

NORTH PENN WATER AUTHORITY
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Years Ended December 31, 2022 and 2021

INTRODUCTORY SECTION

NORTH PENN WATER AUTHORITY
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YEARS ENDED DECEMBER 31, 2022 AND 2021

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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, 2022 and 2021, 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, 2022 and 2021, 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.

Emphasis of Matter

As disclosed in Note M, for the year ended December 31, 2022, the North Penn Water Authority adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 87, *Leases*. 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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
March 24, 2023

NORTH PENN WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEARS ENDED DECEMBER 31, 2022 AND 2021

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, 2022. Please read it in conjunction with the Authority's financial statements, which follow this section.

2022 FINANCIAL HIGHLIGHTS

- During the year, the Authority's net position increased by \$4,911,554 or 3.1%.
- During the year, the Authority's operating revenues were \$21,710,104, an increase from \$20,367,030 in 2021, while operating expenses increase to \$11,160,275, up from \$10,514,052 in 2021 or 6.1%.
- Capital Contributions to the Authority increased by \$537,084 to \$1,948,478, up from \$1,411,394 in 2021 or 38.1%.
- During the year, long-term debt decreased by \$5,185,000.

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, 2022 AND 2021

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, 2022, 2021 and 2020:

Condensed Statements of Net Position

| | 2022 | 2021 | Variance | | 2020 |
|--|-----------------------|-----------------------|---------------------|---------------|-----------------------|
| | | | Dollar | % | |
| ASSETS | | | | | |
| Current assets | \$ 24,834,347 | \$ 20,115,343 | \$ 4,719,004 | 23.5% | \$ 19,730,363 |
| Restricted assets | 15,319,024 | 20,514,607 | (5,195,583) | -25.3% | 22,959,684 |
| Utility plant | 178,690,741 | 178,728,699 | (37,958) | 0.0% | 178,630,097 |
| Other assets | 2,165,205 | 16,003 | 2,149,202 | 13430.0% | 22,851 |
| TOTAL ASSETS | 221,009,317 | 219,374,652 | 1,634,665 | 0.7% | 221,342,995 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Accumulated decrease in fair value of hedging derivative | 143,058 | 970,660 | (827,602) | -85.3% | 1,738,201 |
| Deferred charge on refunding | - | - | - | 0.0% | 792,995 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 143,058 | 970,660 | (827,602) | -85.3% | 2,531,196 |
| LIABILITIES | | | | | |
| Current liabilities | 10,494,993 | 10,058,199 | 436,794 | 4.3% | 8,671,532 |
| Long-term liabilities | 43,564,297 | 50,452,592 | (6,888,295) | -13.7% | 59,427,587 |
| TOTAL LIABILITIES | 54,059,290 | 60,510,791 | (6,451,501) | -10.7% | 68,099,119 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred charge on refunding | 1,674,407 | 1,690,963 | (16,556) | 0.0% | - |
| Deferred inflows of resources, leases | 2,363,566 | - | 2,363,566 | 0.0% | - |
| Deferred pension credit | - | - | - | 0.0% | 165,357 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 4,037,973 | 1,690,963 | 2,347,010 | 138.8% | 165,357 |
| NET POSITION | | | | | |
| Net investment in capital assets | 140,935,389 | 135,341,098 | 5,594,291 | 4.1% | 130,573,874 |
| Unrestricted assets | 22,119,723 | 22,802,460 | (682,737) | -3.0% | 25,035,841 |
| TOTAL NET POSITION | \$ 163,055,112 | \$ 158,143,558 | \$ 4,911,554 | 3.1% | \$ 155,609,715 |

NORTH PENN WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2022 AND 2021

- Total assets increased by \$1,634,665 in 2022 due primarily to the implementation of GASB 87 and establishment of a lease receivable.
- Total liabilities decreased \$6,451,501 due primarily to the repayment of long-term debt.
- The net effect of these changes resulted in a \$4,911,554 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

| | 2022 | 2021 | Variance | | 2020 |
|--------------------------------------|---------------|---------------|--------------|---------|---------------|
| | | | Dollar | % | |
| Operating revenues | \$ 21,710,104 | \$ 20,367,030 | \$ 1,343,074 | 6.6% | \$ 20,187,029 |
| Operating expenses | 11,160,275 | 10,514,052 | 646,223 | 6.1% | 10,935,487 |
| INCOME FROM OPERATIONS | 10,549,829 | 9,852,978 | 696,851 | 7.1% | 9,251,542 |
| Nonoperating revenues | 1,909,588 | 1,783,387 | 126,201 | 7.1% | 1,838,433 |
| Nonoperating expenses | 9,496,341 | 10,513,916 | (1,017,575) | -9.7% | 10,039,308 |
| NONOPERATING EXPENSES, net | (7,586,753) | (8,730,529) | 1,143,776 | 13.1% | (8,200,875) |
| INCOME BEFORE CONTRIBUTIONS | 2,963,076 | 1,122,449 | 1,840,627 | -164.0% | 1,050,667 |
| Contributions in aid of construction | 1,948,478 | 1,411,394 | 537,084 | 38.1% | 1,866,670 |
| CHANGE IN NET POSITION | \$ 4,911,554 | \$ 2,533,843 | \$ 2,377,711 | 93.8% | \$ 2,917,337 |

Revenues

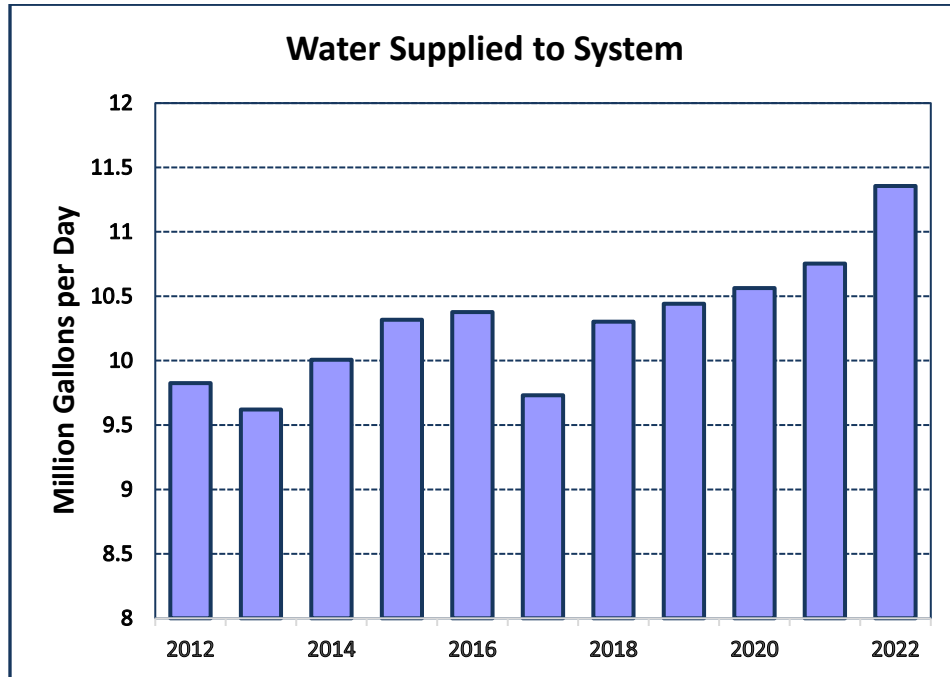
- Operating revenues increased \$1,343,074 to \$21,710,104 or 6.6% from 2021 to 2022.

Operating revenues include the following:

| | 2022 | 2021 | 2020 |
|-----------------|---------------|---------------|---------------|
| Metered sales | \$ 21,055,596 | \$ 19,722,497 | \$ 19,579,948 |
| Unmetered sales | 606,980 | 596,475 | 558,793 |
| Other revenues | 47,528 | 48,058 | 48,288 |
| | \$ 21,710,104 | \$ 20,367,030 | \$ 20,187,029 |

NORTH PENN WATER AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2022 AND 2021

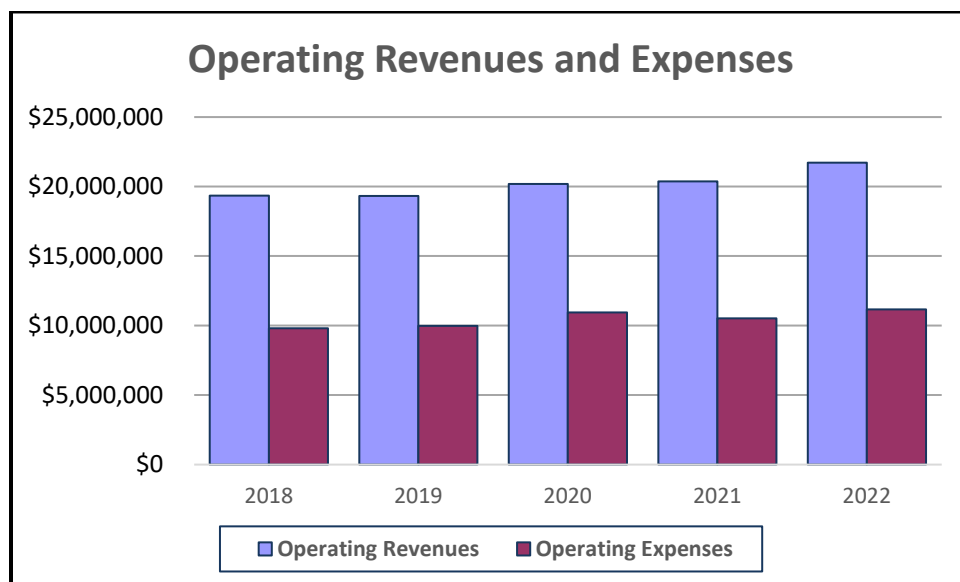
The chart below shows the historical average daily water supplied to the system for the years 2012 through 2022.



Operating Expenses

- Operating expenses increased by \$646,223 to \$11,160,275 or 6.1% from 2021 to 2022.

Historical Operating Revenues and Expenses



NORTH PENN WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2022 AND 2021

Capital Assets

At the end of 2022, the Authority had invested \$230,696,296 in property, plant and equipment and also had invested \$92,056,457 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.

| | 2022 | 2021 | Variance | | 2020 |
|--|------------------------------|------------------------------|------------------------------|--------------|------------------------------|
| | | | Dollar | % | |
| PROPERTY, PLANT AND EQUIPMENT | | | | | |
| Land | \$ 2,338,460 | \$ 2,296,067 | \$ 42,393 | 1.8% | \$ 2,190,511 |
| Wells | 1,024,369 | 1,024,369 | - | 0.0% | 940,292 |
| Storage and distribution system | 202,702,394 | 195,532,501 | 7,169,893 | 3.7% | 190,281,963 |
| Plant and structures | 11,740,909 | 11,662,181 | 78,728 | 0.7% | 10,831,416 |
| Equipment | 12,588,655 | 12,661,240 | (72,585) | -0.6% | 11,792,840 |
| Organization expense | 301,509 | 301,509 | - | 0.0% | 301,509 |
| TOTAL | <u>230,696,296</u> | <u>223,477,867</u> | <u>7,218,429</u> | 3.2% | <u>216,338,531</u> |
| Accumulated depreciation | <u>(88,682,077)</u> | <u>(83,459,680)</u> | <u>(5,222,397)</u> | -6.3% | <u>(77,958,815)</u> |
| NET PROPERTY, PLANT AND EQUIPMENT | \$ <u>142,014,219</u> | \$ <u>140,018,187</u> | \$ <u>1,996,032</u> | 1.4% | \$ <u>138,379,716</u> |
| INVESTMENT IN FOREST PARK WATER | | | | | |
| Forest Park Water Treatment Plant | \$ 75,987,482 | \$ 75,056,393 | \$ 931,089 | 1.2% | \$ 74,051,386 |
| Point Pleasant Pumping Station | 14,841,899 | 14,801,129 | 40,770 | 0.3% | 14,360,554 |
| PECO Contract | <u>1,227,076</u> | <u>1,951,508</u> | <u>(724,432)</u> | -37.1% | <u>2,635,448</u> |
| TOTAL | <u>92,056,457</u> | <u>91,809,030</u> | <u>247,427</u> | 0.3% | <u>91,047,388</u> |
| Accumulated depreciation | <u>(55,379,935)</u> | <u>(53,098,518)</u> | <u>(2,281,417)</u> | -4.3% | <u>(50,797,007)</u> |
| NET INVESTMENT IN FOREST PARK WATER | \$ <u>36,676,522</u> | \$ <u>38,710,512</u> | \$ <u>(2,033,990)</u> | -5.3% | \$ <u>40,250,381</u> |

Capital Contributions

North Penn Water Authority has complied with GASB Statement No. 33, which requires that Contributions in Aid of Construction be shown as revenue. This is classified as Nonoperating Income. Contributions in Aid of Construction involve both assets contributions (water mains and other facilities) and cash contributions (tapping fees and assessments). Together, these contributions totaled \$1,948,478 in 2022, which is an increase of \$537,084 from 2021.

| | Year Ended December 31, | | Variance | | 2020 |
|------------------------------|----------------------------|----------------------------|--------------------------|---------------|----------------------------|
| | 2022 | 2021 | Dollar | % | |
| Contribution in assets | \$ 1,122,161 | \$ 98,857 | \$ 1,023,304 | 1035.14% | \$ 1,351,713 |
| Contribution in tapping fees | <u>826,317</u> | <u>1,312,537</u> | <u>(486,220)</u> | -37.04% | <u>514,957</u> |
| TOTAL | \$ <u>1,948,478</u> | \$ <u>1,411,394</u> | \$ <u>537,084</u> | 38.05% | \$ <u>1,866,670</u> |

NORTH PENN WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2022 AND 2021

Long-Term Debt

At the end of 2022, the North Penn Water Authority had total debt outstanding of \$44,585,000. The Authority's total debt decreased by \$5,185,000. 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, 2022</u> |
|------------|-------------------------|---|
| 2015 Bonds | \$ 18,050,000 | \$ 13,190,000 |
| 2019 Bonds | 22,785,000 | 10,085,000 |
| 2021 Bonds | <u>21,310,000</u> | <u>21,310,000</u> |
| TOTAL | <u>\$ 62,145,000</u> | <u>\$ 44,585,000</u> |

NORTH PENN WATER AUTHORITY

STATEMENTS OF NET POSITION

DECEMBER 31, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|--|--------------------|--------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 17,250,837 | \$ 13,319,724 |
| Investments | 491,107 | 731,595 |
| Accounts receivable | | |
| Customers | 2,182,694 | 2,084,544 |
| PECO | 400,000 | 432,000 |
| Other | 30,492 | 111,799 |
| Lease receivable, current portion | 290,346 | - |
| Assessments receivable, current portion | 6,207 | 3,719 |
| Unbilled revenues | 2,771,496 | 2,491,596 |
| Materials inventory, net | 1,167,083 | 744,779 |
| Other | 244,085 | 195,587 |
| TOTAL CURRENT ASSETS | <u>24,834,347</u> | <u>20,115,343</u> |
| RESTRICTED ASSETS | | |
| Cash and equivalents | <u>15,319,024</u> | <u>20,514,607</u> |
| UTILITY PLANT | | |
| Property, plant and equipment, net | 142,014,219 | 140,018,187 |
| Investment in Forest Park Water, net | <u>36,676,522</u> | <u>38,710,512</u> |
| TOTAL UTILITY PLANT | <u>178,690,741</u> | <u>178,728,699</u> |
| OTHER ASSETS | | |
| Lease receivable, noncurrent portion | 2,152,229 | - |
| Assessments receivable, noncurrent portion | <u>12,976</u> | <u>16,003</u> |
| TOTAL OTHER ASSETS | <u>2,165,205</u> | <u>16,003</u> |
| TOTAL FORWARD | <u>221,009,317</u> | <u>219,374,652</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Accumulated decrease in fair value of hedging derivative | <u>143,058</u> | <u>970,660</u> |
| TOTAL FORWARD | <u>\$ 143,058</u> | <u>\$ 970,660</u> |

NORTH PENN WATER AUTHORITY

STATEMENTS OF NET POSITION

DECEMBER 31, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|--|------------------------------|------------------------------|
| ASSETS | | |
| TOTAL FORWARDED | \$ <u>221,009,317</u> | \$ <u>219,374,652</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| TOTAL FORWARDED | <u>143,058</u> | <u>970,660</u> |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable | 723,423 | 1,005,230 |
| Main extension deposits | 3,022,905 | 2,769,101 |
| Other | 793,161 | 783,016 |
| Current liabilities payable from restricted assets | | |
| Accrued interest on bonds | 325,504 | 315,852 |
| Bonds payable | 5,630,000 | 5,185,000 |
| Unamortized bond premium, net | 430,693 | 430,693 |
| TOTAL CURRENT LIABILITIES | <u>10,925,686</u> | <u>10,488,892</u> |
| NONCURRENT LIABILITIES | | |
| Derivative instrument, rate swap | 143,058 | 970,660 |
| Long-term debt, bonds payable | 38,955,000 | 44,585,000 |
| Unamortized bond premium, net | 4,035,546 | 4,466,239 |
| TOTAL NONCURRENT LIABILITIES | <u>43,133,604</u> | <u>50,021,899</u> |
| TOTAL LIABILITIES | <u>54,059,290</u> | <u>60,510,791</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred charge on refunding | 1,674,407 | 1,690,963 |
| Deferred inflows of resources, leases | 2,363,566 | - |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>4,037,973</u> | <u>1,690,963</u> |
| NET POSITION | | |
| Net investment in capital assets | 140,935,389 | 135,341,098 |
| Unrestricted assets | <u>22,119,723</u> | <u>22,802,460</u> |
| TOTAL NET POSITION | \$ <u><u>163,055,112</u></u> | \$ <u><u>158,143,558</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, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|---|-----------------------|-----------------------|
| OPERATING REVENUES | | |
| Metered sales | \$ 21,055,596 | \$ 19,722,497 |
| Unmetered sales | 606,980 | 596,475 |
| Other revenues | 47,528 | 48,058 |
| TOTAL OPERATING REVENUES | <u>21,710,104</u> | <u>20,367,030</u> |
| OPERATING EXPENSES | | |
| Water collection system | 2,559,093 | 2,342,362 |
| Purification system | 84,475 | 86,330 |
| Laboratory costs | 422,842 | 379,226 |
| Pumping system | 507,832 | 535,521 |
| Metering and customer service | 383,474 | 407,288 |
| Distribution system | 935,429 | 986,356 |
| Information technology | 920,390 | 946,213 |
| Administrative and engineering | 2,039,825 | 1,739,460 |
| General expenses | 3,306,915 | 3,091,296 |
| TOTAL OPERATING EXPENSES | <u>11,160,275</u> | <u>10,514,052</u> |
| OPERATING INCOME | 10,549,829 | 9,852,978 |
| NONOPERATING INCOME | 1,909,588 | 1,783,387 |
| CAPITAL CONTRIBUTIONS | <u>1,948,478</u> | <u>1,411,394</u> |
| INCOME BEFORE DEBT SERVICE COSTS AND DEPRECIATION AND AMORTIZATION | <u>14,407,895</u> | <u>13,047,759</u> |
| DEBT SERVICE COSTS | | |
| Interest on bonds | 2,072,654 | 2,751,040 |
| Bond issuance costs | - | 275,734 |
| Amortization of bond discount and premium | (430,693) | (374,593) |
| TOTAL DEBT SERVICE COSTS | <u>1,641,961</u> | <u>2,652,181</u> |
| INCOME EXCLUSIVE OF DEPRECIATION AND AMORTIZATION | <u>12,765,934</u> | <u>10,395,578</u> |
| DEPRECIATION AND AMORTIZATION | | |
| Property, plant and equipment | 5,572,963 | 5,560,224 |
| Forest Park Water | 2,281,417 | 2,301,511 |
| TOTAL DEPRECIATION AND AMORTIZATION | <u>7,854,380</u> | <u>7,861,735</u> |
| CHANGE IN NET POSITION | 4,911,554 | 2,533,843 |
| NET POSITION AT BEGINNING OF YEAR | <u>158,143,558</u> | <u>155,609,715</u> |
| NET POSITION AT END OF YEAR | <u>\$ 163,055,112</u> | <u>\$ 158,143,558</u> |

See accompanying notes to the basic financial statements.

NORTH PENN WATER AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|---|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers | \$ 22,560,122 | \$ 22,161,360 |
| Cash paid to suppliers | (7,128,735) | (5,447,028) |
| Cash paid to employees | (4,471,702) | (4,183,538) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>10,959,685</u> | <u>12,530,794</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Overhead and equipment usage charged to fixed capital assets | 19,910 | 3,198 |
| Contributions and assessments for main extensions | 1,948,478 | 1,411,394 |
| Acquisition and construction of capital assets | (7,707,285) | (7,241,100) |
| Additions to Forest Park Water | (247,427) | (761,642) |
| Proceeds from rental of fixed assets | 439,101 | 437,674 |
| Proceeds from bond issue | - | 21,310,000 |
| Principal paid on Water Revenue Bonds | (5,185,000) | (30,480,000) |
| Interest paid on Water Revenue Bonds | (2,079,558) | (2,860,026) |
| 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>(12,811,781)</u> | <u>(14,418,583)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 347,138 | 9,622 |
| Sales of investments | 731,595 | 157,770 |
| Purchases of investments | (491,107) | (158,023) |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>587,626</u> | <u>9,369</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (1,264,470) | (1,878,420) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>33,834,331</u> | <u>35,712,751</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 32,569,861</u> | <u>\$ 33,834,331</u> |
| CASH AND CASH EQUIVALENTS COMPRISED OF | | |
| Current | \$ 17,250,837 | \$ 13,319,724 |
| Restricted | <u>15,319,024</u> | <u>20,514,607</u> |
| | <u>\$ 32,569,861</u> | <u>\$ 33,834,331</u> |

NORTH PENN WATER AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|---|-----------------------------|-----------------------------|
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Operating income | \$ 10,549,829 | \$ 9,852,978 |
| Penalties, service connection fees, miscellaneous sales, other nonoperating reimbursements and revenues from PECO | 1,162,720 | 1,375,298 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | |
| (Increase) decrease in | | |
| Accounts receivable | | |
| Customers | (98,150) | 186,753 |
| PECO | 32,000 | 50,405 |
| Other | 81,307 | 286,282 |
| Assessments receivable | 539 | 12,115 |
| Unbilled revenues | (279,900) | (108,477) |
| Materials inventory | (422,304) | (395,611) |
| Other current assets | (48,498) | (8,046) |
| Increase (decrease) in | | |
| Accounts payable | (281,807) | 456,136 |
| Main extension deposits | 253,804 | 809,601 |
| Other current liabilities | 10,145 | 13,360 |
| | <u> </u> | <u> </u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 10,959,685</u> | <u>\$ 12,530,794</u> |

See accompanying notes to the basic financial statements.

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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, 2022 AND 2021

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, 2022 AND 2021

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 inflows of resources, leases 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.

Leases

North Penn Water Authority is the lessor for noncancellable leases of space on water tanks. North Penn Water Authority recognizes a lease receivable and a deferred inflow of resources in the statement of net position.

At commencement of a lease, North Penn Water Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Key estimates and judgments include how the North Penn Water Authority determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and 3) lease receipts.

- The North Penn Water Authority uses its estimated incremental borrowing rates as the discount rate for leases.
- The lease term includes the noncancellable period of the lease plus renewal options that are reasonably certain to be exercised. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

North Penn Water Authority monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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, 2022 AND 2021

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, 2021 | Additions |
|---------------------------------------|-------------------------------------|-------------------------------|---------------------|
| COMPONENTS | | | |
| Land | 40 | \$ 2,190,511 | \$ 105,556 |
| Wells | 33-50 | 940,292 | 84,077 |
| Storage and distribution system | 10-50 | 190,281,963 | 5,400,048 |
| Plant and structures | 5-10 | 10,831,416 | 830,765 |
| Equipment | 40 | 11,792,840 | 900,575 |
| Organization expense | | 301,509 | - |
| TOTAL COMPONENTS | | <u>216,338,531</u> | <u>7,321,021</u> |
| Accumulated depreciation | | | |
| Wells | | (666,060) | (17,028) |
| Storage and distribution system | | (60,807,758) | (4,385,082) |
| Plant and structures | | (6,576,413) | (533,604) |
| Equipment | | (9,679,989) | (617,121) |
| Organization expense | | (228,595) | (7,389) |
| TOTAL ACCUMULATED DEPRECIATION | | <u>(77,958,815)</u> | <u>(5,560,224)</u> |
| PROPERTY, PLANT AND EQUIPMENT, net | | <u>\$ 138,379,716</u> | <u>\$ 1,760,797</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, 2022 and 2021, \$32,049,552 and \$33,501,332, respectively, of the Authority's bank balance was exposed to custodial credit risk as follows:

| | <u>2022</u> | <u>2021</u> |
|---|----------------------|----------------------|
| Uninsured and collateralized with securities held by the pledging bank's trust department not in the Authority's name | <u>\$ 32,049,552</u> | <u>\$ 33,501,332</u> |

| | Balance December 31, 2021 | Additions | Disposals | Balance December 31, 2022 |
|---------------------|---------------------------------|---------------------|-----------------------|---------------------------------|
| Disposals | | | | |
| \$ - | \$ 2,296,067 | \$ 42,393 | \$ - | \$ 2,338,460 |
| - | 1,024,369 | - | - | 1,024,369 |
| (149,510) | 195,532,501 | 12,070,472 | (4,900,579) | 202,702,394 |
| - | 11,662,181 | 78,728 | - | 11,740,909 |
| (32,175) | 12,661,240 | 228,361 | (300,946) | 12,588,655 |
| - | 301,509 | - | - | 301,509 |
| <u>(181,685)</u> | <u>223,477,867</u> | <u>12,419,954</u> | <u>(5,201,525)</u> | <u>230,696,296</u> |
| - | (683,088) | (16,152) | - | (699,240) |
| 27,184 | (65,165,656) | (4,503,551) | 55,782 | (69,613,425) |
| - | (7,110,017) | (471,607) | - | (7,581,624) |
| 32,175 | (10,264,935) | (574,263) | 294,784 | (10,544,414) |
| - | (235,984) | (7,390) | - | (243,374) |
| <u>59,359</u> | <u>(83,459,680)</u> | <u>(5,572,963)</u> | <u>350,566</u> | <u>(88,682,077)</u> |
| \$ <u>(122,326)</u> | \$ <u>140,018,187</u> | \$ <u>6,846,991</u> | \$ <u>(4,850,959)</u> | \$ <u>142,014,219</u> |

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE E - DEPOSITS AND INVESTMENTS (Continued)

Investments

The Authority had the following investments and maturities:

| <u>Investment Type</u> | <u>2022</u> | | | |
|------------------------|-------------------|-----------------------|------------------------------|---------------------|
| | <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>491,107</u> | \$ <u>491,107</u> | \$ <u>-</u> |
| <u>Investment Type</u> | <u>2021</u> | | | |
| | <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> |

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, 2022 and 2021 is \$491,107 and \$731,595, 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, 2022 and December 31, 2021 except for its Interest Rate Hedge Swap (See Note J).

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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, 2022 and 2021, the Authority's investments were rated as:

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

Concentration of Credit Risk - In 2022 and 2021, all of the Authority's investments were in state investment pools.

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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, 2022 and 2021, 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:

| | <u>Main Extensions</u> | <u>Assessments</u> | <u>Distribution and Capacity Charges</u> | <u>Totals</u> |
|----------------------------|----------------------------|--------------------|--|-----------------------|
| BALANCE, DECEMBER 31, 2020 | \$ 99,551,273 | \$ 758,472 | \$ 13,112,477 | \$ 113,422,222 |
| Additions | <u>98,857</u> | <u>-</u> | <u>1,312,537</u> | <u>1,411,394</u> |
| BALANCE, DECEMBER 31, 2021 | 99,650,130 | 758,472 | 14,425,014 | 114,833,616 |
| Additions | <u>1,122,161</u> | <u>-</u> | <u>826,317</u> | <u>1,948,478</u> |
| BALANCE, DECEMBER 31, 2022 | \$ <u>100,772,291</u> | \$ <u>758,472</u> | \$ <u>15,251,331</u> | \$ <u>116,782,094</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 2022 and 2021:

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. Authority contributions for salaries in 2022 and 2021 were \$283,445 and 251,789, respectively.

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE G - EMPLOYEE BENEFIT PLANS (Continued)

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 2022 and 2021 was \$111,882 and \$99,097, 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, 2022 AND 2021

NOTE I - LONG-TERM OBLIGATIONS

The following changes occurred in long-term obligations:

| | Balance January 1, 2021 | Additions | Principal Retirements |
|----------------|-------------------------------|----------------------|--------------------------|
| Bonds Payable | | | |
| Series of 2021 | \$ - | \$ 21,310,000 | \$ - |
| Series of 2019 | 18,775,000 | - | (4,255,000) |
| Series of 2015 | 14,670,000 | - | (730,000) |
| Series of 2012 | 25,495,000 | - | - |
| Bond premium | <u>3,734,386</u> | <u>4,037,653</u> | <u>(374,593)</u> |
| | <u>\$ 62,674,386</u> | <u>\$ 25,347,653</u> | <u>\$ (5,359,593)</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, 2022, are as follows:

| <u>Maturing November 1,</u> | <u>Interest Rate</u> | <u>Principal</u> | <u>Interest</u> |
|---------------------------------|--------------------------|----------------------|---------------------|
| 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 | 4.00% | 2,285,000 | 680,200 |
| 2028 to 2032 | 4.00% | <u>14,720,000</u> | <u>1,956,600</u> |
| | | <u>\$ 21,310,000</u> | <u>\$ 5,962,000</u> |

| <u>Refunding</u> | <u>Balance December 31, 2021</u> | <u>Additions</u> | <u>Principal Retirements</u> | <u>Balance December 31, 2022</u> | <u>Current Portion</u> |
|------------------------|--|------------------|----------------------------------|--|----------------------------|
| \$ - | \$ 21,310,000 | \$ - | \$ - | \$ 21,310,000 | \$ - |
| - | 14,520,000 | - | (4,435,000) | 10,085,000 | 4,860,000 |
| - | 13,940,000 | - | (750,000) | 13,190,000 | 770,000 |
| (25,495,000) | - | - | - | - | - |
| <u>(2,500,514)</u> | <u>4,896,932</u> | <u>-</u> | <u>(430,693)</u> | <u>4,466,239</u> | <u>430,693</u> |
| <u>\$ (27,995,514)</u> | <u>\$ 54,666,932</u> | <u>\$ -</u> | <u>\$ (5,615,693)</u> | <u>\$ 49,051,239</u> | <u>\$ 6,060,693</u> |

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE I - LONG-TERM OBLIGATIONS (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, 2022, are as follows:

| <u>Maturing November 1,</u> | <u>Annual Interest Rate</u> | <u>Principal</u> | <u>Interest</u> |
|---------------------------------|-------------------------------------|----------------------|-------------------|
| 2023 | 3.50% | \$ 4,860,000 | \$ 472,917 |
| 2024 | 3.50% | <u>5,225,000</u> | <u>247,534</u> |
| | | <u>\$ 10,085,000</u> | <u>\$ 720,451</u> |

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE I - LONG-TERM OBLIGATIONS (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, 2022, are as follows:

| <u>Maturing November 1,</u> | <u>Annual Interest Rate</u> | <u>Principal</u> | <u>Interest</u> |
|---------------------------------|-------------------------------------|----------------------|---------------------|
| 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 | 4.00%-5.00% | 910,000 | 462,550 |
| 2028 to 2032 | 4.00%-5.00% | 5,260,000 | 1,614,100 |
| 2033 to 2035 | 4.00%-5.00% | <u>3,740,000</u> | <u>380,250</u> |
| | | <u>\$ 13,190,000</u> | <u>\$ 4,676,500</u> |

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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, 2022 AND 2021

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, 2022, 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, 2022 AND 2021

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

As of December 31, 2022, the counterparty was rated A+ by Standard & Poor's, Aa3 by Moody's Investors Service and AA- 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, 2022</u> <u>Positive (Negative)</u> | <u>Notional Amount as of December 31, 2022</u> |
|-----------------------------------|---|---|--|
| 2019 pay-fixed interest rate swap | Hedge changes in cash flows on Series of 2019 bonds | \$ <u>(143,058)</u> | \$ <u>10,085,000</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, 2022

| | <u>Classification</u> | <u>Amount</u> |
|---|-----------------------|---------------------|
| Cash flow hedges, 2019 pay-fixed interest rate swap | Deferred outflow | \$ <u>(827,602)</u> |

Fair Value at December 31, 2022

| | <u>Classification</u> | <u>Fair Value Positive (Negative)</u> | <u>Notional Amount</u> |
|---|-----------------------|---------------------------------------|------------------------|
| Cash flow hedges, 2019 pay fixed interest rate swap | Debt | \$ <u>(143,058)</u> | \$ <u>10,085,000</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, 2022</u> | <u>Effective Date</u> | <u>Termination Date</u> | <u>Terms</u> |
|---|-----------------------|-------------------------|--|
| \$ <u>10,085,000</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, 2022 AND 2021

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 (\$143,058) as of December 31, 2022. 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, 2022, 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> |
|---------------------------------|--------------------------|----------------------|-------------------|
| 2023 | 3.50% | 4,860,000 | 472,917 |
| 2024 | 3.50% | <u>5,225,000</u> | <u>247,534</u> |
| | | <u>\$ 10,085,000</u> | <u>\$ 720,451</u> |

Assumptions:

- (1) Bond interest based on a rate of 3.50% as of December 31, 2022.

Risks Associated With Interest Rate Hedge Swaps

Credit Risk - As of December 31, 2022, 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, 2022, the swap counterparty was rated AA- 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, 2022 AND 2021

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

Interest Rate Risk - As of December 31, 2022, 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 43 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, 2022 AND 2021

NOTE K - INVESTMENT IN FOREST PARK WATER (Continued)

At December 31, 2022 and 2021, the Authority had capitalized \$92,056,457 and \$91,809,030, respectively, related to its investment in Forest Park, which consisted of the following amounts:

| | <u>2022</u> | <u>2021</u> |
|--------------------------|----------------------|----------------------|
| Treatment Plant | \$ 75,987,482 | \$ 75,056,393 |
| Water Diversion Project | 14,841,899 | 14,801,129 |
| PECO Contract | <u>1,227,076</u> | <u>1,951,508</u> |
| | 92,056,457 | 91,809,030 |
| Accumulated depreciation | <u>(55,379,935)</u> | <u>(53,098,518)</u> |
| | <u>\$ 36,676,522</u> | <u>\$ 38,710,512</u> |

The total cost of the project as of September 30, 2022 and 2021 (Forest Park’s year-end) was \$174,359,898 and \$172,457,001, 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, 2022, 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 - LEASES

Lease Receivable

The Authority leases space on their water tanks. The leases range from monthly payments of \$872-\$5,391 through 2039. The North Penn Water Authority recognized \$415,548 in lease revenue and \$102,562 in interest revenue during 2022 related to these leases. As of December 31, 2022, North Penn Water Authority’s receivable for lease payments was \$2,442,575. Also, North Penn Water Authority has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease term. As of December 31, 2022, the balance of the deferred inflow of resources was \$2,363,566.

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE M - PRIOR PERIOD RESTATEMENT

The Authority implemented GASB Statement No. 87, Leases, effective January 1, 2022. The objective of GASB Statement No. 87 is to better meet the information needs of the financial statement user by improving accounting and financial reporting for leases by governments. The statement requires recognition of lease assets and liabilities using the foundational principle that leases are financings of the right of use an underlying asset.

GASB 87 requires full retrospective presentation, with all prior period financial statements restated for the requirements of the new standard, except where not practicable. In cases where full restatement is not practicable, an entity should adjust, where appropriate, for the cumulative effect of applying the new statement for the earliest period restated. Given the volume of leases, availability of information, and the complexity of the standard, management and the Board of Directors have concluded that it is not practical for the Authority to restate prior periods. Therefore, the Authority has implemented the standard through a cumulative effect adjustment as of January 1, 2022.

The Authority has treated the beginning of the year assets and deferred inflow for leases in which the Authority is a lessor as having been recognized in the period incurred. As part of the implementation, the Authority has adjusted the beginning balance of Lease Receivables and Lease Related Deferred Inflows from \$0 to \$2,769,701.

NOTE N - SUBSEQUENT EVENT

In February 2023, the Authority issued Water Revenue Refunding Bonds, Series of 2023 for \$12,195,000, for the purpose of currently refunding all of the Authority's outstanding Water Revenue Bonds, Series of 2015, fund any required deposit to the Debt Service Reserve Fund, and to pay the costs of issuing the 2023 Bonds.

SUPPLEMENTARY INFORMATION SECTION

NORTH PENN WATER AUTHORITY
SCHEDULE OF CORPORATE ENTITY
YEARS ENDED DECEMBER 31, 2022 AND 2021

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, 2022, were as follows:

| <u>Member</u> | <u>Office Held</u> | <u>Appointed By</u> | <u>Term Expires December 31,</u> |
|------------------------|---------------------|------------------------|--------------------------------------|
| George E. Witmayer | Vice Chair | Franconia Township | 2025 |
| William K. Dingman | Chair | Towamencin Township | 2025 |
| Arthur C. Bustard | Member | Worcester Township | 2026 |
| Robert J. Rodgers | Member | Hatfield Township | 2026 |
| Richard C. Mast | Treasurer | Lower Salford Township | 2022 |
| Kenneth V. Farrall | Secretary | Hatfield Borough | 2022 |
| Jeffrey H. Simcox | Member | Lansdale Borough | 2023 |
| Helen B. Haun | Assistant Secretary | New Britain Township | 2023 |
| David W. Dedman | Assistant Treasurer | Skippack Township | 2024 |
| Amy J. Cummings-Leight | Member | Souderton Borough | 2024 |

NORTH PENN WATER AUTHORITY
SCHEDULES OF OPERATING REVENUES
YEARS ENDED DECEMBER 31, 2022 AND 2021

| | 2022 | | Actual |
|----------------------------|----------------------|----------------------|----------------------|
| | Budget | Actual | 2021 |
| OPERATING REVENUES | | | |
| Metered sales | | | |
| Domestic | \$ 12,428,000 | \$ 12,740,569 | \$ 12,376,315 |
| Commercial | 2,268,000 | 2,320,755 | 2,094,302 |
| Industrial | 3,174,000 | 3,718,448 | 3,092,394 |
| Public | 692,000 | 547,239 | 487,020 |
| FPW metered sales to BCWSA | 1,537,000 | 1,543,177 | 1,541,180 |
| Other | 100,000 | 185,408 | 131,286 |
| TOTAL METERED SALES | <u>20,199,000</u> | <u>21,055,596</u> | <u>19,722,497</u> |
| Unmetered sales | | | |
| Private fire protection | 250,000 | 271,277 | 264,018 |
| Public fire protection | 215,000 | 223,637 | 221,438 |
| Bulk sales | 50,000 | 112,066 | 111,019 |
| TOTAL UNMETERED SALES | <u>515,000</u> | <u>606,980</u> | <u>596,475</u> |
| Other revenues | <u>43,000</u> | <u>47,528</u> | <u>48,058</u> |
| TOTAL OPERATING REVENUES | <u>\$ 20,757,000</u> | <u>\$ 21,710,104</u> | <u>\$ 20,367,030</u> |

NORTH PENN WATER AUTHORITY
SCHEDULES OF OPERATING EXPENSES, EXCLUSIVE OF
DEPRECIATION AND AMORTIZATION
YEARS ENDED DECEMBER 31, 2022 AND 2021

| | 2022 | | Actual |
|--|---------------------|---------------------|---------------------|
| | Budget | Actual | 2021 |
| OPERATING EXPENSES | | | |
| Water collection system | | | |
| Water purchased, general | \$ 151,000 | \$ 132,499 | \$ 102,721 |
| Forest Park Water operating expenses | 2,170,000 | 2,426,594 | 2,239,641 |
| TOTAL WATER COLLECTION SYSTEM | 2,321,000 | 2,559,093 | 2,342,362 |
| Purification system | | | |
| Supplies and expenses | 40,000 | 38,969 | 38,569 |
| Maintenance of equipment | 50,000 | 45,506 | 47,761 |
| TOTAL PURIFICATION SYSTEM | 90,000 | 84,475 | 86,330 |
| Laboratory costs | | | |
| Labor | 272,000 | 289,211 | 244,363 |
| Chemicals and supplies | 65,000 | 48,103 | 44,381 |
| Maintenance of equipment | 39,000 | 27,498 | 29,324 |
| Utilities | 5,000 | 5,160 | 4,102 |
| Regulated sampling | 58,000 | 52,870 | 57,056 |
| TOTAL LABORATORY COSTS | 439,000 | 422,842 | 379,226 |
| Pumping system | | | |
| Labor | 230,000 | 192,021 | 186,744 |
| Regional well monitoring | 2,000 | 1,678 | 2,574 |
| SCADA system | 28,000 | 23,229 | 11,375 |
| Supplies | 15,000 | 4,946 | 7,368 |
| Power purchased | 215,000 | 200,476 | 208,897 |
| Maintenance of equipment | 126,000 | 85,482 | 118,563 |
| TOTAL PUMPING SYSTEM | 616,000 | 507,832 | 535,521 |
| Metering and customer service | | | |
| Maintenance of meters and boxes | 414,000 | 369,736 | 390,421 |
| General meter supplies | 30,000 | 13,738 | 16,867 |
| TOTAL METERING AND CUSTOMER SERVICE | 444,000 | 383,474 | 407,288 |
| SUBTOTAL OPERATING EXPENSES FORWARD | \$ 3,910,000 | \$ 3,957,716 | \$ 3,750,727 |

NORTH PENN WATER AUTHORITY
SCHEDULES OF OPERATING EXPENSES, EXCLUSIVE OF
DEPRECIATION AND AMORTIZATION
YEARS ENDED DECEMBER 31, 2022 AND 2021

| | 2022 | | Actual 2021 |
|---|---------------------|---------------------|---------------------|
| | Budget | Actual | |
| OPERATING EXPENSES | | | |
| SUBTOTAL FORWARDED | \$ 3,910,000 | \$ 3,957,716 | \$ 3,750,727 |
| Distribution system | | | |
| Operating labor | 424,000 | 346,241 | 423,037 |
| Supplies and expense | 33,000 | 34,836 | 29,630 |
| Gratuitous service | 10,000 | - | - |
| One call - location | 88,000 | 86,057 | 84,294 |
| Maintenance of service lines | 128,000 | 117,926 | 128,679 |
| Maintenance of mains | 197,000 | 206,812 | 175,356 |
| Maintenance of valves | 42,000 | 39,736 | 30,366 |
| Maintenance of fire hydrants | 114,000 | 74,794 | 96,558 |
| Maintenance of easements | 46,000 | - | - |
| Leak surveys | 25,000 | 29,027 | 18,359 |
| Reservoirs, general maintenance | 3,000 | - | 77 |
| TOTAL DISTRIBUTION SYSTEM | <u>1,110,000</u> | <u>935,429</u> | <u>986,356</u> |
| Information technology | | | |
| Salaries | 267,000 | 259,418 | 252,878 |
| Data and communication | 80,000 | 74,972 | 95,353 |
| IT consulting/software updates | 226,000 | 147,419 | 174,006 |
| IT maintenance and support contacts | 233,000 | 242,962 | 258,076 |
| IT software services | 186,000 | 187,260 | 153,171 |
| IT equipment and supplies | 15,000 | 8,359 | 12,729 |
| TOTAL INFORMATION TECHNOLOGY | <u>1,007,000</u> | <u>920,390</u> | <u>946,213</u> |
| Administrative and engineering | | | |
| Salaries | | | |
| General officers | 1,195,000 | 1,254,472 | 989,494 |
| Customer service and accounting | 372,000 | 383,509 | 365,733 |
| Engineering | 147,000 | 104,845 | 101,809 |
| Administration and public relations | 185,000 | 217,210 | 171,637 |
| Maps and records | 5,000 | 8,432 | 4,480 |
| Personnel expenses | 70,000 | 71,357 | 106,307 |
| TOTAL ADMINISTRATIVE AND ENGINEERING | <u>1,974,000</u> | <u>2,039,825</u> | <u>1,739,460</u> |
| SUBTOTAL OPERATING EXPENSES FORWARD | \$ <u>8,001,000</u> | \$ <u>7,853,360</u> | \$ <u>7,422,756</u> |

NORTH PENN WATER AUTHORITY
SCHEDULES OF OPERATING EXPENSES, EXCLUSIVE OF
DEPRECIATION AND AMORTIZATION
YEARS ENDED DECEMBER 31, 2022 AND 2021

| | 2022 | | Actual 2021 |
|--|----------------------|----------------------|----------------------|
| | Budget | Actual | |
| OPERATING EXPENSES | | | |
| SUBTOTAL FORWARDED | \$ 8,001,000 | \$ 7,853,360 | \$ 7,422,756 |
| General expenses | | | |
| General office supplies | 30,000 | 10,120 | 19,733 |
| Copy machine | 15,000 | 11,818 | 13,083 |
| Postage | 112,000 | 96,819 | 107,743 |
| Officers' general expenses | 90,000 | 109,031 | 87,840 |
| Education, training | 89,000 | 91,492 | 36,092 |
| Payment processing fees | 150,000 | 177,044 | 154,666 |
| Other general office expenses | 20,000 | 22,071 | 16,104 |
| On call expense labor and miscellaneous cost | 33,000 | 34,262 | 35,001 |
| Maintenance of vehicles | 210,000 | - | - |
| Taxes | | | |
| Employee payroll | 346,000 | 336,337 | 307,563 |
| Unemployment compensation | 6,000 | 4,279 | 4,240 |
| Uncollected consumer accounts | - | 498 | - |
| General law expenses | 100,000 | 86,737 | 72,564 |
| Engineering consultation | 50,000 | 31,658 | 40,531 |
| Audit expenses | 29,000 | 35,000 | 28,000 |
| Insurance | | | |
| Corporate | 245,000 | 234,929 | 243,591 |
| Employee | 1,268,000 | 1,177,036 | 1,111,731 |
| Trustee fee | 10,000 | 21,460 | 19,810 |
| Pensions | 309,000 | 287,882 | 261,065 |
| Personnel department | | | |
| Safety program | 3,000 | - | 2,442 |
| Public information | 106,000 | 105,311 | 80,116 |
| Maintenance of general properties | 146,000 | 327,796 | 334,717 |
| Utilities expense | 50,000 | 38,921 | 41,648 |
| Trash/ recycling expenses | 25,000 | 15,775 | 22,729 |
| Landscape maintenance | 60,000 | 50,639 | 50,287 |
| TOTAL GENERAL EXPENSES | <u>3,502,000</u> | <u>3,306,915</u> | <u>3,091,296</u> |
| TOTAL OPERATING EXPENSES | \$ <u>11,503,000</u> | \$ <u>11,160,275</u> | \$ <u>10,514,052</u> |

NORTH PENN WATER AUTHORITY
SCHEDULES OF NONOPERATING INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| NONOPERATING INCOME | | |
| Interest on investments | | |
| Revenue Fund | \$ 45,647 | \$ 405 |
| Operation and Maintenance Fund | 3,265 | 1,537 |
| Debt Service and Sinking Fund | 58,252 | 472 |
| Bond Redemption and Improvement Fund | 169,244 | 6,115 |
| Consumer Deposit Fund | 145 | 76 |
| Main Extension Fund | 644 | 183 |
| Debt Service Reserve Fund | 38,151 | 403 |
| Other funds | 31,790 | 431 |
| TOTAL INTEREST ON INVESTMENTS | <u>347,138</u> | <u>9,622</u> |
| Other nonoperating income | | |
| Overhead reimbursement, developers | 19,910 | 3,198 |
| Penalties on assessments and customer bills | 250,401 | 166,352 |
| Equipment rental | 518,110 | 437,674 |
| Service connection fees | 539,573 | 520,521 |
| Miscellaneous income | 79,153 | 382,349 |
| Net loss on disposal of fixed assets | (118,380) | (39,207) |
| Interest income on the PECO Contract | 273,683 | 302,878 |
| TOTAL OTHER NONOPERATING INCOME | <u>1,562,450</u> | <u>1,773,765</u> |
| TOTAL NONOPERATING INCOME | <u>\$ 1,909,588</u> | <u>\$ 1,783,387</u> |

NORTH PENN WATER AUTHORITY**SCHEDULES OF PROPERTY, PLANT AND EQUIPMENT
YEARS ENDED DECEMBER 31, 2022 AND 2021**

| | 2022 | | |
|--|-----------------------|---|-----------------------|
| | Cost | Accumulated Depreciation and Amortization | Net |
| PROPERTY, PLANT AND EQUIPMENT | | | |
| Land | \$ 2,338,460 | \$ - | \$ 2,338,460 |
| Wells | 1,024,369 | 699,241 | 325,128 |
| Chemical treatment plant | 583,910 | 530,759 | 53,151 |
| Pumping station structures | 3,964,124 | 2,689,772 | 1,274,352 |
| Pumps and pumping station | 2,983,444 | 2,453,854 | 529,590 |
| Electrical equipment | 2,269,608 | 1,774,546 | 495,062 |
| Storage reservoirs and sandpipes | 17,861,531 | 5,404,011 | 12,457,520 |
| Distribution mains | 140,332,189 | 47,377,308 | 92,954,881 |
| Service pipes | 28,550,016 | 11,178,766 | 17,371,250 |
| Meters and remote readers | 9,811,279 | 3,448,080 | 6,363,199 |
| Fire hydrants | 6,147,379 | 2,205,224 | 3,942,155 |
| General office structure | 7,192,875 | 4,361,094 | 2,831,781 |
| General office equipment | 2,612,532 | 2,369,059 | 243,473 |
| Radio equipment | 104,260 | 91,826 | 12,434 |
| Automobile vehicle equipment | 158,023 | 155,629 | 2,394 |
| Truck vehicle equipment | 1,924,257 | 1,661,849 | 262,408 |
| Backhoe equipment | 350,891 | 344,129 | 6,762 |
| Compressor equipment | 27,114 | 27,114 | - |
| Distribution department equipment | 607,997 | 565,712 | 42,285 |
| Pump department equipment | 7,846 | 7,846 | - |
| Meter department equipment | 866,428 | 464,082 | 402,346 |
| Grounds maintenance equipment | 37,133 | 36,943 | 190 |
| Vehicle maintenance equipment | 54,005 | 52,174 | 1,831 |
| Engineering equipment | 16,589 | 15,530 | 1,059 |
| General in-house equipment | 104,811 | 102,754 | 2,057 |
| Organization expense, capitalized | 301,509 | 243,372 | 58,137 |
| Laboratory equipment | 463,717 | 421,403 | 42,314 |
| TOTAL PROPERTY, PLANT AND EQUIPMENT | \$ <u>230,696,296</u> | \$ <u>88,682,077</u> | \$ <u>142,014,219</u> |

| 2021 | | |
|-----------------------|---|-----------------------|
| Cost | Accumulated Depreciation and Amortization | Net |
| \$ 2,296,067 | \$ - | \$ 2,296,067 |
| 1,024,369 | 683,089 | 341,280 |
| 574,216 | 519,672 | 54,544 |
| 3,956,768 | 2,422,756 | 1,534,012 |
| 2,912,848 | 2,322,275 | 590,573 |
| 2,214,257 | 1,650,352 | 563,905 |
| 17,720,511 | 4,988,063 | 12,732,448 |
| 135,572,554 | 44,730,500 | 90,842,054 |
| 27,274,126 | 10,385,685 | 16,888,441 |
| 9,158,280 | 2,984,112 | 6,174,168 |
| 5,807,030 | 2,077,259 | 3,729,771 |
| 7,131,197 | 4,167,590 | 2,963,607 |
| 2,804,980 | 2,547,275 | 257,705 |
| 104,260 | 91,255 | 13,005 |
| 158,023 | 150,841 | 7,182 |
| 1,924,257 | 1,528,332 | 395,925 |
| 350,891 | 337,951 | 12,940 |
| 27,114 | 27,114 | - |
| 604,702 | 552,204 | 52,498 |
| 7,846 | 7,846 | - |
| 866,428 | 412,542 | 453,886 |
| 37,133 | 36,927 | 206 |
| 62,612 | 60,257 | 2,355 |
| 16,589 | 14,819 | 1,770 |
| 104,811 | 100,294 | 4,517 |
| 301,509 | 235,983 | 65,526 |
| 464,489 | 424,687 | 39,802 |
| <u>\$ 223,477,867</u> | <u>\$ 83,459,680</u> | <u>\$ 140,018,187</u> |