00%-5.00%	805,000	571,650
2025	3.00%-5.00%	835,000	539,450
2026 to 2030	5.00%-4.00%	4,800,000	2,073,500
2031 to 2035	4.00%-5.00%	<u>5,980,000</u>	<u>889,450</u>
		<u>\$ 14,670,000</u>	<u>\$ 5,944,300</u>

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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, 2020, are as follows:

<u>Maturing November 1,</u>	<u>Annual Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
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	1.50%	2,360,000	1,274,750
2026 to 2030	1.50%-5.00%	13,700,000	4,480,000
2031 to 2032	5.00%	9,435,000	785,250
		<u>\$ 25,495,000</u>	<u>\$ 11,639,000</u>

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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, 2020 AND 2019

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, 2020, 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, 2020 AND 2019

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

As of December 31, 2020, the counterparty was rated A+ by Standard & Poor's, Aa3 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, 2020</u> <u>Positive (Negative)</u>	<u>Notional Amount as of December 31, 2020</u>
2019 pay-fixed interest rate swap	Hedge changes in cash flows on Series of 2019 bonds	\$ <u>(1,738,201)</u>	\$ <u>16,050,000</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, 2020

	<u>Classification</u>	<u>Amount</u>
Cash flow hedges, 2019 pay-fixed interest rate swap	Deferred inflow	\$ <u>(109,131)</u>

Fair Value at December 31, 2020

	<u>Classification</u>	<u>Fair Value Positive (Negative)</u>	<u>Notional Amount</u>
Cash flow hedges, 2019 pay fixed interest rate swap	Debt	\$ <u>(1,738,201)</u>	\$ <u>16,050,000</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.

Bonds Outstanding at December 31, 2020	Effective Date	Termination Date	Terms
\$ <u>18,775,000</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, 2020 AND 2019

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 (\$1,738,201) as of December 31, 2020. Therefore, pursuant to GASB Statement No. 53, the instrument was recorded in the statement of net position as a noncurrent liability and a corresponding deferred outflow was recorded.

Swap Payments and Associated Debt - As of December 31, 2020, 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>
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>\$ 18,775,000</u>	<u>\$ 2,229,698</u>

Assumptions:

(1) Bond interest based on a rate of 3.50% as of December 31, 2020.

Risks Associated With Interest Rate Hedge Swaps

Credit Risk - As of December 31, 2020, 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, 2020, the swap counterparty was rated A+ by Fitch Ratings, A+ by Standard & Poor's and Aa3 by Moody's Investor Service.

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

Interest Rate Risk - As of December 31, 2020, 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, 2020 AND 2019

NOTE K - INVESTMENT IN FOREST PARK WATER (Continued)

At December 31, 2020 and 2019, the Authority had capitalized \$91,047,388 and \$90,502,811, respectively, related to its investment in Forest Park, which consisted of the following amounts:

	<u>2020</u>	<u>2019</u>
Treatment Plant	\$ 74,051,386	\$ 73,287,210
Water Diversion Project	14,360,554	13,934,433
PECO Contract	<u>2,635,448</u>	<u>3,281,168</u>
	91,047,388	90,502,811
Accumulated depreciation	<u>(50,797,007)</u>	<u>(48,564,714)</u>
	<u>\$ 40,250,381</u>	<u>\$ 41,938,097</u>

The total cost of the project as of September 30, 2020 and 2019 (Forest Park's year-end) was \$169,443,201 and \$167,467,140, 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, 2020, 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.

NOTE L - RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the novel coronavirus ("COVID-19") outbreak a pandemic which has impacted the global economy. The Authority is following guidance provided by the Pennsylvania Municipal Authorities Association (PMAA) by enacting measures to assist with the anticipated economic impact on its customers. These measures include placing a moratorium on charging penalties and imposing shutoffs for those who cannot pay. Although no significant financial impact has occurred thus far, the COVID-19 pandemic is still on-going and the duration and extent of the related financial impact on the Company's financial position, operations and cash flows is uncertain and cannot be reasonably estimated at this time.

SUPPLEMENTARY INFORMATION SECTION

NORTH PENN WATER AUTHORITY
SCHEDULE OF CORPORATE ENTITY
YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020, 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	2025
William K. Dingman	Vice Chair	Towamencin Township	2025
Paul D. Ziegler	Chair	Worcester Township	2021
John S. Strobel	Assistant Treasurer	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	2024
David W. Dedman	Member	Skippack Township	2024

NORTH PENN WATER AUTHORITY
SCHEDULES OF OPERATING REVENUES
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020		Actual
	Budget	Actual	2019
OPERATING REVENUES			
Metered sales			
Domestic	\$ 11,600,000	\$ 12,609,788	\$ 11,262,001
Commercial	2,046,000	2,006,748	2,106,991
Industrial	2,800,000	2,923,511	2,967,588
Public	481,000	422,232	774,212
FPW metered sales to BCWSA	1,600,000	1,506,262	1,524,061
Other	75,000	111,407	89,933
TOTAL METERED SALES	<u>18,602,000</u>	<u>19,579,948</u>	<u>18,724,786</u>
Unmetered sales			
Private fire protection	250,000	262,229	256,841
Public fire protection	215,000	218,546	217,051
Bulk sales	40,000	78,018	72,020
TOTAL UNMETERED SALES	<u>505,000</u>	<u>558,793</u>	<u>545,912</u>
Other revenues	<u>43,000</u>	<u>48,288</u>	<u>47,932</u>
TOTAL OPERATING REVENUES	<u>\$ 19,150,000</u>	<u>\$ 20,187,029</u>	<u>\$ 19,318,630</u>

NORTH PENN WATER AUTHORITY
SCHEDULES OF OPERATING EXPENSES, EXCLUSIVE OF
DEPRECIATION AND AMORTIZATION
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020		Actual
	Budget	Actual	2019
OPERATING EXPENSES			
Water collection system			
Water purchased, general	\$ 75,000	\$ 79,696	\$ 78,390
Forest Park Water operating expenses	2,150,000	2,109,367	2,076,463
TOTAL WATER COLLECTION SYSTEM	2,225,000	2,189,063	2,154,853
Purification system			
Supplies and expenses	40,000	39,473	36,073
Maintenance of equipment	47,000	48,349	39,875
TOTAL PURIFICATION SYSTEM	87,000	87,822	75,948
Laboratory costs			
Labor	230,000	237,370	230,181
Chemicals and supplies	67,000	50,477	50,255
Maintenance of equipment	35,000	31,581	36,169
Utilities	30,000	5,251	11,308
Education and training	1,000	-	-
Regulated sampling	121,000	119,722	100,528
TOTAL LABORATORY COSTS	484,000	444,401	428,441
Pumping system			
Labor	213,000	225,499	220,230
Regional well monitoring	3,000	1,493	1,608
SCADA system	29,000	25,146	22,427
Supplies	12,000	10,542	12,736
Power purchased	275,000	218,045	236,402
Maintenance of equipment	142,000	111,118	140,653
TOTAL PUMPING SYSTEM	674,000	591,843	634,056
Metering and customer service			
Labor, meter setting	36,000	2,430	9,250
Back flow prevention	1,000	363	1,046
Maintenance of meters and boxes	412,000	388,835	437,193
Meter and MXU inventory obsolescence	-	620,377	-
Labor, meter readers	37,000	15,540	25,327
General meter supplies	20,000	12,974	16,932
TOTAL METERING AND CUSTOMER SERVICE	506,000	1,040,519	489,748
SUBTOTAL OPERATING EXPENSES FORWARD	\$ 3,976,000	\$ 4,353,648	\$ 3,783,046

NORTH PENN WATER AUTHORITY
SCHEDULES OF OPERATING EXPENSES, EXCLUSIVE OF
DEPRECIATION AND AMORTIZATION
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020		Actual
	Budget	Actual	2019
OPERATING EXPENSES			
SUBTOTAL FORWARDED	\$ 3,976,000	\$ 4,353,648	\$ 3,783,046
Distribution system			
Operating labor	408,000	469,608	400,425
Supplies and expense	52,000	40,641	44,296
Gratuitous service	15,000	1,070	980
One call - location	94,000	71,184	83,093
Maintenance of service lines	134,000	109,043	117,106
Maintenance of mains	291,000	208,996	229,581
Maintenance of valves	51,000	52,297	43,250
Maintenance of fire hydrants	109,000	100,652	98,951
Leak surveys	23,000	23,803	20,089
Reservoirs, general maintenance	50,000	17,679	-
Special plant maintenance	-	-	2,991
TOTAL DISTRIBUTION SYSTEM	1,227,000	1,094,973	1,040,762
Landscape maintenance			
Lawn mowing	32,000	22,820	20,238
General labor and miscellaneous expenses	14,000	10,255	7,982
TOTAL LANDSCAPE MAINTENANCE	46,000	33,075	28,220
Administrative and engineering			
Salaries			
General officers	1,286,000	1,271,996	535,693
Customer service and accounting	339,000	327,009	536,345
Engineering	100,000	90,111	73,544
Data processing expenses	604,000	654,290	466,474
Administration and public relations expenses	150,000	134,408	608,646
Maps and records	30,000	27,629	23,991
Personnel expenses	131,000	101,886	138,432
TOTAL ADMINISTRATIVE AND ENGINEERING	2,640,000	2,607,329	2,383,125
SUBTOTAL OPERATING EXPENSES FORWARD	\$ 7,889,000	\$ 8,089,025	\$ 7,235,153

NORTH PENN WATER AUTHORITY

SCHEDULES OF OPERATING EXPENSES, EXCLUSIVE OF DEPRECIATION AND AMORTIZATION YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020		Actual
	Budget	Actual	2019
OPERATING EXPENSES			
SUBTOTAL FORWARDED	\$ 7,889,000	\$ 8,089,025	\$ 7,235,153
General expenses			
General office supplies	32,000	12,716	28,576
Copy machine	19,000	13,303	15,681
Postage	100,000	78,450	108,112
Officers' general expenses	122,000	78,850	97,437
Education, training	88,000	61,233	67,873
Other general office expenses	145,000	195,679	154,567
On call expense labor and miscellaneous cost	33,000	25,438	26,825
Taxes			
Employee payroll	323,000	307,324	289,530
Unemployment compensation	2,000	20,556	18,581
Uncollected consumer accounts	1,000	45	223
General law expenses	110,000	99,817	104,985
Engineering consultation	65,000	53,907	43,815
Audit expenses	26,000	27,550	26,525
Insurance			
Corporate	246,000	256,779	224,079
Employee	1,254,000	1,291,805	1,219,535
Trustee fee	15,000	24,720	17,080
Pensions	103,000	105,503	96,950
Radio expenses	-	503	503
Personnel department			
Safety program	3,000	-	2,172
Public information	90,000	63,836	71,016
Maintenance of general properties	150,000	128,448	120,131
TOTAL GENERAL EXPENSES	<u>2,927,000</u>	<u>2,846,462</u>	<u>2,734,196</u>
TOTAL OPERATING EXPENSES	<u>\$ 10,816,000</u>	<u>\$ 10,935,487</u>	<u>\$ 9,969,349</u>

NORTH PENN WATER AUTHORITY
SCHEDULES OF NONOPERATING INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
NONOPERATING INCOME		
Interest on investments		
Revenue Fund	\$ 10,335	\$ 74,141
Operation and Maintenance Fund	1,077	730
Debt Service and Sinking Fund	7,683	44,950
Bond Redemption and Improvement Fund	143,527	587,158
Consumer Deposit Fund	74	90
Main Extension Fund	183	169
Debt Service Reserve Fund	16,398	168,538
Other funds	11,015	57,788
TOTAL INTEREST ON INVESTMENTS	<u>190,292</u>	<u>933,564</u>
Other nonoperating income		
Overhead reimbursement, developers	23,400	7,579
Penalties on assessments and customer bills	60,679	246,199
Equipment rental	426,077	445,408
Service connection fees	322,244	430,004
Miscellaneous income (expense)	386,319	(58,191)
Net loss on disposal of fixed assets	(40,402)	(300,294)
Interest income on the PECO Contract	469,824	523,070
TOTAL OTHER NONOPERATING INCOME	<u>1,648,141</u>	<u>1,293,775</u>
TOTAL NONOPERATING INCOME	<u>\$ 1,838,433</u>	<u>\$ 2,227,339</u>

NORTH PENN WATER AUTHORITY
SCHEDULES OF PROPERTY, PLANT AND EQUIPMENT
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020		
	Cost	Accumulated Depreciation and Amortization	Net
PROPERTY, PLANT AND EQUIPMENT			
Land	\$ 2,190,511	\$ -	\$ 2,190,511
Wells	940,292	666,061	274,231
Chemical treatment plant	542,780	507,625	35,155
Pumping station structures	3,432,136	2,172,115	1,260,021
Pumps and pumping station	2,755,888	2,163,140	592,748
Electrical equipment	1,946,567	1,499,677	446,890
Storage reservoirs and sandpipes	14,913,780	4,507,828	10,405,952
Distribution mains	141,185,395	42,261,019	98,924,376
Service pipes	22,102,728	9,588,213	12,514,515
Meters and remote readers	9,146,183	2,153,961	6,992,222
Fire hydrants	5,029,779	1,977,166	3,052,613
General office structure	6,856,500	3,969,765	2,886,735
General office equipment	2,763,509	2,466,282	297,227
Radio equipment	104,260	90,683	13,577
Automobile vehicle equipment	158,023	146,054	11,969
Truck vehicle equipment	1,770,002	1,419,555	350,447
Backhoe equipment	350,891	320,735	30,156
Compressor equipment	27,114	27,114	-
Distribution department equipment	566,259	544,658	21,601
Pump department equipment	7,846	7,846	-
Meter department equipment	664,150	373,270	290,880
Grounds maintenance equipment	37,133	36,520	613
Vehicle maintenance equipment	59,991	58,911	1,080
Engineering equipment	15,145	14,301	844
General in-house equipment	104,811	97,835	6,976
Organization expense, capitalized	301,509	228,596	72,913
Laboratory equipment	461,251	409,948	51,303
	<u>218,434,433</u>	<u>77,708,878</u>	<u>140,725,555</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	\$ <u>218,434,433</u>	\$ <u>77,708,878</u>	\$ <u>140,725,555</u>

2019		
Cost	Accumulated Depreciation and Amortization	Net
\$ 2,190,511	\$ -	\$ 2,190,511
940,292	650,968	289,324
542,780	488,393	54,387
3,432,136	1,931,533	1,500,603
2,755,888	2,025,457	730,431
1,946,567	1,397,309	549,258
14,913,780	4,155,789	10,757,991
132,583,107	39,792,938	92,790,169
22,102,728	8,961,171	13,141,557
8,749,146	2,045,268	6,703,878
5,029,779	1,851,760	3,178,019
6,846,925	3,783,554	3,063,371
2,697,492	2,388,217	309,275
104,260	90,111	14,149
158,023	135,657	22,366
1,674,176	1,284,837	389,339
350,891	303,520	47,371
27,114	27,114	-
566,259	537,688	28,571
7,846	7,846	-
651,953	340,207	311,746
37,133	35,048	2,085
59,991	57,277	2,714
15,145	13,878	1,267
104,811	95,376	9,435
301,509	221,188	80,321
457,241	390,234	67,007
<u>\$ 209,247,483</u>	<u>\$ 73,012,338</u>	<u>\$ 136,235,145</u>