

NORTH PENN WATER AUTHORITY
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Years Ended December 31, 2021 and 2020

INTRODUCTORY SECTION

NORTH PENN WATER AUTHORITY
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YEARS ENDED DECEMBER 31, 2021 AND 2020

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FINANCIAL SECTION

Independent Auditors' Report

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

Opinion

We have audited the financial statements of North Penn Water Authority, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise North Penn Water Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of North Penn Water Authority as of December 31, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

2020 Financial Statements Restated

As discussed in Note M to the financial statements, the 2020 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about North Penn Water Authority's ability to continue as a going concern for one year after the financial statement date.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

Our audits were conducted for the purpose of forming opinion on the financial statements that collectively comprise North Penn Water Authority's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maillie LLP

Limerick, Pennsylvania
April 29, 2022

NORTH PENN WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEARS ENDED DECEMBER 31, 2021 AND 2020

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, 2021. Please read it in conjunction with the Authority's financial statements, which follow this section.

2021 FINANCIAL HIGHLIGHTS

- During the year, the Authority's net position increased by \$2,533,843 or 2.0%.
- During the year, the Authority's operating revenues were \$20,367,030, an increase from \$20,187,029 in 2020, while operating expenses decrease to \$10,514,052, down from \$10,935,487 in 2020 or -3.9%.
- Capital Contributions to the Authority decreased by \$455,276 to \$1,411,394, down from \$1,866,670 in 2020 or -24.4%.
- During the year, long-term debt decreased by \$9,170,000.

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, 2021 AND 2020

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, 2021, 2020 and 2019:

Condensed Statements of Net Position

	2021	2020	Variance		2019
			Dollar	%	
ASSETS					
Current assets	\$ 20,115,343	\$ 19,730,363	\$ 384,980	2.0%	\$ 17,900,503
Restricted assets	20,514,607	22,959,684	(2,445,077)	-10.6%	29,534,517
Utility plant	178,728,699	178,630,097	98,602	0.1%	176,077,340
Other assets	16,003	22,851	(6,848)	-30.0%	10,917
TOTAL ASSETS	219,374,652	221,342,995	(1,968,343)	-0.9%	223,523,277
DEFERRED OUTFLOWS OF RESOURCES					
Accumulated decrease in fair value of hedging derivative	970,660	1,738,201	(767,541)	-44.2%	1,847,332
Deferred charge on refunding	-	792,995	(792,995)	-100.0%	995,461
TOTAL DEFERRED OUTFLOWS OF RESOURCES	970,660	2,531,196	(1,560,536)	-61.7%	2,842,793
LIABILITIES					
Current liabilities	10,058,199	8,671,532	1,386,667	16.0%	8,540,251
Long-term liabilities	50,452,592	59,427,587	(8,974,995)	-15.1%	64,817,771
TOTAL LIABILITIES	60,510,791	68,099,119	(7,588,328)	-11.1%	73,358,022
DEFERRED INFLOWS OF RESOURCES					
Deferred charge on refunding	1,690,963	-	1,690,963	0.0%	-
Deferred pension credit	-	165,357	(165,357)	-100.0%	315,670
TOTAL DEFERRED INFLOWS OF RESOURCES	1,690,963	165,357	1,525,606	922.6%	315,670
NET POSITION					
Net investment in capital assets	135,341,098	130,573,874	4,767,224	3.7%	125,298,433
Unrestricted assets	22,802,460	25,035,841	(2,233,381)	-8.9%	27,393,945
TOTAL NET POSITION	\$ 158,143,558	\$ 155,609,715	\$ 2,533,843	1.6%	\$ 152,692,378

NORTH PENN WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2021 AND 2020

- Total assets decreased by \$1,968,343 in 2021 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 \$7,588,328 due primarily to the repayment of long-term debt.
- The net effect of these changes resulted in a \$2,533,843 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

	2021	2020	Variance		2019
			Dollar	%	
Operating revenues	\$ 20,367,030	\$ 20,187,029	\$ 180,001	0.9%	\$ 19,318,630
Operating expenses	10,514,052	10,935,487	(421,435)	-3.9%	9,969,349
INCOME FROM OPERATIONS	<u>9,852,978</u>	<u>9,251,542</u>	<u>601,436</u>	6.5%	<u>9,349,281</u>
Nonoperating revenues	1,783,387	1,838,433	(55,046)	-3.0%	2,227,339
Nonoperating expenses	10,513,916	10,039,308	474,608	4.7%	9,991,114
NONOPERATING EXPENSES, net	<u>(8,730,529)</u>	<u>(8,200,875)</u>	<u>(529,654)</u>	-6.5%	<u>(7,763,775)</u>
INCOME BEFORE CONTRIBUTIONS	1,122,449	1,050,667	71,782	-6.8%	1,585,506
Contributions in aid of construction	<u>1,411,394</u>	<u>1,866,670</u>	<u>(455,276)</u>	-24.4%	<u>1,305,901</u>
CHANGE IN NET POSITION	<u>\$ 2,533,843</u>	<u>\$ 2,917,337</u>	<u>\$ (383,494)</u>	-13.1%	<u>\$ 2,891,407</u>

Revenues

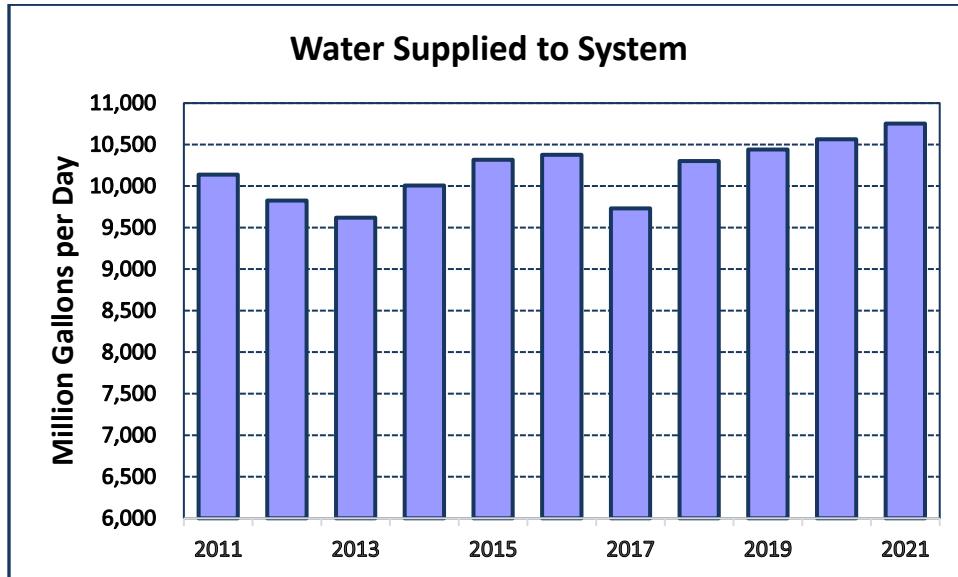
- Operating revenues increased \$180,001 to \$20,367,030 or 0.9% from 2020 to 2021.

Operating revenues include the following:

	2021	2020	2019
Metered sales	\$ 19,722,497	\$ 19,579,948	\$ 18,724,786
Unmetered sales	596,475	558,793	545,912
Other revenues	<u>48,058</u>	<u>48,288</u>	<u>47,932</u>
	<u>\$ 20,367,030</u>	<u>\$ 20,187,029</u>	<u>\$ 19,318,630</u>

NORTH PENN WATER AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2021 AND 2020

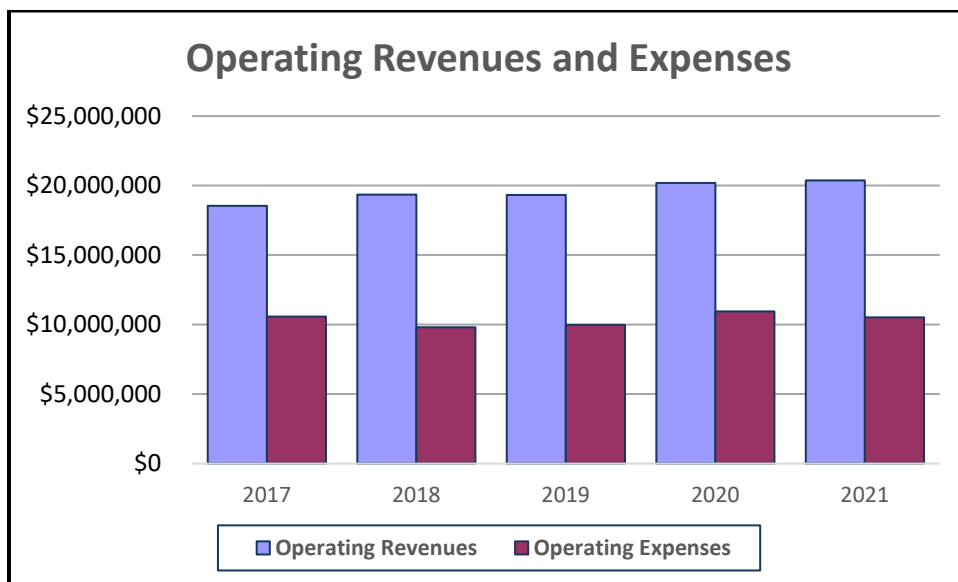
The chart below shows the historical average daily water supplied to the system for the years 2011 through 2021.



Operating Expenses

- Operating expenses decreased by \$421,435 to \$10,514,052 or -3.9% from 2020 to 2021.

Historical Operating Revenues and Expenses



NORTH PENN WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2021 AND 2020

Capital Assets

At the end of 2021, the Authority had invested \$223,477,867 in property, plant and equipment and also had invested \$91,809,030 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.

	2021	2020	Variance		2019
			Dollar	%	
PROPERTY, PLANT AND EQUIPMENT					
Land	\$ 2,296,067	\$ 2,190,511	\$ 105,556	4.8%	\$ 2,190,511
Wells	1,024,369	940,292	84,077	8.9%	940,292
Storage and distribution system	195,532,501	190,281,963	5,250,538	2.8%	181,282,638
Plant and structures	11,662,181	10,831,416	830,765	7.7%	10,821,841
Equipment	12,661,240	11,792,840	868,400	7.4%	11,614,790
Organization expense	301,509	301,509	-	0.0%	301,509
TOTAL	223,477,867	216,338,531	7,139,336	3.3%	207,151,581
Accumulated depreciation	(83,459,680)	(77,958,815)	(5,500,865)	-7.1%	(73,012,338)
NET PROPERTY, PLANT AND EQUIPMENT	\$ 140,018,187	\$ 138,379,716	\$ 1,638,471	1.2%	\$ 134,139,243
INVESTMENT IN FOREST PARK WATER					
Forest Park Water Treatment Plant	\$ 75,056,393	\$ 74,051,386	\$ 1,005,007	1.4%	\$ 73,287,210
Point Pleasant Pumping Station	14,801,129	14,360,554	440,575	3.1%	13,934,433
PECO Contract	1,951,508	2,635,448	(683,940)	-26.0%	3,281,168
TOTAL	91,809,030	91,047,388	761,642	0.8%	90,502,811
Accumulated depreciation	(53,098,518)	(50,797,007)	(2,301,511)	-4.5%	(48,564,714)
NET INVESTMENT IN FOREST PARK WATER	\$ 38,710,512	\$ 40,250,381	\$ (1,539,869)	-3.8%	\$ 41,938,097

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 \$1,411,3964 in 2021, which is a decrease of \$455,276 from 2020.

	Year Ended December 31,		Variance		2019
	2021	2020	Dollar	%	
Contribution in assets	\$ 98,857	\$ 1,351,713	\$ (1,252,856)	-92.69%	\$ 658,243
Contribution in tapping fees	1,312,537	514,957	797,580	154.88%	647,658
TOTAL	\$ 1,411,394	\$ 1,866,670	\$ (455,276)	-24.39%	\$ 1,305,901

NORTH PENN WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2021 AND 2020

Long-Term Debt

At the end of 2021, the North Penn Water Authority had total debt outstanding of \$49,770,000. The Authority's total debt decreased by \$9,170,000. 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, 2021</u>
2012 Bonds	\$ 32,655,000	\$ -
2015 Bonds	18,050,000	13,940,000
2019 Bonds	22,785,000	14,520,000
2021 Bonds	<u>21,310,000</u>	<u>21,310,000</u>
 TOTAL	 <u>\$ 94,800,000</u>	 <u>\$ 49,770,000</u>

NORTH PENN WATER AUTHORITY

STATEMENTS OF NET POSITION

DECEMBER 31, 2021 AND 2020

	2021	2020 (Restated)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 13,319,724	\$ 12,918,424
Investments	731,595	731,342
Accounts receivable		
Customers	2,084,544	2,271,297
PECO	432,000	482,405
Other	111,799	398,081
Assessments receivable, current portion	3,719	8,986
Unbilled revenues	2,491,596	2,383,119
Materials inventory, net	744,779	349,168
Other	195,587	187,541
TOTAL CURRENT ASSETS	<u>20,115,343</u>	<u>19,730,363</u>
RESTRICTED ASSETS		
Cash and equivalents	20,514,607	22,794,327
Prepaid pension asset	-	165,357
TOTAL RESTRICTED ASSETS	<u>20,514,607</u>	<u>22,959,684</u>
UTILITY PLANT		
Property, plant and equipment, net	140,018,187	138,379,716
Investment in Forest Park Water, net	38,710,512	40,250,381
TOTAL UTILITY PLANT	<u>178,728,699</u>	<u>178,630,097</u>
OTHER ASSETS		
Assessments receivable, noncurrent portion	16,003	22,851
TOTAL FORWARD	<u>219,374,652</u>	<u>221,342,995</u>
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated decrease in fair value of hedging derivative	970,660	1,738,201
Deferred charge on refunding	-	792,995
TOTAL FORWARD	<u>\$ 970,660</u>	<u>\$ 2,531,196</u>

NORTH PENN WATER AUTHORITY

STATEMENTS OF NET POSITION

DECEMBER 31, 2021 AND 2020

	2021	2020 (Restated)
ASSETS		
TOTAL FORWARDED	\$ <u>219,374,652</u>	\$ <u>221,342,995</u>
DEFERRED OUTFLOWS OF RESOURCES		
TOTAL FORWARDED	<u>970,660</u>	<u>2,531,196</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	1,005,230	549,094
Main extension deposits	2,769,101	1,959,500
Other	783,016	769,656
Current liabilities payable from restricted assets		
Accrued interest on bonds	315,852	408,282
Bonds payable	5,185,000	4,985,000
TOTAL CURRENT LIABILITIES	<u>10,058,199</u>	<u>8,671,532</u>
NONCURRENT LIABILITIES		
Derivative instrument, rate swap	970,660	1,738,201
Long-term debt, bonds payable	44,585,000	53,955,000
Unamortized bond premium, net	4,896,932	3,734,386
TOTAL NONCURRENT LIABILITIES	<u>50,452,592</u>	<u>59,427,587</u>
TOTAL LIABILITIES	<u>60,510,791</u>	<u>68,099,119</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred charge on refunding	1,690,963	-
Deferred pension credit	-	165,357
	<u>1,690,963</u>	<u>165,357</u>
NET POSITION		
Net investment in capital assets	135,341,098	130,573,874
Unrestricted assets	22,802,460	25,035,841
TOTAL NET POSITION	<u>\$ 158,143,558</u>	<u>\$ 155,609,715</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, 2021 AND 2020

	2021	2020 (Restated)
OPERATING REVENUES		
Metered sales	\$ 19,722,497	\$ 19,579,948
Unmetered sales	596,475	558,793
Other revenues	48,058	48,288
TOTAL OPERATING REVENUES	<u>20,367,030</u>	<u>20,187,029</u>
OPERATING EXPENSES		
Water collection system	2,342,362	2,189,063
Purification system	86,330	83,488
Laboratory costs	379,226	443,924
Pumping system	535,521	571,434
Metering and customer service	407,288	1,010,215
Distribution system	986,356	1,018,401
Information technology	946,213	932,375
Administrative and engineering	1,739,460	1,686,797
General expenses	3,091,296	2,999,790
TOTAL OPERATING EXPENSES	<u>10,514,052</u>	<u>10,935,487</u>
OPERATING INCOME	9,852,978	9,251,542
NONOPERATING INCOME	1,783,387	1,838,433
CAPITAL CONTRIBUTIONS	1,411,394	1,866,670
INCOME BEFORE DEBT SERVICE COSTS AND DEPRECIATION AND AMORTIZATION	<u>13,047,759</u>	<u>12,956,645</u>
DEBT SERVICE COSTS		
Interest on bonds	2,751,040	3,086,955
Bond issuance costs	275,734	-
Amortization of bond discount and premium	(374,593)	(296,053)
TOTAL DEBT SERVICE COSTS	<u>2,652,181</u>	<u>2,790,902</u>
INCOME EXCLUSIVE OF DEPRECIATION AND AMORTIZATION	<u>10,395,578</u>	<u>10,165,743</u>
DEPRECIATION AND AMORTIZATION		
Property, plant and equipment	5,560,224	5,016,112
Forest Park Water	2,301,511	2,232,294
TOTAL DEPRECIATION AND AMORTIZATION	<u>7,861,735</u>	<u>7,248,406</u>
CHANGE IN NET POSITION	2,533,843	2,917,337
NET POSITION AT BEGINNING OF YEAR, restated	<u>155,609,715</u>	<u>152,692,378</u>
NET POSITION AT END OF YEAR	<u>\$ 158,143,558</u>	<u>\$ 155,609,715</u>

See accompanying notes to the basic financial statements.

NORTH PENN WATER AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u> (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 22,161,360	\$ 21,196,103
Cash paid to suppliers	(5,447,028)	(6,921,214)
Cash paid to employees	(4,183,538)	(4,201,719)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>12,530,794</u>	<u>10,073,170</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Overhead and equipment usage charged to fixed capital assets	3,198	23,400
Contributions and assessments for main extensions	1,411,394	1,866,670
Acquisition and construction of capital assets	(7,241,100)	(9,320,387)
Additions to Forest Park Water	(761,642)	(544,577)
Proceeds from rental of fixed assets	437,674	426,077
Proceeds from bond issue	21,310,000	-
Principal paid on Water Revenue Bonds	(30,480,000)	(4,725,000)
Interest paid on Water Revenue Bonds	(2,860,026)	(2,898,763)
Bonds issued at a premium	4,037,653	-
Issuance costs paid on bonds	(275,734)	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(14,418,583)</u>	<u>(15,172,580)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	9,622	206,724
Sales of investments	157,770	268,825
Purchases of investments	(158,023)	(273,287)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>9,369</u>	<u>202,262</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,878,420)	(4,897,148)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>35,712,751</u>	<u>40,609,899</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 33,834,331</u>	<u>\$ 35,712,751</u>
CASH AND CASH EQUIVALENTS COMPRISED OF		
Current	\$ 13,319,724	\$ 12,918,424
Restricted	<u>20,514,607</u>	<u>22,794,327</u>
	<u>\$ 33,834,331</u>	<u>\$ 35,712,751</u>

NORTH PENN WATER AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u> (Restated)
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 9,852,978	\$ 9,251,542
Penalties, service connection fees, miscellaneous sales, other nonoperating reimbursements and revenues from PECO	1,375,298	1,262,466
Adjustments to reconcile operating income to net cash provided by operating activities		
(Increase) decrease in		
Accounts receivable		
Customers	186,753	(149,881)
PECO	50,405	11,233
Other	286,282	57,084
Assessments receivable	12,115	952
Unbilled revenues	(108,477)	(211,848)
Materials inventory	(395,611)	(73,000)
Other current assets	(8,046)	39,068
Increase (decrease) in		
Accounts payable	456,136	(725,722)
Main extension deposits	809,601	668,696
Other current liabilities	13,360	(57,420)
	<u> </u>	<u> </u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 12,530,794</u>	<u>\$ 10,073,170</u>

See accompanying notes to the basic financial statements.

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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.

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.

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2021 AND 2020

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 one item that qualifies for reporting in this category. It is the accumulated decrease in fair value of hedging derivative as reported in the statements of net position. 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 two items, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. They are the deferred pension credit (See Note H) and the deferred charge on refunding. 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.

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.

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NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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 January 1, 2020	Additions
COMPONENTS			
Land	40	\$ 2,190,511	\$ -
Wells	33-50	940,292	-
Storage and distribution system	10-50	181,282,638	9,241,956
Plant and structures	5-10	10,821,841	9,575
Equipment	40	11,614,790	181,284
Organization expense		301,509	-
TOTAL COMPONENTS		<u>207,151,581</u>	<u>9,432,815</u>
Accumulated depreciation			
Wells		(650,967)	(15,093)
Storage and distribution system		(56,806,926)	(4,000,832)
Plant and structures		(6,200,022)	(446,026)
Equipment		(9,133,233)	(546,756)
Organization expense		(221,190)	(7,405)
TOTAL ACCUMULATED DEPRECIATION		<u>(73,012,338)</u>	<u>(5,016,112)</u>
PROPERTY, PLANT AND EQUIPMENT, net		<u>\$ 134,139,243</u>	<u>\$ 4,416,703</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, 2021 and 2020, \$33,501,332 and \$36,032,391, respectively, of the Authority's bank balance was exposed to custodial credit risk as follows:

	<u>2021</u>	<u>2020</u>
Uninsured and collateralized with securities held by the pledging bank's trust department not in the Authority's name	\$ <u>33,501,332</u>	\$ <u>36,032,391</u>

	Balance December 31, 2020	Additions	Disposals	Balance December 31, 2021
Disposals				
\$ -	\$ 2,190,511	\$ 105,556	\$ -	\$ 2,296,067
-	940,292	84,077	-	1,024,369
(242,631)	190,281,963	5,400,048	(149,510)	195,532,501
-	10,831,416	830,765	-	11,662,181
(3,234)	11,792,840	900,575	(32,175)	12,661,240
-	301,509	-	-	301,509
<u>(245,865)</u>	<u>216,338,531</u>	<u>7,321,021</u>	<u>(181,685)</u>	<u>223,477,867</u>
-	(666,060)	(17,028)	-	(683,088)
-	(60,807,758)	(4,385,082)	27,184	(65,165,656)
69,635	(6,576,413)	(533,604)	-	(7,110,017)
-	(9,679,989)	(617,121)	32,175	(10,264,935)
-	(228,595)	(7,389)	-	(235,984)
<u>69,635</u>	<u>(77,958,815)</u>	<u>(5,560,224)</u>	<u>59,359</u>	<u>(83,459,680)</u>
\$ <u>(176,230)</u>	\$ <u>138,379,716</u>	\$ <u>1,760,797</u>	\$ <u>(122,326)</u>	\$ <u>140,018,187</u>

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE E - DEPOSITS AND INVESTMENTS (Continued)

Investments

The Authority had the following investments and maturities:

<u>Investment Type</u>	2021			
	<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> 731,595</u>	\$ <u> 731,595</u>	\$ <u> -</u>
<u>Investment Type</u>	2020			
	<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> 731,342</u>	\$ <u> 731,342</u>	\$ <u> -</u>

A portion of the Authority's investments is in the Pennsylvania Local Government Investment Trust ("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, 2021 and 2020 is \$731,595 and \$731,342, 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, 2021 and December 31, 2020 except for its Interest Rate Hedge Swap (See Note J).

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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, 2021 and 2020, the Authority’s investments were rated as:

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

Concentration of Credit Risk - In 2021 and 2020, all of the Authority’s investments were in state investment pools.

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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, 2021 and 2020, 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, 2019	\$ 98,199,560	\$ 758,472	\$ 12,597,520	\$ 111,555,552
Additions	1,351,713	-	514,957	1,866,670
BALANCE, DECEMBER 31, 2020	99,551,273	758,472	13,112,477	113,422,222
Additions	98,857	-	1,312,537	1,411,394
BALANCE, DECEMBER 31, 2021	\$ <u>99,650,130</u>	\$ <u>758,472</u>	\$ <u>14,425,014</u>	\$ <u>114,833,616</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 2021 and 2020:

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, 2021 AND 2020

NOTE G - EMPLOYEE BENEFIT PLANS (Continued)

Authority contributions for 2021 salaries were \$251,789. The Retirement Plan assets remaining as a result of the funded status of the Plan at the date of termination were fully expended in 2020. The Authority contributed \$265,201 to this plan for 2020 salaries, of which \$165,357 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 ninety or more days 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 2021 and 2020 was \$99,097 and \$101,716, 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 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, 2021 AND 2020

NOTE I - BONDS PAYABLE

The following changes occurred in long-term debt:

	Balance January 1, 2020	Additions	Principal Retirements
BONDS PAYABLE			
Series of 2021	\$ -	\$ -	\$ -
Series of 2019	22,785,000	-	(4,010,000)
Series of 2015	15,385,000	-	(715,000)
Series of 2012	25,495,000	-	-
	<u>\$ 63,665,000</u>	<u>\$ -</u>	<u>\$ (4,725,000)</u>

Series of 2021 Bonds

On August 4, 2021, the Authority issued \$21,310,000 of Water Revenue Bonds, Series of 2021 (the "2021 Bonds"). The bond proceeds were used to:

1. Currently refund all the Authority's outstanding 2012 Water Revenue Bonds,
2. Fund a deposit to the Debt Service Reserve Fund and
3. Pay the costs of issuing and insuring the 2021 Bonds.

Details of scheduled future annual maturities of the 2021 Bonds payable at December 31, 2021, are as follows:

Maturing November 1,	Annual Interest Rate	Principal	Interest
2022	4.00%	\$ -	\$ 852,400
2023	4.00%	-	852,400
2024	4.00%	-	852,400
2025	4.00%	2,110,000	852,400
2026	4.00%	2,195,000	768,000
2027 to 2031	4.00%	12,355,000	2,450,800
2032	4.00%	4,650,000	186,000
		<u>\$ 21,310,000</u>	<u>\$ 6,814,400</u>

<u>Balance December 31, 2020</u>	<u>Additions</u>	<u>Principal Retirements</u>	<u>Refunding</u>	<u>Balance December 31, 2021</u>
\$ -	\$ 21,310,000	\$ -	\$ -	\$ 21,310,000
18,775,000	-	(4,255,000)	-	14,520,000
14,670,000	-	(730,000)	-	13,940,000
<u>25,495,000</u>	<u>-</u>	<u>-</u>	<u>(25,495,000)</u>	<u>-</u>
<u>\$ 58,940,000</u>	<u>\$ 21,310,000</u>	<u>\$ (4,985,000)</u>	<u>\$ (25,495,000)</u>	<u>\$ 49,770,000</u>

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE I - BONDS PAYABLE (Continued)

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, 2021, are as follows:

<u>Maturing November 1,</u>	<u>Annual Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
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>\$ 14,520,000</u>	<u>\$ 1,385,189</u>

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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, 2021, are as follows:

<u>Maturing November 1,</u>	<u>Annual Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
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	4.00%-5.00%	870,000	506,050
2027 to 2031	4.00%-5.00%	5,030,000	1,844,050
2032 to 2035	4.00%-5.00%	<u>4,880,000</u>	<u>612,850</u>
		<u>\$ 13,940,000</u>	<u>\$ 5,301,450</u>

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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, 2021 AND 2020

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, 2021, 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, 2021 AND 2020

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

As of December 31, 2021, 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, 2021</u> <u>Positive (Negative)</u>	<u>Notional Amount as of December 31, 2021</u>
2019 pay-fixed interest rate swap	Hedge changes in cash flows on Series of 2019 bonds	\$ <u>(970,660)</u>	\$ <u>13,130,000</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, 2021

	<u>Classification</u>	<u>Amount</u>
Cash flow hedges, 2019 pay-fixed interest rate swap	Deferred inflow	\$ <u>(767,541)</u>

Fair Value at December 31, 2021

	<u>Classification</u>	<u>Fair Value Positive (Negative)</u>	<u>Notional Amount</u>
Cash flow hedges, 2019 pay fixed interest rate swap	Debt	\$ <u>(970,660)</u>	\$ <u>13,130,000</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.



<u>Bonds Outstanding at December 31, 2021</u>	<u>Effective Date</u>	<u>Termination Date</u>	<u>Terms</u>
\$ <u>14,520,000</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, 2021 AND 2020

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 (\$970,660) as of December 31, 2021. 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, 2021, 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>
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>\$ 14,520,000</u>	<u>\$ 1,385,189</u>

Assumptions:

(1) Bond interest based on a rate of 3.50% as of December 31, 2021.

Risks Associated With Interest Rate Hedge Swaps

Credit Risk - As of December 31, 2021, 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, 2021, 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, 2021 AND 2020

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

Interest Rate Risk - As of December 31, 2021, 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 ("MGD") of treated water to 40 MGD. 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, 2021 AND 2020

NOTE K - INVESTMENT IN FOREST PARK WATER (Continued)

At December 31, 2021 and 2020, the Authority had capitalized \$91,809,030 and \$91,047,388, respectively, related to its investment in Forest Park, which consisted of the following amounts:

	<u>2021</u>	<u>2020</u>
Treatment Plant	\$ 75,056,393	\$ 74,051,386
Water Diversion Project	14,801,129	14,360,554
PECO Contract	<u>1,951,508</u>	<u>2,635,448</u>
	91,809,030	91,047,388
Accumulated depreciation	<u>(53,098,518)</u>	<u>(50,797,007)</u>
	<u>\$ 38,710,512</u>	<u>\$ 40,250,381</u>

The total cost of the project as of September 30, 2021 and 2020 (Forest Park's year-end) was \$172,457,001 and \$169,443,201, 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. Total 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, 2021, 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. Although no significant financial impact has occurred thus far, the COVID-19 pandemic is still on-going and the duration and extent of any future financial impact on the Authority's financial position, operations and cash flows is uncertain and cannot be reasonably estimated at this time.

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE M - PRIOR PERIOD RESTATEMENT

The Authority made a prior period adjustment to restate inventory and fixed asset balances to their correct book values as of January 1, 2020. As a result of the adjustment, net position as of January 1, 2020, decreased by \$3,167,587, from \$155,859,965 to \$152,692,378. A summary of the effect on the December 31, 2020, financial statements is as follows:

	Originally Reported December 31, <u>2020</u>	<u>Restatement</u>	Restated December 31, <u>2020</u>
Materials inventory, net	\$ 1,420,853	\$ (1,071,685)	\$ 349,168
Property, plant and equipment, net	<u>140,725,555</u>	<u>(2,345,839)</u>	<u>138,379,716</u>
Total materials inventory, net and property, plant and equipment, net	\$ <u>142,146,408</u>	\$ <u>(3,417,524)</u>	\$ <u>138,728,884</u>
Net income	\$ 3,167,274	\$ (249,937)	\$ 2,917,337
Net position, January 1, 2020	<u>155,859,965</u>	<u>(3,167,587)</u>	<u>152,692,378</u>
Net position, December 31, 2020	\$ <u>159,027,239</u>	\$ <u>(3,417,524)</u>	\$ <u>155,609,715</u>

SUPPLEMENTARY INFORMATION SECTION

NORTH PENN WATER AUTHORITY
SCHEDULE OF CORPORATE ENTITY
YEARS ENDED DECEMBER 31, 2021 AND 2020

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, 2021, 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
Robert J. Rodgers	Member	Hatfield Township	2021
Richard C. Mast	Assistant Treasurer	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, 2021 AND 2020

	2021		Actual 2020
	Budget	Actual	
OPERATING REVENUES			
Metered sales			
Domestic	\$ 12,012,000	\$ 12,376,315	\$ 12,609,788
Commercial	2,169,000	2,094,302	2,006,748
Industrial	3,063,000	3,092,394	2,923,511
Public	420,000	487,020	422,232
FPW metered sales to BCWSA	1,522,000	1,541,180	1,506,262
Other	96,000	131,286	111,407
TOTAL METERED SALES	<u>19,282,000</u>	<u>19,722,497</u>	<u>19,579,948</u>
Unmetered sales			
Private fire protection	250,000	264,018	262,229
Public fire protection	215,000	221,438	218,546
Bulk sales	50,000	111,019	78,018
TOTAL UNMETERED SALES	<u>515,000</u>	<u>596,475</u>	<u>558,793</u>
Other revenues	<u>43,000</u>	<u>48,058</u>	<u>48,288</u>
TOTAL OPERATING REVENUES	<u>\$ 19,840,000</u>	<u>\$ 20,367,030</u>	<u>\$ 20,187,029</u>

NORTH PENN WATER AUTHORITY
SCHEDULES OF OPERATING EXPENSES, EXCLUSIVE OF
DEPRECIATION AND AMORTIZATION
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021		Actual 2020
	Budget	Actual	
OPERATING EXPENSES			
Water collection system			
Water purchased, general	\$ 81,000	\$ 102,721	\$ 79,696
Forest Park Water operating expenses	2,140,000	2,239,641	2,109,367
TOTAL WATER COLLECTION SYSTEM	2,221,000	2,342,362	2,189,063
Purification system			
Supplies and expenses	45,000	38,569	35,139
Maintenance of equipment	99,000	47,761	48,349
TOTAL PURIFICATION SYSTEM	144,000	86,330	83,488
Laboratory costs			
Labor	242,000	244,363	237,370
Chemicals and supplies	67,000	44,381	50,477
Maintenance of equipment	41,000	29,324	31,581
Utilities	5,000	4,102	4,774
Regulated sampling	88,000	57,056	119,722
TOTAL LABORATORY COSTS	443,000	379,226	443,924
Pumping system			
Labor	225,000	186,744	225,499
Regional well monitoring	2,000	2,574	1,493
SCADA system	29,000	11,375	16,863
Supplies	7,000	7,368	2,750
Power purchased	250,000	208,897	218,045
Maintenance of equipment	126,000	118,563	106,784
TOTAL PUMPING SYSTEM	639,000	535,521	571,434
Metering and customer service			
Back flow prevention	-	-	363
Maintenance of meters and boxes	419,000	390,421	376,501
Meter and MXU inventory obsolescence	-	-	620,377
General meter supplies	6,000	16,867	12,974
TOTAL METERING AND CUSTOMER SERVICE	425,000	407,288	1,010,215
SUBTOTAL OPERATING EXPENSES FORWARD	\$ 3,872,000	\$ 3,750,727	\$ 4,298,124

NORTH PENN WATER AUTHORITY
SCHEDULES OF OPERATING EXPENSES, EXCLUSIVE OF
DEPRECIATION AND AMORTIZATION
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021		Actual
	Budget	Actual	2020
OPERATING EXPENSES			
SUBTOTAL FORWARDED	\$ 3,872,000	\$ 3,750,727	\$ 4,298,124
Distribution system			
Operating labor	423,000	423,037	469,608
Supplies and expense	43,000	29,630	7,884
Gratuitous service	15,000	-	1,070
One call - location	85,000	84,294	70,707
Maintenance of service lines	114,000	128,679	109,043
Maintenance of mains	256,000	175,356	194,550
Maintenance of valves	44,000	30,366	37,851
Maintenance of fire hydrants	107,000	96,558	93,429
Maintenance of easements	47,000	-	-
Leak surveys	22,000	18,359	23,803
Reservoirs, general maintenance	3,000	77	10,456
TOTAL DISTRIBUTION SYSTEM	<u>1,159,000</u>	<u>986,356</u>	<u>1,018,401</u>
Information technology			
Salaries	259,000	252,878	253,235
Data and communication	83,000	95,353	93,835
IT consulting/software updates	249,000	174,006	170,317
IT maintenance and support contacts	227,000	258,076	252,605
IT software services	154,000	153,171	149,924
IT equipment and supplies	8,000	12,729	12,459
TOTAL INFORMATION TECHNOLOGY	<u>980,000</u>	<u>946,213</u>	<u>932,375</u>
Administrative and engineering			
Salaries			
General officers	802,000	989,494	1,018,759
Customer service and accounting	554,000	365,733	327,009
Engineering	132,000	101,809	90,111
Administration and public relations	153,000	171,637	134,408
Maps and records	4,000	4,480	14,624
Personnel expenses	128,000	106,307	101,886
TOTAL ADMINISTRATIVE AND ENGINEERING	<u>1,773,000</u>	<u>1,739,460</u>	<u>1,686,797</u>
SUBTOTAL OPERATING EXPENSES FORWARD	\$ <u>7,784,000</u>	\$ <u>7,422,756</u>	\$ <u>7,935,697</u>

NORTH PENN WATER AUTHORITY
SCHEDULES OF OPERATING EXPENSES, EXCLUSIVE OF
DEPRECIATION AND AMORTIZATION
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021		Actual 2020
	Budget	Actual	
OPERATING EXPENSES			
SUBTOTAL FORWARDED	\$ 7,784,000	\$ 7,422,756	\$ 7,935,697
General expenses			
General office supplies	30,000	19,733	12,716
Copy machine	15,000	13,083	13,303
Postage	100,000	107,743	78,450
Officers' general expenses	107,000	87,840	78,850
Education, training	122,000	36,092	61,233
Payment processing fees	135,000	154,666	135,554
Other general office expenses	10,000	16,104	45,971
On call expense labor and miscellaneous cost	34,000	35,001	20,019
Maintenance of vehicles	204,000	-	-
Taxes			
Employee payroll	330,000	307,563	307,324
Unemployment compensation	6,000	4,240	20,556
Uncollected consumer accounts	-	-	45
General law expenses	100,000	72,564	99,817
Engineering consultation	50,000	40,531	53,907
Audit expenses	28,000	28,000	27,550
Insurance			
Corporate	233,000	243,591	256,779
Employee	1,214,000	1,111,731	1,291,805
Trustee fee	10,000	19,810	24,720
Pensions	93,000	261,065	105,503
Personnel department			
Safety program	3,000	2,442	-
Public information	92,000	80,116	63,836
Maintenance of general properties	162,000	334,717	214,254
Utilities expense	36,000	41,648	43,351
Trash/ recycling expenses	20,000	22,729	19,363
Landscape Maintenance	43,000	50,287	24,884
TOTAL GENERAL EXPENSES	<u>3,177,000</u>	<u>3,091,296</u>	<u>2,999,790</u>
TOTAL OPERATING EXPENSES	\$ <u>10,961,000</u>	\$ <u>10,514,052</u>	\$ <u>10,935,487</u>

NORTH PENN WATER AUTHORITY
SCHEDULES OF NONOPERATING INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
NONOPERATING INCOME		
Interest on investments		
Revenue Fund	\$ 405	\$ 10,335
Operation and Maintenance Fund	1,537	1,077
Debt Service and Sinking Fund	472	7,683
Bond Redemption and Improvement Fund	6,115	143,527
Consumer Deposit Fund	76	74
Main Extension Fund	183	183
Debt Service Reserve Fund	403	16,398
Other funds	431	11,015
TOTAL INTEREST ON INVESTMENTS	<u>9,622</u>	<u>190,292</u>
Other nonoperating income		
Overhead reimbursement, developers	3,198	23,400
Penalties on assessments and customer bills	166,352	60,679
Equipment rental	437,674	426,077
Service connection fees	520,521	322,244
Miscellaneous income	382,349	386,319
Net loss on disposal of fixed assets	(39,207)	(40,402)
Interest income on the PECO Contract	302,878	469,824
TOTAL OTHER NONOPERATING INCOME	<u>1,773,765</u>	<u>1,648,141</u>
TOTAL NONOPERATING INCOME	<u>\$ 1,783,387</u>	<u>\$ 1,838,433</u>

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NORTH PENN WATER AUTHORITY
SCHEDULES OF PROPERTY, PLANT AND EQUIPMENT
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021		
	Cost	Accumulated Depreciation and Amortization	Net
PROPERTY, PLANT AND EQUIPMENT			
Land	\$ 2,296,067	\$ -	\$ 2,296,067
Wells	1,024,369	683,089	341,280
Chemical treatment plant	574,216	519,672	54,544
Pumping station structures	3,956,768	2,422,756	1,534,012
Pumps and pumping station	2,912,848	2,322,275	590,573
Electrical equipment	2,214,257	1,650,352	563,905
Storage reservoirs and sandpipes	17,720,511	4,988,063	12,732,448
Distribution mains	135,572,554	44,730,500	90,842,054
Service pipes	27,274,126	10,385,685	16,888,441
Meters and remote readers	9,158,280	2,984,112	6,174,168
Fire hydrants	5,807,030	2,077,259	3,729,771
General office structure	7,131,197	4,167,590	2,963,607
General office equipment	2,804,980	2,547,275	257,705
Radio equipment	104,260	91,255	13,005
Automobile vehicle equipment	158,023	150,841	7,182
Truck vehicle equipment	1,924,257	1,528,332	395,925
Backhoe equipment	350,891	337,951	12,940
Compressor equipment	27,114	27,114	-
Distribution department equipment	604,702	552,204	52,498
Pump department equipment	7,846	7,846	-
Meter department equipment	866,428	412,542	453,886
Grounds maintenance equipment	37,133	36,927	206
Vehicle maintenance equipment	62,612	60,257	2,355
Engineering equipment	16,589	14,819	1,770
General in-house equipment	104,811	100,294	4,517
Organization expense, capitalized	301,509	235,983	65,526
Laboratory equipment	464,489	424,687	39,802
	<u>223,477,867</u>	<u>83,459,680</u>	<u>140,018,187</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	\$ <u>223,477,867</u>	\$ <u>83,459,680</u>	\$ <u>140,018,187</u>

2020		
Cost	Accumulated Depreciation and Amortization	Net
\$ 2,190,511	\$ -	\$ 2,190,511
940,292	666,061	274,231
542,780	507,625	35,155
3,432,136	2,172,115	1,260,021
2,755,888	2,163,140	592,748
1,946,567	1,499,677	446,890
14,913,780	4,507,828	10,405,952
139,089,493	42,510,956	96,578,537
22,102,728	9,588,213	12,514,515
9,146,183	2,153,961	6,992,222
5,029,779	1,977,166	3,052,613
6,856,500	3,969,765	2,886,735
2,763,509	2,466,282	297,227
104,260	90,683	13,577
158,023	146,054	11,969
1,770,002	1,419,555	350,447
350,891	320,735	30,156
27,114	27,114	-
566,259	544,658	21,601
7,846	7,846	-
664,150	373,270	290,880
37,133	36,520	613
59,991	58,911	1,080
15,145	14,301	844
104,811	97,835	6,976
301,509	228,596	72,913
461,251	409,948	51,303
<u>\$ 216,338,531</u>	<u>\$ 77,958,815</u>	<u>\$ 138,379,716</u>