

**NORTH PENN WATER AUTHORITY**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

*Years Ended December 31, 2024 and 2023*

## **INTRODUCTORY SECTION**

**NORTH PENN WATER AUTHORITY**  
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**YEARS ENDED DECEMBER 31, 2024 AND 2023**

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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, 2024 and 2023, 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, 2024 and 2023, 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.

### ***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.

### ***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 4, 2025

# **NORTH PENN WATER AUTHORITY**

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

**YEARS ENDED DECEMBER 31, 2024 AND 2023**

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As management of the North Penn Water Authority, we are offering readers of the Authority's financial statements this narrative overview and analysis of the Authority's financial performance during the fiscal year ended December 31, 2024. Please read it in conjunction with the Authority's financial statements, which follow this section.

### **2024 FINANCIAL HIGHLIGHTS**

- During the year, the Authority's net position increased by \$6,467,205 or 3.9%.
- During the year, the Authority's operating revenues were \$23,615,304, an increase from \$22,127,277 in 2023, while operating expenses increased to \$13,516,276, up from \$12,085,715 in 2023 or 11.8%.
- Capital Contributions to the Authority increased by \$857,429 to \$2,558,322, up from \$1,700,893 in 2023 or 50.4%.

### **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, 2024 AND 2023**

**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, 2024, 2023 and 2022:

***Condensed Statements of Net Position***

	2024	2023	Variance		2022
			Dollar	%	
<b>ASSETS</b>					
Current assets	\$ 24,998,209	\$ 22,961,983	\$ 2,036,226	8.9%	\$ 24,834,347
Restricted assets	14,128,352	13,589,826	538,526	4.0%	15,319,024
Utility plant	179,411,246	180,794,621	(1,383,375)	-0.8%	178,690,741
Other assets	3,108,870	2,570,552	538,318	20.9%	2,165,205
<b>TOTAL ASSETS</b>	<b>221,646,677</b>	<b>219,916,982</b>	<b>1,729,695</b>	<b>0.8%</b>	<b>221,009,317</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Accumulated decrease in fair value of hedging derivative	-	36,293	(36,293)	-100.0%	143,058
<b>LIABILITIES</b>					
Current liabilities	8,934,553	10,576,758	(1,642,205)	-15.5%	10,494,993
Long-term liabilities	33,045,565	36,462,452	(3,416,887)	-9.4%	43,564,297
<b>TOTAL LIABILITIES</b>	<b>41,980,118</b>	<b>47,039,210</b>	<b>(5,059,092)</b>	<b>-10.8%</b>	<b>54,059,290</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred charge on refunding	2,293,188	2,388,348	(95,160)	-4.0%	1,674,407
Deferred inflows of resources, leases	3,098,335	2,717,886	380,449	14.0%	2,363,566
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>5,391,523</b>	<b>5,106,234</b>	<b>285,289</b>	<b>5.6%</b>	<b>4,037,973</b>
<b>NET POSITION</b>					
Net investment in capital assets	151,316,584	149,203,181	2,113,403	1.4%	140,935,389
Unrestricted assets	22,958,452	18,604,650	4,353,802	23.4%	22,119,723
<b>TOTAL NET POSITION</b>	<b>\$ 174,275,036</b>	<b>\$ 167,807,831</b>	<b>\$ 6,467,205</b>	<b>3.9%</b>	<b>\$ 163,055,112</b>

**NORTH PENN WATER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

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- Total assets increased by \$1,729,695 in 2024 due primarily to the increase in unrestricted and restricted cash stemming from increased collections of non-operating tapping fees from EDU agreements with large customers and in aid of construction contributions from developer main extension projects.
- Total liabilities decreased by \$5,059,092 due primarily to the repayment of long-term debt.
- The net effect of these changes resulted in a \$6,467,205 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***

	2024	2023	Variance		2022
			Dollar	%	
Operating revenues	\$ 23,615,304	\$ 22,127,277	\$ 1,488,027	6.7%	\$ 21,710,104
Operating expenses	13,516,276	12,085,715	1,430,561	11.8%	11,160,275
INCOME FROM OPERATIONS	10,099,028	10,041,562	57,466	0.6%	10,549,829
Nonoperating revenues	2,851,138	2,260,675	590,463	26.1%	1,909,588
Nonoperating expenses	9,041,283	9,250,411	(209,128)	-2.3%	9,496,341
NONOPERATING EXPENSES, net	(6,190,145)	(6,989,736)	799,591	11.4%	(7,586,753)
INCOME BEFORE CONTRIBUTIONS	3,908,883	3,051,826	857,057	28.1%	2,963,076
Contributions in aid of construction	2,558,322	1,700,893	857,429	50.4%	1,948,478
CHANGE IN NET POSITION	\$ 6,467,205	\$ 4,752,719	\$ 1,714,486	36.1%	\$ 4,911,554

**Revenues**

- Operating revenues increased \$1,488,027 to \$23,615,304 or 6.7% from 2023 to 2024.

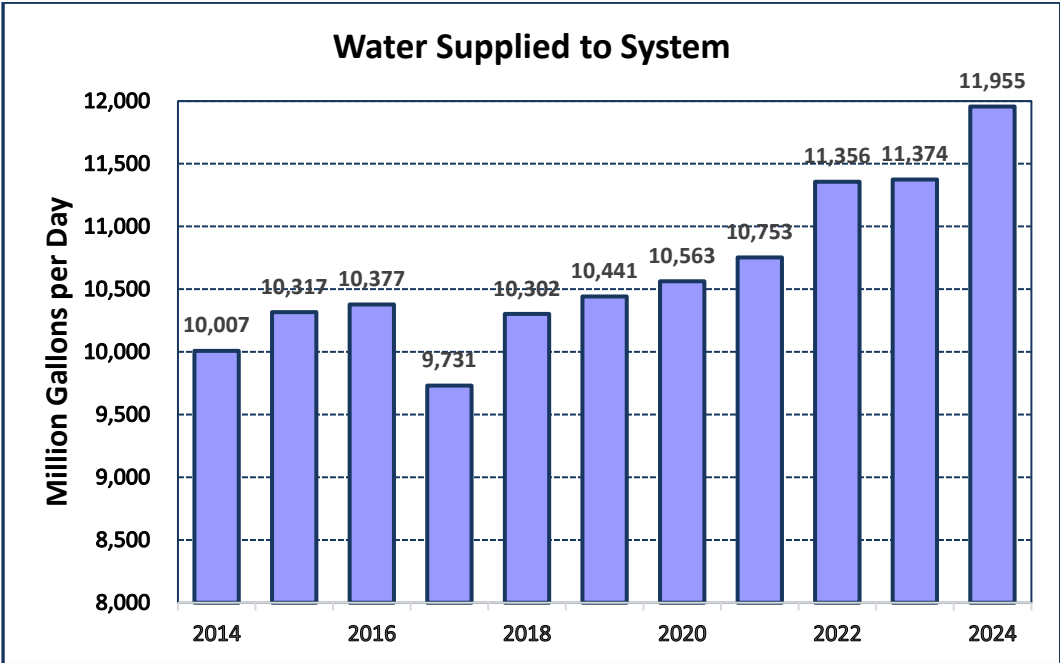
Operating revenues include the following:

	2024	2023	2022
Metered sales	\$ 22,936,816	\$ 21,436,888	\$ 21,055,596
Unmetered sales	627,667	634,034	606,980
Other revenues	50,821	56,355	47,528
	\$ 23,615,304	\$ 22,127,277	\$ 21,710,104

**NORTH PENN WATER AUTHORITY**  
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)  
YEARS ENDED DECEMBER 31, 2024 AND 2023

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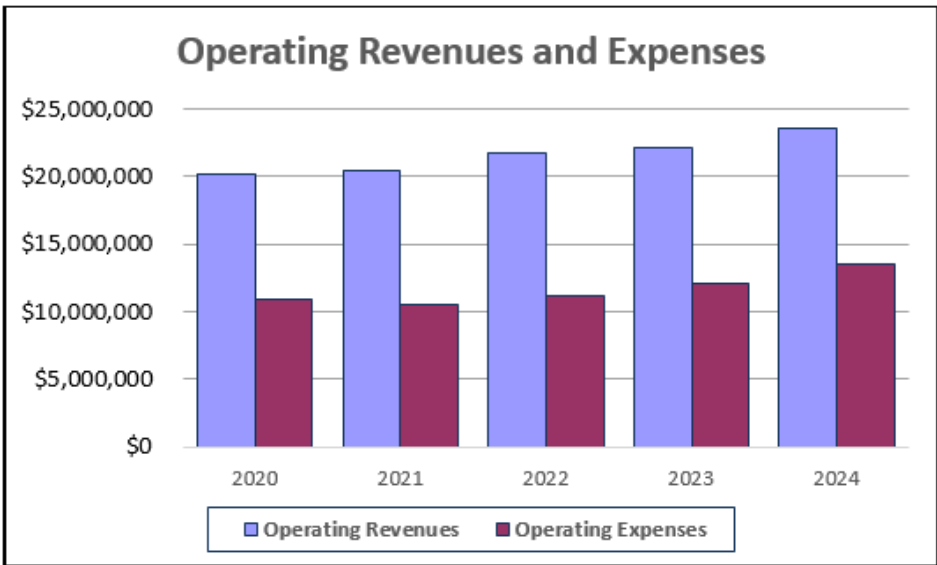
The chart below shows the historical average daily water supplied to the system for the years 2014 through 2024.



**Operating Expenses**

- Operating expenses increased by \$1,430,561 to \$13,516,276 or 11.8% from 2023 to 2024.

***Historical Operating Revenues and Expenses***



**NORTH PENN WATER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

**Capital Assets**

At the end of 2024, the Authority had invested \$243,686,678 in property, plant and equipment and also had invested \$94,642,493 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.

	2024	2023	Variance		2022
			Dollar	%	
PROPERTY, PLANT AND EQUIPMENT					
Land	\$ 2,370,302	\$ 2,392,981	\$ (22,679)	-0.9%	\$ 2,338,460
WIP	7,731,211	7,446,688	284,523	3.8%	5,745,724
Wells	1,024,381	1,024,381	-	0.0%	1,024,369
Storage and distribution system	207,452,030	209,644,145	(2,192,115)	-1.0%	196,956,670
Plant and structures	12,091,860	12,018,843	73,017	0.6%	11,740,909
Equipment	12,715,385	12,744,480	(29,095)	-0.2%	12,588,655
Organization expense	301,509	301,509	-	0.0%	301,509
TOTAL	243,686,678	238,126,339	(1,886,349)	-0.8%	230,696,296
Accumulated depreciation	(98,932,842)	(93,710,446)	(5,222,396)	-5.6%	(88,682,077)
NET PROPERTY, PLANT AND EQUIPMENT	<u>\$ 144,753,836</u>	<u>\$ 144,415,893</u>	<u>\$ (7,108,745)</u>	-4.9%	<u>\$ 142,014,219</u>
INVESTMENT IN FOREST PARK WATER					
Forest Park Water Treatment Plant	\$ 79,227,541	\$ 78,229,229	\$ 998,312	1.3%	\$ 75,987,482
Point Pleasant Pumping Station	15,414,952	15,309,435	105,517	0.7%	14,841,899
PECO Contract	-	459,765	(459,765)	-100.0%	1,227,076
TOTAL	94,642,493	93,998,429	644,064	0.7%	92,056,457
Accumulated depreciation	(59,985,083)	(57,619,701)	(2,365,382)	-4.1%	(55,379,935)
NET INVESTMENT IN FOREST PARK WATER	<u>\$ 34,657,410</u>	<u>\$ 36,378,728</u>	<u>\$ (1,721,318)</u>	-4.7%	<u>\$ 36,676,522</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 \$2,558,322 in 2024, which is an increase of \$857,429 from 2023.

	Year Ended December 31,		Variance		2022
	2024	2023	Dollar	%	
Contribution in assets	\$ 873,588	\$ 224,850	\$ 648,738	288.52%	\$ 1,122,161
Contribution in tapping fees	1,684,734	1,476,043	208,691	14.14%	826,317
TOTAL	<u>\$ 2,558,322</u>	<u>\$ 1,700,893</u>	<u>\$ 857,429</u>	50.41%	<u>\$ 1,948,478</u>

**NORTH PENN WATER AUTHORITY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

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**Long-Term Debt**

At the end of 2024, the North Penn Water Authority had total debt outstanding of \$32,520,000. The Authority’s total debt decreased by \$5,225,000. 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:

	Issue Amount	Debt Outstanding December 31, 2024
2019 Bonds	\$ 22,785,000	\$ -
2021 Bonds	21,310,000	21,310,000
2023 Bonds	<u>12,195,000</u>	<u>11,210,000</u>
TOTAL	<u>\$ 56,290,000</u>	<u>\$ 32,520,000</u>

**NORTH PENN WATER AUTHORITY**

## STATEMENTS OF NET POSITION

DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 17,197,521	\$ 14,790,727
Investments	545,105	517,192
Accounts receivable		
Customers	2,413,712	2,168,310
PECO	-	375,000
Other	191,087	540,660
Lease receivable, current portion	298,530	306,893
Assessments receivable, current portion	24,341	6,207
Unbilled revenues	2,587,283	2,502,712
Materials inventory, net	1,521,788	1,503,633
Other	218,842	250,649
TOTAL CURRENT ASSETS	<u>24,998,209</u>	<u>22,961,983</u>
RESTRICTED ASSETS		
Cash and equivalents	<u>14,128,352</u>	<u>13,589,826</u>
UTILITY PLANT		
Property, plant and equipment, net	144,753,836	144,415,893
Investment in Forest Park Water, net	<u>34,657,410</u>	<u>36,378,728</u>
TOTAL UTILITY PLANT	<u>179,411,246</u>	<u>180,794,621</u>
OTHER ASSETS		
Lease receivable, noncurrent portion	3,095,894	2,557,576
Assessments receivable, noncurrent portion	12,976	12,976
TOTAL OTHER ASSETS	<u>3,108,870</u>	<u>2,570,552</u>
TOTAL FORWARD	<u>221,646,677</u>	<u>219,916,982</u>
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated decrease in fair value of hedging derivative	<u>-</u>	<u>36,293</u>
TOTAL FORWARD	<u>\$ -</u>	<u>\$ 36,293</u>

**NORTH PENN WATER AUTHORITY**

## STATEMENTS OF NET POSITION

DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
TOTAL FORWARDED	\$ <u>221,646,677</u>	\$ <u>219,916,982</u>
DEFERRED OUTFLOWS OF RESOURCES		
TOTAL FORWARDED	<u>-</u>	<u>36,293</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	750,111	1,037,877
Main extension deposits	3,662,836	2,721,430
Other	914,637	824,064
Current liabilities payable from restricted assets		
Accrued interest on bonds	228,675	312,393
Bonds payable	2,920,000	5,225,000
Unamortized bond premium, net	458,294	455,994
TOTAL CURRENT LIABILITIES	<u>8,934,553</u>	<u>10,576,758</u>
NONCURRENT LIABILITIES		
Derivative instrument, rate swap	-	36,293
Long-term debt, bonds payable	29,600,000	32,520,000
Unamortized bond premium, net	3,445,565	3,906,159
TOTAL NONCURRENT LIABILITIES	<u>33,045,565</u>	<u>36,462,452</u>
TOTAL LIABILITIES	<u>41,980,118</u>	<u>47,039,210</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred charge on refunding	2,293,188	2,388,348
Deferred inflows of resources, leases	3,098,335	2,717,886
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>5,391,523</u>	<u>5,106,234</u>
NET POSITION		
Net investment in capital assets	151,316,584	149,203,181
Unrestricted assets	<u>22,958,452</u>	<u>18,604,650</u>
TOTAL NET POSITION	\$ <u><u>174,275,036</u></u>	\$ <u><u>167,807,831</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, 2024 AND 2023**

	2024	2023
OPERATING REVENUES		
Metered sales	\$ 22,936,816	\$ 21,436,888
Unmetered sales	627,667	634,034
Other revenues	50,821	56,355
TOTAL OPERATING REVENUES	<u>23,615,304</u>	<u>22,127,277</u>
OPERATING EXPENSES		
Water collection system	3,134,583	2,540,209
Purification system	61,579	89,513
Laboratory costs	501,499	455,512
Pumping system	546,235	575,022
Metering and customer service	302,851	360,639
Distribution system	1,260,826	1,075,621
Information technology	1,024,048	957,002
Administrative and engineering	2,492,089	2,179,792
General expenses	4,192,566	3,852,405
TOTAL OPERATING EXPENSES	<u>13,516,276</u>	<u>12,085,715</u>
OPERATING INCOME	10,099,028	10,041,562
NONOPERATING INCOME	2,851,138	2,260,675
CAPITAL CONTRIBUTIONS	<u>2,558,322</u>	<u>1,700,893</u>
INCOME BEFORE DEBT SERVICE COSTS AND DEPRECIATION AND AMORTIZATION	<u>15,508,488</u>	<u>14,003,130</u>
DEBT SERVICE COSTS		
Interest on bonds	1,425,998	1,598,547
Bond issuance costs	-	228,255
Amortization of bond discount and premium	(458,294)	(455,994)
TOTAL DEBT SERVICE COSTS	<u>967,704</u>	<u>1,370,808</u>
INCOME EXCLUSIVE OF DEPRECIATION AND AMORTIZATION	<u>14,540,784</u>	<u>12,632,322</u>
DEPRECIATION AND AMORTIZATION		
Property, plant and equipment	5,708,197	5,639,837
Forest Park Water	2,365,382	2,239,766
TOTAL DEPRECIATION AND AMORTIZATION	<u>8,073,579</u>	<u>7,879,603</u>
CHANGE IN NET POSITION	6,467,205	4,752,719
NET POSITION AT BEGINNING OF YEAR	<u>167,807,831</u>	<u>163,055,112</u>
NET POSITION AT END OF YEAR	<u>\$ 174,275,036</u>	<u>\$ 167,807,831</u>

*See accompanying notes to the basic financial statements.*



**NORTH PENN WATER AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 24,952,802	\$ 22,735,087
Cash paid to suppliers	(7,573,267)	(7,536,891)
Cash paid to employees	(5,216,951)	(4,841,492)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>12,162,584</u>	<u>10,356,704</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Overhead and equipment usage charged to fixed capital assets	16,317	5,203
Contributions and assessments for main extensions	2,558,322	1,700,893
Acquisition and construction of capital assets	(6,139,067)	(8,479,203)
Additions to Forest Park Water	(644,064)	(1,941,972)
Proceeds from rental of fixed assets	393,447	402,102
Debt service reserve fund transfer for refunded bonds	-	(1,437,165)
Debt service reserve fund requirement for 2023 bonds	-	1,352,904
Principal paid on Water Revenue Bonds	(5,225,000)	(5,845,000)
Interest paid on Water Revenue Bonds	(1,604,877)	(1,684,802)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(10,644,922)</u>	<u>(15,927,040)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,455,571	1,407,113
Sales of investments	517,192	491,107
Purchases of investments	(545,105)	(517,192)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,427,658</u>	<u>1,381,028</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,945,320	(4,189,308)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>28,380,553</u>	<u>32,569,861</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 31,325,873</u>	<u>\$ 28,380,553</u>
CASH AND CASH EQUIVALENTS COMPRISED OF		
Current	\$ 17,197,521	\$ 14,790,727
Restricted	<u>14,128,352</u>	<u>13,589,826</u>
	<u>\$ 31,325,873</u>	<u>\$ 28,380,553</u>

**NORTH PENN WATER AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 10,099,028	\$ 10,041,562
Penalties, service connection fees, miscellaneous sales, other nonoperating reimbursements and revenues from PECO	929,225	816,374
Adjustments to reconcile operating income to net cash provided by operating activities		
(Increase) decrease in		
Accounts receivable		
Customers	(245,402)	14,384
PECO	375,000	25,000
Other	349,573	(510,168)
Assessments receivable	(18,134)	-
Unbilled revenues	(84,571)	268,784
Materials inventory	(18,155)	(336,550)
Other current assets	31,807	(6,564)
Increase (decrease) in		
Accounts payable	(287,766)	314,454
Main extension deposits	941,406	(301,475)
Other current liabilities	90,573	30,903
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 12,162,584</u>	<u>\$ 10,356,704</u>

*See accompanying notes to the basic financial statements.*

**NORTH PENN WATER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

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**NOTE A - THE AUTHORITY**

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

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

**Use of Estimates**

The preparation of financial statements maintained on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**Rate-Regulated Entity**

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

**Trust Indenture**

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

**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, 2024 AND 2023

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**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.

**Compensated Absences**

Employees, upon termination, will receive compensation for all unused and accrued vacation days and paid time off accumulated.

**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, 2024 AND 2023**

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**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 the implicit rate 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.

**Reclassifications**

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

**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, 2024 AND 2023**

**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, 2023	Additions
<b>CAPITAL ASSETS BEING DEPRECIATED</b>			
Wells	33-50	\$ 1,024,369	\$ 12
Storage and distribution system	10-50	196,956,670	6,081,663
Plant and structures	5-10	11,740,909	277,934
Equipment	40	12,588,655	405,803
Organization expense		301,509	-
TOTAL DEPRECIABLE COMPONENTS		222,612,112	6,765,412
<b>CAPITAL ASSETS NOT BEING DEPRECIATED</b>			
Land	40	2,338,460	54,521
WIP		5,745,724	8,209,926
		230,696,296	15,029,859
<b>Accumulated depreciation</b>			
Wells		(699,240)	(15,952)
Storage and distribution system		(69,613,425)	(4,609,246)
Plant and structures		(7,581,624)	(471,856)
Equipment		(10,544,414)	(535,394)
Organization expense		(243,374)	(7,389)
TOTAL ACCUMULATED DEPRECIATION		(88,682,077)	(5,639,837)
PROPERTY, PLANT AND EQUIPMENT, net		\$ 142,014,219	\$ 9,390,022

**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, 2024 and 2023, \$31,532,487 and \$28,079,452, respectively, of the Authority's bank balance was exposed to custodial credit risk as follows:

	2024	2023
Uninsured and collateralized with securities held by the pledging bank's trust department not in the Authority's name	\$ 31,532,487	\$ 28,079,452

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	Balance December 31, 2023			Balance December 31, 2024
<u>Disposals</u>		<u>Additions</u>	<u>Disposals</u>	
\$ -	\$ 1,024,381	\$ -	\$ -	\$ 1,024,381
(840,876)	202,197,457	5,458,522	(203,949)	207,452,030
-	12,018,843	73,017	-	12,091,860
(249,978)	12,744,480	337,772	(366,867)	12,715,385
-	301,509	-	-	301,509
<u>(1,090,854)</u>	<u>228,286,670</u>	<u>5,869,311</u>	<u>(570,816)</u>	<u>233,585,165</u>
-	2,392,981	19,291	(41,970)	2,370,302
(6,508,962)	7,446,688	6,087,682	(5,803,159)	7,731,211
<u>(7,599,816)</u>	<u>238,126,339</u>	<u>11,976,284</u>	<u>(6,415,945)</u>	<u>243,686,678</u>
-	(715,192)	(15,483)	-	(730,675)
370,426	(73,852,245)	(4,693,468)	125,002	(78,420,711)
-	(8,053,480)	(476,462)	-	(8,529,942)
241,042	(10,838,766)	(517,712)	360,800	(10,995,678)
-	(250,763)	(5,073)	-	(255,836)
<u>611,468</u>	<u>(93,710,446)</u>	<u>(5,708,198)</u>	<u>485,802</u>	<u>(98,932,842)</u>
\$ <u>(6,988,348)</u>	\$ <u>144,415,893</u>	\$ <u>6,268,086</u>	\$ <u>(5,930,143)</u>	\$ <u>144,753,836</u>



**NORTH PENN WATER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

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

**Investments**

The Authority had the following investments and maturities:

Investment Type	2024			
	Fair Value	Amortized Cost	Investment Maturities	
			Less Than 1 Year	1 to 5 Years
State investment pools	\$ -	\$ 545,105	\$ 545,105	\$ -

Investment Type	2023			
	Fair Value	Amortized Cost	Investment Maturities	
			Less Than 1 Year	1 to 5 Years
State investment pools	\$ -	\$ 517,192	\$ 517,192	\$ -

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, 2024 and 2023 is \$545,105 and \$517,192, 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, 2024 and December 31, 2023.

**NORTH PENN WATER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

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

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

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

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

The Authority’s investment policy limits its investment choices to credit ratings of A- and above. As of December 31, 2024 and 2023, the Authority’s investments were rated as:

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

**Concentration of Credit Risk** - In 2024 and 2023, all of the Authority’s investments were in state investment pools.

**NORTH PENN WATER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

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**NOTE F - NONEXCHANGE TRANSACTIONS**

The Authority receives contributions to fund construction necessary to extend service to new areas and improve service to existing areas. Contributions received during the years ended December 31, 2024 and 2023, 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, 2022	\$ 100,772,291	\$ 758,472	\$ 15,251,331	\$ 116,782,094
Additions	224,850	-	1,476,043	1,700,893
BALANCE, DECEMBER 31, 2023	100,997,141	758,472	16,727,374	118,482,987
Additions	873,588	-	1,684,734	2,558,322
BALANCE, DECEMBER 31, 2024	<u>\$ 101,870,729</u>	<u>\$ 758,472</u>	<u>\$ 18,412,108</u>	<u>\$ 121,041,309</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 The Standard.

Following are descriptions of the Authority's employee benefit plans which were in effect during 2024 and 2023:

**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 2024 and 2023 were \$319,234 and 310,484, respectively.

**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 2024 and 2023 was \$128,537 and \$127,932, respectively.

**NORTH PENN WATER AUTHORITY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

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**NOTE H - LONG-TERM OBLIGATIONS**

The following changes occurred in long-term obligations:

	Balance January 1, 2023	Additions	Principal Retirements
Bonds Payable			
Series of 2023	\$ -	\$ 12,195,000	\$ (985,000)
Series of 2021	21,310,000	-	-
Series of 2019	10,085,000	-	(4,860,000)
Series of 2015	13,190,000	-	-
Bond premium	4,466,239	1,334,041	(455,994)
	<u>\$ 49,051,239</u>	<u>\$ 13,529,041</u>	<u>\$ (6,300,994)</u>

**Series of 2023 Bonds**

On January 24, 2023, the Authority issued \$12,195,00 of Water Revenue Bonds, Series of 2023 (the "2023 Bonds"). The bond proceeds were used to:

1. Currently refund all the Authority's outstanding 2015 Water Revenue Bonds,
2. Fund a deposit to the Debt Service Reserve Fund and
3. Pay the costs of issuing and insuring the 2023 Bonds.

Details of scheduled future annual maturities of the 2023 Bonds payable at December 31, 2024, are as follows:

Maturing November 1,	Annual Interest Rate	Principal	Interest
2025	4.00%	\$ 810,000	\$ 519,650
2026	4.00%	845,000	487,250
2027	4.00%	875,000	453,450
2028	4.00%	920,000	409,700
2029	4.00%	965,000	363,700
2030-2034	4.00%	5,595,000	1,044,500
2035	4.00%	1,200,000	48,000
		<u>\$ 11,210,000</u>	<u>\$ 3,326,250</u>

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<u>Refunding</u>	<u>Balance December 31, 2023</u>	<u>Additions</u>	<u>Principal Retirements</u>	<u>Balance December 31, 2024</u>	<u>Current Portion</u>
\$ -	\$ 11,210,000	\$ -	\$ -	\$ 11,210,000	\$ 810,000
-	21,310,000	-	-	21,310,000	2,110,000
-	5,225,000	-	(5,225,000)	-	-
(13,190,000)	-	-	-	-	-
<u>(982,133)</u>	<u>4,362,153</u>	<u>-</u>	<u>(458,294)</u>	<u>3,903,859</u>	<u>-</u>
\$ <u><u>(14,172,133)</u></u>	\$ <u><u>42,107,153</u></u>	\$ <u><u>-</u></u>	\$ <u><u>(5,683,294)</u></u>	\$ <u><u>36,423,859</u></u>	\$ <u><u>2,920,000</u></u>

**NORTH PENN WATER AUTHORITY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

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**NOTE H - LONG-TERM OBLIGATIONS (Continued)**

**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, 2024, are as follows:

<u>Maturing November 1,</u>	<u>Annual Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
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	4.00%	2,375,000	588,800
2029	4.00%	2,465,000	493,800
2030-2034	4.00%	<u>9,880,000</u>	<u>874,000</u>
		<u>\$ 21,310,000</u>	<u>\$ 4,257,200</u>

**Series of 2019 Bonds**

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

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

As of December 31, 2024, the 2019 Bonds had matured.

**NOTE I - 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**  
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**NOTE I - 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.

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. As of November 1, 2024, the Series of 2019 Interest Rate Hedge Swap had matured and the fair market value is \$0 as of December 31, 2024. No termination payment was required.

***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. Therefore, pursuant to GASB Statement No. 53, the instrument, prior to its maturity in November 2024, was recorded in the statement of net position as a noncurrent liability and a corresponding deferred outflow was recorded.

**NOTE J - 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.

In 2007, Forest Park completed a plant expansion, which increased capacity from 30 million gallons per day (“MGD”) of treated water to 40 MGD. In 2019, a subsequent plant expansion was completed increasing capacity from 40 MGD to the current capacity of 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.



**NORTH PENN WATER AUTHORITY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

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

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.

At December 31, 2024 and 2023, the Authority had capitalized \$94,642,493 and \$93,998,429, respectively, related to its investment in Forest Park, which consisted of the following amounts:

	<u>2024</u>	<u>2023</u>
Treatment Plant	\$ 79,227,541	\$ 78,229,229
Water Diversion Project	15,414,952	15,309,435
PECO Contract	-	459,765
	<u>94,642,493</u>	<u>93,998,429</u>
Accumulated depreciation	<u>(59,985,083)</u>	<u>(57,619,701)</u>
	<u>\$ 34,657,410</u>	<u>\$ 36,378,728</u>

The total cost of the project as of September 30, 2024 and 2023 (Forest Park's year-end) was \$182,108,344 and \$177,094,559, 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 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.

**NORTH PENN WATER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

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**NOTE K - LEASES**

***Lease Receivable***

The Authority leases space on their water tanks. The leases range from monthly payments of \$907-\$6,835 through 2040. The North Penn Water Authority recognized \$400,303 in lease revenue and \$142,650 in interest revenue during 2024 related to these leases. The North Penn Water Authority recognized \$356,186 in lease revenue and \$113,490 in interest revenue during 2023 related to these leases. As of December 31, 2024 and 2023, North Penn Water Authority's receivable for lease payments was \$3,394,424 and \$2,864,469, respectively. 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, 2024 and 2023, the balance of the deferred inflow of resources was \$3,098,335 and \$2,717,886, respectively.

## **SUPPLEMENTARY INFORMATION SECTION**

**NORTH PENN WATER AUTHORITY**  
**SCHEDULE OF CORPORATE ENTITY**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

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

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

The powers of the Authority are exercised by a Board comprised of ten members, one appointed by each of the governing bodies of the Member Municipalities (appointed for five-year terms). Members of the Board at December 31, 2024, 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	Assistant Secretary	Worcester Township	2026
Robert J. Rodgers	Member	Hatfield Township	2026
Richard C. Mast	Treasurer	Lower Salford Township	2027
Kenneth V. Farrall	Secretary	Hatfield Borough	2027
Jeffrey H. Simcox	Member	Lansdale Borough	2028
Michael R. Filiatrault	Member	New Britain Township	2028
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, 2024 AND 2023**

	2024		Actual
	Budget	Actual	2023
OPERATING REVENUES			
Metered sales			
Domestic	\$ 13,177,000	\$ 13,726,281	\$ 12,762,870
Commercial	2,550,000	2,688,668	2,556,193
Industrial	3,800,000	4,031,768	3,803,842
Public	704,000	579,341	562,351
FPW metered sales to BCWSA	1,527,000	1,512,520	1,504,888
Other	250,000	398,238	246,744
TOTAL METERED SALES	<u>22,008,000</u>	<u>22,936,816</u>	<u>21,436,888</u>
Unmetered sales			
Private fire protection	270,000	282,034	282,464
Public fire protection	220,000	226,872	226,084
Bulk sales	75,000	118,761	125,486
TOTAL UNMETERED SALES	<u>565,000</u>	<u>627,667</u>	<u>634,034</u>
Other revenues	<u>50,000</u>	<u>50,821</u>	<u>56,355</u>
TOTAL OPERATING REVENUES	<u>\$ 22,623,000</u>	<u>\$ 23,615,304</u>	<u>\$ 22,127,277</u>

**NORTH PENN WATER AUTHORITY****SCHEDULES OF OPERATING EXPENSES, EXCLUSIVE OF  
DEPRECIATION AND AMORTIZATION  
YEARS ENDED DECEMBER 31, 2024 AND 2023**

	2024		Actual
	Budget	Actual	2023
OPERATING EXPENSES			
Water collection system			
Water purchased, general	\$ 132,000	\$ 129,453	\$ 101,458
Forest Park Water operating expenses	2,441,000	3,005,130	2,438,751
TOTAL WATER COLLECTION SYSTEM	2,573,000	3,134,583	2,540,209
Purification system			
Supplies and expenses	47,000	27,436	50,215
Maintenance of equipment	49,000	34,143	39,298
TOTAL PURIFICATION SYSTEM	96,000	61,579	89,513
Laboratory costs			
Labor	330,000	317,668	301,197
Chemicals and supplies	71,000	70,655	47,524
Maintenance of equipment	41,000	18,730	33,362
Utilities	6,000	5,160	5,160
Regulated sampling	71,000	89,286	68,269
TOTAL LABORATORY COSTS	519,000	501,499	455,512
Pumping system			
Labor	235,000	241,575	214,192
Regional well monitoring	2,000	2,230	1,925
SCADA system	37,000	31,790	29,608
Supplies	9,000	4,287	9,058
Power purchased	235,000	168,578	201,257
Maintenance of equipment	119,000	97,775	118,982
TOTAL PUMPING SYSTEM	637,000	546,235	575,022
Metering and customer service			
Maintenance of meters and boxes	390,000	284,162	305,919
General meter supplies	56,000	18,689	54,720
TOTAL METERING AND CUSTOMER SERVICE	446,000	302,851	360,639
SUBTOTAL OPERATING EXPENSES FORWARD	\$ 4,271,000	\$ 4,546,747	\$ 4,020,895

**NORTH PENN WATER AUTHORITY****SCHEDULES OF OPERATING EXPENSES, EXCLUSIVE OF  
DEPRECIATION AND AMORTIZATION  
YEARS ENDED DECEMBER 31, 2024 AND 2023**

	2024		Actual
	Budget	Actual	2023
OPERATING EXPENSES			
SUBTOTAL FORWARDED	\$ 4,271,000	\$ 4,546,747	\$ 4,020,895
Distribution system			
Operating labor	452,000	352,338	302,399
Supplies and expense	44,000	47,973	41,387
Gratuitous service	5,000	380	135
One call - location	273,000	100,047	83,994
Maintenance of service lines	48,000	202,254	188,761
Maintenance of mains	32,000	365,584	288,362
Maintenance of valves	98,000	33,235	30,124
Maintenance of fire hydrants	146,000	117,496	99,314
Maintenance of easements	23,000	-	-
Leak surveys	132,000	41,519	40,011
Reservoirs, general maintenance	34,000	-	1,134
TOTAL DISTRIBUTION SYSTEM	1,287,000	1,260,826	1,075,621
Information technology			
Salaries	328,000	334,172	303,482
Data and communication	82,000	75,729	83,141
IT consulting/software updates	98,000	108,093	104,237
IT maintenance and support contacts	280,000	296,680	270,244
IT software services	219,000	200,039	186,470
IT equipment and supplies	9,000	9,335	9,428
TOTAL INFORMATION TECHNOLOGY	1,016,000	1,024,048	957,002
Administrative and engineering			
Salaries			
General officers	1,004,000	1,524,410	1,337,736
Customer service and accounting	468,000	470,281	421,974
Engineering	438,000	197,289	135,507
Administration and public relations	305,000	285,577	254,521
Maps and records	12,000	4,292	4,695
Personnel expenses	23,000	10,240	25,359
TOTAL ADMINISTRATIVE AND ENGINEERING	2,374,000	2,492,089	2,179,792
SUBTOTAL OPERATING EXPENSES FORWARD	\$ 8,948,000	\$ 9,323,710	\$ 8,233,310

**NORTH PENN WATER AUTHORITY****SCHEDULES OF OPERATING EXPENSES, EXCLUSIVE OF  
DEPRECIATION AND AMORTIZATION  
YEARS ENDED DECEMBER 31, 2024 AND 2023**

	2024		Actual
	Budget	Actual	2023
OPERATING EXPENSES			
SUBTOTAL FORWARDED	\$ 8,948,000	\$ 9,323,710	\$ 8,233,310
General expenses			
General office supplies	20,000	18,072	15,783
Copy machine	14,000	11,140	13,209
Postage	110,000	128,238	139,502
Officers' general expenses	116,000	153,150	120,226
Education, training	75,000	74,386	58,195
Payment processing fees	28,000	149,777	115,135
Other general office expenses	126,000	26,172	22,823
On call expense labor and miscellaneous cost	37,000	46,825	46,916
Maintenance of vehicles	248,000	-	-
Taxes			
Employee payroll	400,000	380,066	346,304
Unemployment compensation	6,000	18,953	-
Uncollected consumer accounts	-	55	-
General law expenses	100,000	87,332	89,836
Engineering consultation	375,000	304,154	225,803
Audit expenses	35,000	44,600	42,250
Insurance			
Corporate	366,000	271,805	366,632
Employee	1,545,000	1,464,774	1,297,927
Trustee fee	-	56,291	21,960
Pensions	19,000	322,167	314,455
Personnel department			
Safety program	367,000	-	1,266
Public information	3,000	121,016	113,975
Maintenance of general properties	107,000	408,099	392,890
Cost-sell Lansdale properties	177,000	-	540
Utilities expense	40,000	26,652	28,678
Trash/ recycling expenses	19,000	20,341	16,794
Landscape maintenance	66,000	58,501	61,306
TOTAL GENERAL EXPENSES	4,399,000	4,192,566	3,852,405
TOTAL OPERATING EXPENSES	\$ 13,347,000	\$ 13,516,276	\$ 12,085,715



**NORTH PENN WATER AUTHORITY**  
**SCHEDULES OF NONOPERATING INCOME**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>NONOPERATING INCOME</b>		
Interest on investments		
Revenue Fund	\$ 261,625	\$ 275,521
Operation and Maintenance Fund	51,503	38,725
Debt Service and Sinking Fund	275,618	236,102
Bond Redemption and Improvement Fund	371,787	475,658
Consumer Deposit Fund	307	307
Main Extension Fund	152,403	64,536
Debt Service Reserve Fund	192,682	182,444
Other funds	149,646	133,820
<b>TOTAL INTEREST ON INVESTMENTS</b>	<u>1,455,571</u>	<u>1,407,113</u>
Other nonoperating income		
Overhead reimbursement, developers	16,317	5,203
Penalties on assessments and customer bills	250,161	245,861
Equipment rental	542,953	469,676
Service connection fees	490,507	413,820
Miscellaneous income	92,793	10,805
Net loss on disposal of fixed assets	(76,611)	(432,488)
Interest income on the PECO Contract	79,447	140,685
<b>TOTAL OTHER NONOPERATING INCOME</b>	<u>1,395,567</u>	<u>853,562</u>
<b>TOTAL NONOPERATING INCOME</b>	<u><u>\$ 2,851,138</u></u>	<u><u>\$ 2,260,675</u></u>

**NORTH PENN WATER AUTHORITY****SCHEDULES OF PROPERTY, PLANT AND EQUIPMENT  
YEARS ENDED DECEMBER 31, 2024 AND 2023**

	2024		
	Cost	Accumulated Depreciation and Amortization	Net
PROPERTY, PLANT AND EQUIPMENT			
Land	\$ 2,370,303	\$ -	\$ 2,370,303
Wells	1,024,381	730,676	293,705
Chemical treatment plant	595,251	553,883	41,368
Pumping station structures	4,069,441	3,218,742	850,699
Pumps and pumping station	3,054,804	2,665,415	389,389
Electrical equipment	2,291,982	1,984,723	307,259
Storage reservoirs and sandpipes	17,887,314	6,223,503	11,663,811
Distribution mains	149,917,714	52,836,022	97,081,692
Service pipes	30,631,627	12,878,406	17,753,221
Meters and remote readers	10,233,972	3,976,722	6,257,250
Fire hydrants	6,512,613	2,506,020	4,006,593
General office structure	7,427,168	4,757,318	2,669,850
General office equipment	2,702,293	2,488,126	214,167
Radio equipment	104,260	92,970	11,290
Automobile vehicle equipment	111,880	111,880	-
Truck vehicle equipment	1,834,016	1,590,884	243,132
Backhoe equipment	350,891	344,844	6,047
Compressor equipment	27,114	27,114	-
Distribution department equipment	635,703	599,207	36,496
Pump department equipment	7,846	7,846	-
Meter department equipment	712,970	409,497	303,473
Grounds maintenance equipment	37,133	36,943	190
Vehicle maintenance equipment	54,005	53,223	782
Engineering equipment	28,765	18,137	10,628
General in-house equipment	104,811	104,811	-
Organization expense, capitalized	301,509	255,835	45,674
Laboratory equipment	656,912	460,095	196,817
TOTAL PROPERTY, PLANT AND EQUIPMENT	\$ <u>243,686,678</u>	\$ <u>98,932,842</u>	\$ <u>144,753,836</u>

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2023		
	Accumulated	
Cost	Depreciation	Net
	and Amortization	
\$ 2,392,981	\$ -	\$ 2,392,981
1,024,381	715,193	309,188
590,034	542,536	47,498
4,062,944	2,953,532	1,109,412
2,986,115	2,561,921	424,194
2,286,870	1,880,336	406,534
17,872,837	5,817,551	12,055,286
146,039,440	50,061,799	95,977,641
29,610,737	12,015,347	17,595,390
9,760,324	3,606,607	6,153,717
6,360,807	2,350,943	4,009,864
7,365,865	4,557,413	2,808,452
2,655,879	2,416,447	239,432
104,260	92,397	11,863
138,530	138,530	-
2,000,242	1,634,388	365,854
350,891	344,789	6,102
27,114	27,114	-
627,658	580,936	46,722
7,846	7,846	-
866,428	512,844	353,584
37,133	36,943	190
54,005	52,699	1,306
16,589	15,819	770
104,811	104,811	-
301,509	250,762	50,747
480,109	430,943	49,166
<u>\$ 238,126,339</u>	<u>\$ 93,710,446</u>	<u>\$ 144,415,893</u>