

NORTH PENN WATER AUTHORITY
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Years Ended December 31, 2025 and 2024

INTRODUCTORY SECTION

NORTH PENN WATER AUTHORITY
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YEARS ENDED DECEMBER 31, 2025 AND 2024

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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, 2025 and 2024, 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, 2025 and 2024, 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.

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
May 14, 2026

NORTH PENN WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2025 AND 2024

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, 2025. Please read it in conjunction with the Authority's financial statements, which follow this section.

2025 FINANCIAL HIGHLIGHTS

- During the year, the Authority's net position increased by \$12,160,545 or 7.0%.
- During the year, the Authority's operating revenues were \$23,969,653, an increase from \$23,615,304 in 2024, while operating expenses increased to \$15,118,085, up from \$13,516,276 in 2024 or 11.9%.
- Capital Contributions to the Authority increased by \$2,278,137 to \$4,836,459, up from \$2,558,322 in 2024 or 89.0%.

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, 2025 AND 2024

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, 2025, 2024 and 2023:

Condensed Statements of Net Position

	2025	2024	Variance		2023
			Dollar	%	
ASSETS					
Current assets	\$ 22,888,707	\$ 24,998,209	\$ (2,109,502)	-8.4%	\$ 22,961,983
Restricted assets	14,939,687	14,128,352	811,335	5.7%	13,589,826
Utility plant	188,225,951	179,411,246	8,814,705	4.9%	180,794,621
Other assets	3,892,771	3,108,870	783,901	25.2%	2,570,552
TOTAL ASSETS	229,947,116	221,646,677	8,300,439	3.7%	219,916,982
DEFERRED OUTFLOWS OF RESOURCES					
Accumulated decrease in fair value of hedging derivative	-	-	-	0.0%	36,293
LIABILITIES					
Current liabilities	9,188,519	8,934,553	253,966	2.8%	10,576,758
Long-term liabilities	29,547,271	33,045,565	(3,498,294)	-10.6%	36,462,452
TOTAL LIABILITIES	38,735,790	41,980,118	(3,244,328)	-7.7%	47,039,210
DEFERRED INFLOWS OF RESOURCES					
Deferred charge on refunding	2,012,433	2,293,188	(280,755)	-12.2%	2,388,348
Deferred inflows of resources, leases	2,763,312	3,098,335	(335,023)	-10.8%	2,717,886
TOTAL DEFERRED INFLOWS OF RESOURCES	4,775,745	5,391,523	(615,778)	-11.4%	5,106,234
NET POSITION					
Net investment in capital assets	163,790,338	151,316,584	12,473,754	8.2%	149,203,181
Unrestricted assets	22,645,243	22,958,452	(313,209)	-1.4%	18,604,650
TOTAL NET POSITION	\$ 186,435,581	\$ 174,275,036	\$ 12,160,545	7.0%	\$ 167,807,831

NORTH PENN WATER AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2025 AND 2024

- Total assets increased by \$8,300,439 in 2025 due primarily to the investment in the Authority’s infrastructure through capital asset additions. This includes the acquisition of new equipment and ongoing capital improvement projects.
- Total liabilities decreased by \$3,244,328 due primarily to the repayment of long-term debt.
- The net effect of these changes resulted in a \$12,160,545 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

	2025	2024	Variance		2023
			Dollar	%	
Operating revenues	\$ 23,969,653	\$ 23,615,304	\$ 354,349	1.5%	\$ 22,127,277
Operating expenses	15,118,085	13,516,276	1,601,809	11.9%	12,085,715
INCOME FROM OPERATIONS	8,851,568	10,099,028	(1,247,460)	-12.4%	10,041,562
Nonoperating revenues	3,009,898	2,851,138	158,760	5.6%	2,260,675
Nonoperating expenses	8,907,982	9,041,283	(133,301)	-1.5%	9,250,411
NONOPERATING EXPENSES, net	(5,898,084)	(6,190,145)	292,061	4.7%	(6,989,736)
INCOME BEFORE CONTRIBUTIONS	2,953,484	3,908,883	(955,399)	-24.4%	3,051,826
Contributions in aid of construction	4,836,459	2,558,322	2,278,137	89.0%	1,700,893
INCOME BEFORE EXTRAORDINARY ITEMS	7,789,943	6,467,205	1,322,738	20.5%	4,752,719
Settlement proceeds	4,370,602	-	4,370,602	100.0%	-
CHANGE IN NET POSITION	\$ 12,160,545	\$ 6,467,205	\$ 5,693,340	88.0%	\$ 4,752,719

Revenues

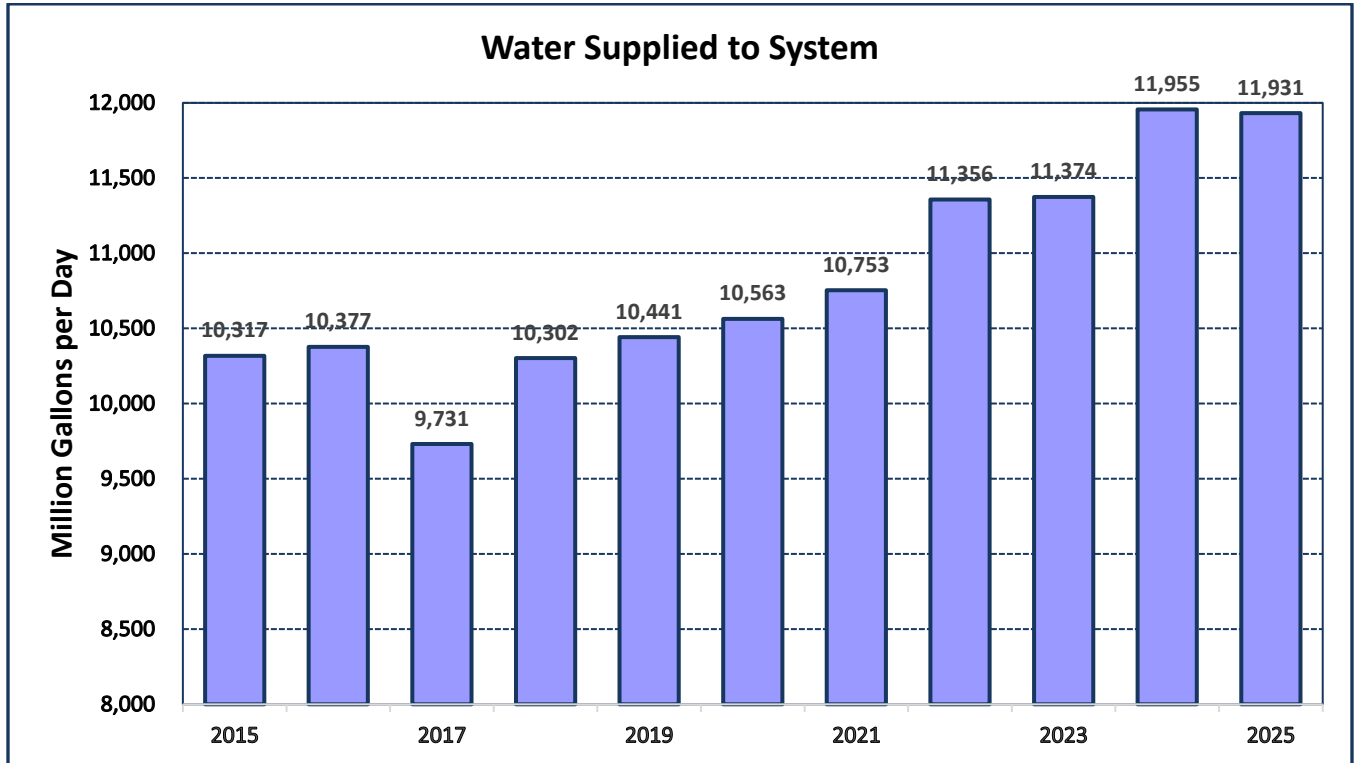
- Operating revenues increased \$354,349 to \$23,969,653 or 1.5% from 2024 to 2025.

Operating revenues include the following:

	2025	2024	2023
Metered sales	\$ 23,287,668	\$ 22,936,816	\$ 21,436,888
Unmetered sales	639,337	627,667	634,034
Other revenues	42,648	50,821	56,355
	\$ 23,969,653	\$ 23,615,304	\$ 22,127,277

NORTH PENN WATER AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2025 AND 2024

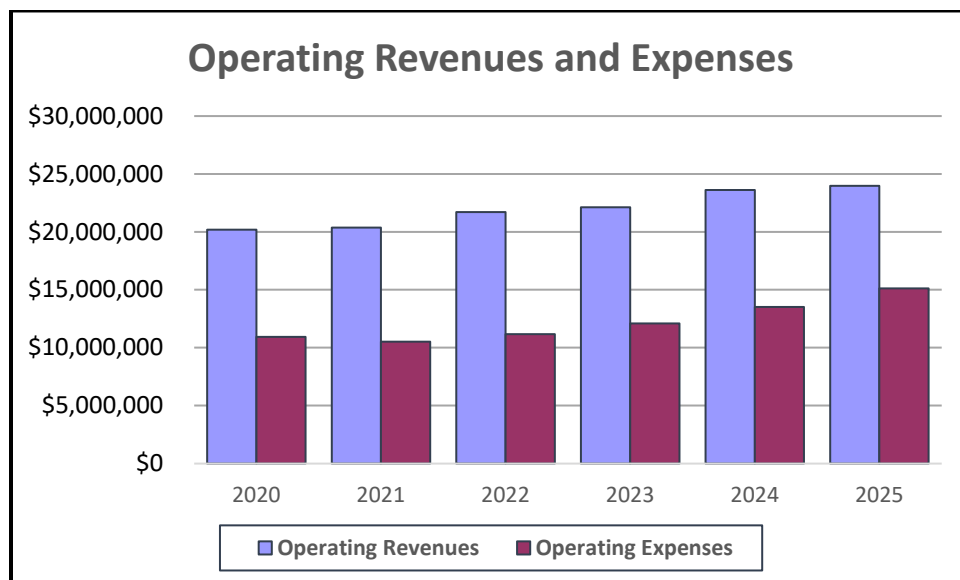
The chart below shows the historical average daily water supplied to the system for the years 2015 through 2025.



Operating Expenses

- Operating expenses increased by \$1,601,809 to \$15,118,085 or 11.9% from 2024 to 2025.

Historical Operating Revenues and Expenses



NORTH PENN WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2025 AND 2024

Capital Assets

At the end of 2025, the Authority had invested \$257,705,988 in property, plant and equipment and also had invested \$96,710,100 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.

	2025	2024	Variance		2023
			Dollar	%	
PROPERTY, PLANT AND EQUIPMENT					
Land	\$ 2,375,654	\$ 2,370,303	\$ 5,351	0.2%	\$ 2,392,981
WIP	13,818,663	7,731,211	6,087,452	78.7%	7,446,688
Wells	1,024,381	1,024,381	-	0.0%	1,024,381
Storage and distribution system	214,766,059	207,452,029	7,314,030	3.5%	202,197,457
Plant and structures	12,687,704	12,091,860	595,844	4.9%	12,018,843
Equipment	12,732,018	12,715,385	16,633	0.1%	12,744,480
Organization expense	301,509	301,509	-	0.0%	301,509
TOTAL	<u>257,705,988</u>	<u>243,686,678</u>	<u>14,019,310</u>	<u>5.8%</u>	<u>238,126,339</u>
Accumulated depreciation	<u>(103,768,756)</u>	<u>(98,932,842)</u>	<u>(4,835,914)</u>	<u>-4.9%</u>	<u>(93,710,446)</u>
NET PROPERTY, PLANT AND EQUIPMENT	<u>\$ 153,937,232</u>	<u>\$ 144,753,836</u>	<u>\$ 9,183,396</u>	<u>6.3%</u>	<u>\$ 144,415,893</u>
INVESTMENT IN FOREST PARK WATER					
Forest Park Water Treatment Plant	\$ 80,235,245	\$ 79,227,541	\$ 1,007,704	1.3%	\$ 78,229,229
Point Pleasant Pumping Station	16,474,855	15,414,952	1,059,903	6.9%	15,309,435
PECO Contract	-	-	-	0.0%	459,765
TOTAL	<u>96,710,100</u>	<u>94,642,493</u>	<u>2,067,607</u>	<u>2.2%</u>	<u>93,998,429</u>
Accumulated depreciation	<u>(62,421,381)</u>	<u>(59,985,083)</u>	<u>(2,436,298)</u>	<u>-4.1%</u>	<u>(57,619,701)</u>
NET INVESTMENT IN FOREST PARK WATER	<u>\$ 34,288,719</u>	<u>\$ 34,657,410</u>	<u>\$ (368,691)</u>	<u>-1.1%</u>	<u>\$ 36,378,728</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 \$4,836,459 in 2025, which is an increase of \$2,278,137 from 2024.

	Year Ended December 31,		Variance		2023
	2025	2024	Dollar	%	
Contribution in assets	\$ 3,478,179	\$ 873,588	\$ 2,604,591	298.15%	\$ 224,850
Contribution in tapping fees	<u>1,358,280</u>	<u>1,684,734</u>	<u>(326,454)</u>	<u>-19.38%</u>	<u>1,476,043</u>
TOTAL	<u>\$ 4,836,459</u>	<u>\$ 2,558,322</u>	<u>\$ 2,278,137</u>	<u>89.05%</u>	<u>\$ 1,700,893</u>

NORTH PENN WATER AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
YEARS ENDED DECEMBER 31, 2025 AND 2024

Long-Term Debt

At the end of 2025, the North Penn Water Authority had total debt outstanding of \$29,600,000. The Authority’s total debt decreased by \$2,920,000. 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, 2025</u>
2021 Bonds	\$ 21,310,000	\$ 19,200,000
2023 Bonds	<u>12,195,000</u>	<u>10,400,000</u>
TOTAL	<u><u>\$ 33,505,000</u></u>	<u><u>\$ 29,600,000</u></u>

NORTH PENN WATER AUTHORITY

STATEMENTS OF NET POSITION

DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 15,656,464	\$ 17,742,626
Accounts receivable		
Customers	2,552,254	2,413,712
Other	61,428	191,087
Lease receivable, current portion	283,115	298,530
Assessments receivable, current portion	31,066	24,341
Settlement proceeds, current portion	238,882	-
Unbilled revenues	2,519,247	2,587,283
Materials inventory, net	1,341,127	1,521,788
Other	205,124	218,842
TOTAL CURRENT ASSETS	<u>22,888,707</u>	<u>24,998,209</u>
RESTRICTED ASSETS		
Cash and equivalents	<u>14,939,687</u>	<u>14,128,352</u>
UTILITY PLANT		
Property, plant and equipment, net	153,937,232	144,753,836
Investment in Forest Park Water, net	34,288,719	34,657,410
TOTAL UTILITY PLANT	<u>188,225,951</u>	<u>179,411,246</u>
OTHER ASSETS		
Lease receivable, noncurrent portion	2,847,661	3,095,894
Assessments receivable, noncurrent portion	-	12,976
Settlement proceeds, noncurrent portion	1,045,110	-
TOTAL OTHER ASSETS	<u>3,892,771</u>	<u>3,108,870</u>
TOTAL FORWARD	<u>\$ 229,947,116</u>	<u>\$ 221,646,677</u>

NORTH PENN WATER AUTHORITY

STATEMENTS OF NET POSITION

DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
TOTAL FORWARDED	\$ <u>229,947,116</u>	\$ <u>221,646,677</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	1,755,369	750,111
Main extension deposits	2,721,987	3,662,836
Other	1,003,661	914,637
Current liabilities payable from restricted assets		
Accrued interest on bonds	209,208	228,675
Bonds payable	3,040,000	2,920,000
Unamortized bond premium, net	458,294	458,294
TOTAL CURRENT LIABILITIES	<u>9,188,519</u>	<u>8,934,553</u>
NONCURRENT LIABILITIES		
Long-term debt, bonds payable	26,560,000	29,600,000
Unamortized bond premium, net	2,987,271	3,445,565
TOTAL NONCURRENT LIABILITIES	<u>29,547,271</u>	<u>33,045,565</u>
TOTAL LIABILITIES	<u>38,735,790</u>	<u>41,980,118</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred charge on refunding	2,012,433	2,293,188
Deferred inflows of resources, leases	2,763,312	3,098,335
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>4,775,745</u>	<u>5,391,523</u>
NET POSITION		
Net investment in capital assets	163,790,338	151,316,584
Unrestricted assets	22,645,243	22,958,452
TOTAL NET POSITION	\$ <u><u>186,435,581</u></u>	\$ <u><u>174,275,036</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, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
OPERATING REVENUES		
Metered sales	\$ 23,287,668	\$ 22,936,816
Unmetered sales	639,337	627,667
Other revenues	42,648	50,821
TOTAL OPERATING REVENUES	<u>23,969,653</u>	<u>23,615,304</u>
OPERATING EXPENSES		
Water collection system	3,684,698	3,134,583
Purification system	45,796	61,579
Laboratory costs	492,683	501,499
Pumping system	616,991	546,235
Metering and customer service	282,104	302,851
Distribution system	1,540,040	1,260,826
Information technology	1,207,361	1,024,048
Administrative and engineering	2,821,220	2,492,089
General expenses	4,427,192	4,192,566
TOTAL OPERATING EXPENSES	<u>15,118,085</u>	<u>13,516,276</u>
OPERATING INCOME	8,851,568	10,099,028
NONOPERATING INCOME	3,009,898	2,851,138
CAPITAL CONTRIBUTIONS	<u>4,836,459</u>	<u>2,558,322</u>
INCOME BEFORE DEBT SERVICE COSTS AND DEPRECIATION AND AMORTIZATION	<u>16,697,925</u>	<u>15,508,488</u>
DEBT SERVICE COSTS		
Interest on bonds	1,071,828	1,425,998
Amortization of bond discount and premium	(458,294)	(458,294)
TOTAL DEBT SERVICE COSTS	<u>613,534</u>	<u>967,704</u>
INCOME EXCLUSIVE OF DEPRECIATION AND AMORTIZATION	<u>16,084,391</u>	<u>14,540,784</u>
DEPRECIATION AND AMORTIZATION		
Property, plant and equipment	5,858,150	5,708,197
Forest Park Water	2,436,298	2,365,382
TOTAL DEPRECIATION AND AMORTIZATION	<u>8,294,448</u>	<u>8,073,579</u>
INCOME BEFORE EXTRAORDINARY ITEMS	7,789,943	6,467,205
EXTRAORDINARY ITEMS		
Settlement proceeds	<u>4,370,602</u>	<u>-</u>
CHANGE IN NET POSITION	12,160,545	6,467,205
NET POSITION AT BEGINNING OF YEAR	<u>174,275,036</u>	<u>167,807,831</u>
NET POSITION AT END OF YEAR	<u>\$ 186,435,581</u>	<u>\$ 174,275,036</u>

See accompanying notes to the basic financial statements.

NORTH PENN WATER AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 25,279,707	\$ 24,952,802
Cash paid to suppliers	(9,056,407)	(7,573,267)
Cash paid to employees	(5,727,584)	(5,216,951)
Legal settlements received	3,086,610	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>13,582,326</u>	<u>12,162,584</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Overhead and equipment usage charged to fixed capital assets	47,126	16,317
Contributions and assessments for main extensions	4,836,459	2,558,322
Acquisition and construction of capital assets	(15,081,787)	(6,139,067)
Additions to Forest Park Water	(2,067,607)	(644,064)
Proceeds from rental of fixed assets	397,307	393,447
Principal paid on Water Revenue Bonds	(2,920,000)	(5,225,000)
Interest paid on Water Revenue Bonds	(1,372,050)	(1,604,877)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(16,160,552)</u>	<u>(10,644,922)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>1,303,399</u>	<u>1,455,571</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,274,827)	2,973,233
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
	<u>31,870,978</u>	<u>28,897,745</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 30,596,151</u>	<u>\$ 31,870,978</u>
CASH AND CASH EQUIVALENTS COMPRISED OF		
Current	\$ 15,656,464	\$ 17,742,626
Restricted	<u>14,939,687</u>	<u>14,128,352</u>
	<u>\$ 30,596,151</u>	<u>\$ 31,870,978</u>

NORTH PENN WATER AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 8,851,568	\$ 10,099,028
Penalties, service connection fees, miscellaneous sales, other nonoperating reimbursements and revenues from PECO	1,230,932	929,225
Settlement proceeds recognized	4,370,602	-
Adjustments to reconcile operating income to net cash provided by operating activities		
(Increase) decrease in		
Accounts receivable		
Customers	(138,542)	(245,402)
PECO	-	375,000
Other	129,659	349,573
Assessments receivable	6,251	(18,134)
Settlement proceeds receivable	(1,283,992)	-
Unbilled revenues	68,036	(84,571)
Materials inventory	180,661	(18,155)
Other current assets	13,718	31,807
Increase (decrease) in		
Accounts payable	1,005,258	(287,766)
Main extension deposits	(940,849)	941,406
Other current liabilities	89,024	90,573
	<u> </u>	<u> </u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 13,582,326</u>	<u>\$ 12,162,584</u>

See accompanying notes to the basic financial statements.

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

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, 2025 AND 2024

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.

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

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.

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 an 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, 2025 AND 2024

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.

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, 2025 AND 2024

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, 2024	Additions
CAPITAL ASSETS BEING DEPRECIATED			
Wells	33-50	\$ 1,024,381	\$ -
Storage and distribution system	10-50	202,197,457	5,458,522
Plant and structures	5-10	12,018,843	73,017
Equipment	40	12,744,480	337,772
Organization expense		301,509	-
TOTAL DEPRECIABLE COMPONENTS		<u>228,286,670</u>	<u>5,869,311</u>
CAPITAL ASSETS NOT BEING DEPRECIATED			
Land		2,392,981	19,291
WIP		7,446,688	6,087,682
		<u>238,126,339</u>	<u>11,976,284</u>
Accumulated depreciation			
Wells		(715,192)	(15,483)
Storage and distribution system		(73,852,245)	(4,693,467)
Plant and structures		(8,053,480)	(476,462)
Equipment		(10,838,766)	(517,712)
Organization expense		(250,763)	(5,073)
TOTAL ACCUMULATED DEPRECIATION		<u>(93,710,446)</u>	<u>(5,708,197)</u>
PROPERTY, PLANT AND EQUIPMENT, net		<u>\$ 144,415,893</u>	<u>\$ 6,268,087</u>

	Balance December 31, 2024		Balance December 31, 2025
<u>Disposals</u>		<u>Additions</u>	<u>Disposals</u>
\$ -	\$ 1,024,381	\$ -	\$ 1,024,381
(203,950)	207,452,029	7,839,934	214,766,059
-	12,091,860	595,844	12,687,704
(366,867)	12,715,385	521,958	12,732,018
-	301,509	-	301,509
<u>(570,817)</u>	<u>233,585,164</u>	<u>8,957,736</u>	<u>241,511,671</u>
(41,969)	2,370,303	5,351	2,375,654
(5,803,159)	7,731,211	14,539,636	13,818,663
<u>(6,415,945)</u>	<u>243,686,678</u>	<u>23,502,723</u>	<u>257,705,988</u>
-	(730,675)	(15,313)	(745,988)
125,001	(78,420,711)	(4,861,428)	(82,762,436)
-	(8,529,942)	(482,095)	(9,012,037)
360,800	(10,995,678)	(497,488)	(10,990,633)
-	(255,836)	(1,826)	(257,662)
<u>485,801</u>	<u>(98,932,842)</u>	<u>(5,858,150)</u>	<u>(103,768,756)</u>
\$ <u>(5,930,144)</u>	\$ <u>144,753,836</u>	\$ <u>17,644,573</u>	\$ <u>153,937,232</u>

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE E - DEPOSITS

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, 2025 and 2024, \$250,000 of the Authority’s bank balance was insured by the FDIC. \$30,724,745 and \$32,327,592, in 2025 and 2024, respectively, of the Authority’s bank balance was exposed to custodial credit risk as follows:

	<u>2025</u>	<u>2024</u>
Uninsured and collateralized with securities held by the pledging bank’s trust department not in the Authority’s name	\$ 29,120,874	\$ 31,028,648
Uninsured and uncollateralized with securities held by the custodian not in the Authority’s name	<u>1,353,871</u>	<u>1,298,944</u>
	<u>\$ 30,474,745</u>	<u>\$ 32,327,592</u>

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

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, 2025 and 2024, 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, 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>
Additions	3,478,179	-	1,358,280	4,836,459
BALANCE, DECEMBER 31, 2025	<u>\$ 105,348,908</u>	<u>\$ 758,472</u>	<u>\$ 19,770,388</u>	<u>\$ 125,877,768</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 2025 and 2024:

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 2025 and 2024 were \$375,254 and \$319,234, 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 2025 and 2024 was \$131,254 and \$128,537, respectively.

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE H - LONG-TERM OBLIGATIONS

The following changes occurred in long-term obligations:

	Balance January 1, 2024	Additions	Principal Retirements
	<u> </u>	<u> </u>	<u> </u>
Bonds Payable			
Series of 2023	\$ 11,210,000	\$ -	\$ -
Series of 2021	21,310,000	-	-
Series of 2019	5,225,000	-	(5,225,000)
Bond premium	<u>4,362,153</u>	<u>-</u>	<u>(458,294)</u>
	<u>\$ 42,107,153</u>	<u>\$ -</u>	<u>\$ (5,683,294)</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, 2025, are as follows:

<u>Maturing November 1,</u>	<u>Annual Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
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	4.00%	1,015,000	315,450
2031-2035	4.00%	<u>5,780,000</u>	<u>777,050</u>
		<u>\$ 10,400,000</u>	<u>\$ 2,806,600</u>

Balance December 31, 2024	Additions	Principal Retirements	Balance December 31, 2025	Current Portion
\$ 11,210,000	\$ -	\$ (810,000)	\$ 10,400,000	\$ 845,000
21,310,000	-	(2,110,000)	19,200,000	2,195,000
-	-	-	-	-
<u>3,903,859</u>	<u>-</u>	<u>(458,294)</u>	<u>3,445,565</u>	<u>458,294</u>
<u>\$ 36,423,859</u>	<u>\$ -</u>	<u>\$ (3,378,294)</u>	<u>\$ 33,045,565</u>	<u>\$ 3,498,294</u>

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

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, 2025, are as follows:

<u>Maturing November 1,</u>	<u>Annual Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
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	4.00%	2,560,000	395,200
2031-2032	4.00%	<u>7,320,000</u>	<u>478,800</u>
		<u>\$ 19,200,000</u>	<u>\$ 3,404,800</u>

NOTE I - 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, 2025 AND 2024

NOTE I - 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, 2025 and 2024, the Authority had capitalized \$96,710,100 and \$94,642,493, respectively, related to its investment in Forest Park, which consisted of the following amounts:

	<u>2025</u>	<u>2024</u>
Treatment Plant	\$ 80,235,245	\$ 79,227,541
Water Diversion Project	<u>16,474,855</u>	<u>15,414,952</u>
	96,710,100	94,642,493
Accumulated depreciation	<u>(62,421,381)</u>	<u>(59,985,083)</u>
	<u>\$ 34,288,719</u>	<u>\$ 34,657,410</u>

The total cost of the project as of September 30, 2025 and 2024 (Forest Park's year-end) was \$186,019,790 and \$182,108,344, 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, 2025 AND 2024

NOTE J - 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 \$329,159 in lease revenue and \$139,523 in interest revenue during 2025 related to these leases. The North Penn Water Authority recognized \$400,303 in lease revenue and \$142,650 in interest revenue during 2024 related to these leases. As of December 31, 2025 and 2024, North Penn Water Authority's receivable for lease payments was \$3,130,776 and \$3,394,424, 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, 2025 and 2024, the balance of the deferred inflow of resources was \$2,763,312 and \$3,098,335, respectively.

NOTE K - SETTLEMENT PROCEEDS

The Authority is entitled to receive proceeds from class action settlement agreements executed during 2025. Payments are scheduled to be received in installments over an eight-year period.

A portion of the total settlement proceeds is subject to holdback provisions and will be distributed on a pro-rata basis. Holdback amounts are not recognized as receivable until the amounts become fixed and determinable.

Activity in the legal settlement proceeds receivable during 2025 is as follows:

Beginning balance, January 1, 2025	\$ <u> -</u>
Gross settlement proceeds	6,120,260
Attorney fees	(1,652,470)
Other costs	<u> (97,188)</u>
Settlement proceeds recognized	4,370,602
Payments received	<u> (3,086,610)</u>
Ending balance, December 31, 2025	\$ <u><u> 1,283,992</u></u>

NORTH PENN WATER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE K - SETTLEMENT PROCEEDs (Continued)

Future anticipated collections are as follows:

<u>Year ending</u>	<u>Amount</u>
2026	\$ 238,882
2027	179,162
2028	209,022
2029	186,627
2030	126,906
2031	126,906
2032	111,976
2033	<u>104,511</u>
	<u>\$ 1,283,992</u>

Actual amounts may deviate from the above schedule as holdbacks are received.

Subsequent to year end, two additional settlement agreements were reached in March 2026, not reflected in 2025 balances. Gross settlement awards based on agreements reached during 2026 approximated \$0.9 million. The Authority will receive payments net of attorney fees of approximately \$0.2 million and other costs of approximately \$0.04 million. Also, subsequent to year end, a portion of the holdback from the 2025 settlements was released and received.

SUPPLEMENTARY INFORMATION SECTION

NORTH PENN WATER AUTHORITY
SCHEDULE OF CORPORATE ENTITY
YEARS ENDED DECEMBER 31, 2025 AND 2024

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, 2025, were as follows:

<u>Member</u>	<u>Office Held</u>	<u>Appointed By</u>	<u>Term Expires December 31</u>
George E. Witmayer	Chair	Franconia Township	2025
Richard C. Mast	Vice Chair	Lower Salford Township	2027
Kenneth V. Farrall	Secretary	Hatfield Borough	2027
Amy J. Cummings-Leight	Treasurer	Souderton Borough	2029
Arthur C. Bustard	Assistant Secretary	Worcester Township	2026
William K. Dingman	Assistant Treasurer	Towamencin Township	2025
Robert C. McCarney	Member	Hatfield Township	2026
Jeffrey H. Simcox	Member	Lansdale Borough	2028
Michael R. Filiatrault	Member	New Britain Township	2028
Franco D'Angelo	Member	Skippack Township	2029

NORTH PENN WATER AUTHORITY
SCHEDULES OF OPERATING REVENUES
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025		Actual 2024
	Budget	Actual	
OPERATING REVENUES			
Metered sales			
Domestic	\$ 13,729,000	\$ 13,655,250	\$ 13,726,281
Commercial	2,700,000	2,848,625	2,688,668
Industrial	4,007,000	4,374,369	4,031,768
Public	655,000	630,327	579,341
FPW metered sales to BCWSA	1,300,000	1,353,173	1,512,520
Other	263,000	425,924	398,238
TOTAL METERED SALES	<u>22,654,000</u>	<u>23,287,668</u>	<u>22,936,816</u>
Unmetered sales			
Private fire protection	290,000	306,606	282,034
Public fire protection	224,000	224,747	226,872
Bulk sales	100,000	107,984	118,761
TOTAL UNMETERED SALES	<u>614,000</u>	<u>639,337</u>	<u>627,667</u>
Other revenues	<u>50,000</u>	<u>42,648</u>	<u>50,821</u>
TOTAL OPERATING REVENUES	<u>\$ 23,318,000</u>	<u>\$ 23,969,653</u>	<u>\$ 23,615,304</u>

NORTH PENN WATER AUTHORITY
SCHEDULES OF OPERATING EXPENSES, EXCLUSIVE OF
DEPRECIATION AND AMORTIZATION
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025		Actual 2024
	Budget	Actual	
OPERATING EXPENSES			
Water collection system			
Water purchased, general	\$ 132,000	\$ 128,173	\$ 129,453
Forest Park Water operating expenses	3,448,000	3,556,525	3,005,130
TOTAL WATER COLLECTION SYSTEM	3,580,000	3,684,698	3,134,583
Purification system			
Supplies and expenses	38,000	22,942	27,436
Maintenance of equipment	43,000	22,854	34,143
TOTAL PURIFICATION SYSTEM	81,000	45,796	61,579
Laboratory costs			
Labor	329,000	321,409	317,668
Chemicals and supplies	77,000	62,362	70,655
Maintenance of equipment	43,000	17,865	18,730
Utilities	6,000	5,160	5,160
Regulated sampling	70,000	85,887	89,286
TOTAL LABORATORY COSTS	525,000	492,683	501,499
Pumping system			
Labor	250,000	233,201	241,575
Regional well monitoring	3,000	1,846	2,230
SCADA system	34,000	22,268	31,790
Supplies	6,000	3,258	4,287
Power purchased	276,000	238,971	168,578
Maintenance of equipment	104,000	117,447	97,775
TOTAL PUMPING SYSTEM	673,000	616,991	546,235
Metering and customer service			
Maintenance of meters and boxes	339,000	197,460	284,162
General meter supplies	40,000	84,644	18,689
TOTAL METERING AND CUSTOMER SERVICE	379,000	282,104	302,851
SUBTOTAL OPERATING EXPENSES FORWARD	\$ 5,238,000	\$ 5,122,272	\$ 4,546,747

NORTH PENN WATER AUTHORITY
SCHEDULES OF OPERATING EXPENSES, EXCLUSIVE OF
DEPRECIATION AND AMORTIZATION
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025		Actual
	Budget	Actual	2024
OPERATING EXPENSES			
SUBTOTAL FORWARDED	\$ 5,238,000	\$ 5,122,272	\$ 4,546,747
Distribution system			
Operating labor	402,000	376,790	352,338
Supplies and expense	49,000	31,729	47,973
Gratuitous service	5,000	1,175	380
One call - location	101,000	103,023	100,047
Maintenance of service lines	187,000	242,171	202,254
Maintenance of mains	328,000	534,236	352,005
Maintenance of valves	40,000	28,934	33,235
Maintenance of fire hydrants	143,000	119,978	117,496
Maintenance of easements	86,000	66,427	13,579
Leak surveys	41,000	31,629	41,519
Maintenance of tanks	-	3,948	-
TOTAL DISTRIBUTION SYSTEM	1,382,000	1,540,040	1,260,826
Information technology			
Salaries	340,000	339,660	334,172
Data and communication	82,000	74,008	75,729
IT consulting/software updates	141,000	190,569	108,093
IT maintenance and support contacts	331,000	346,147	296,680
IT software services	212,000	249,794	200,039
IT equipment and supplies	10,000	7,183	9,335
TOTAL INFORMATION TECHNOLOGY	1,116,000	1,207,361	1,024,048
Administrative and engineering			
Salaries			
General officers	1,792,000	1,844,695	1,524,410
Customer service and accounting	516,000	507,203	470,281
Engineering	165,000	202,880	197,289
Administration and public relations	287,000	235,174	285,577
Engineering expense	2,000	6,692	4,292
Personnel expenses	60,000	24,576	10,240
TOTAL ADMINISTRATIVE AND ENGINEERING	2,822,000	2,821,220	2,492,089
SUBTOTAL OPERATING EXPENSES FORWARD	\$ 10,558,000	\$ 10,690,893	\$ 9,323,710

NORTH PENN WATER AUTHORITY
SCHEDULES OF OPERATING EXPENSES, EXCLUSIVE OF
DEPRECIATION AND AMORTIZATION
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025		Actual
	Budget	Actual	2024
OPERATING EXPENSES			
SUBTOTAL FORWARDED	\$ 10,558,000	\$ 10,690,893	\$ 9,323,710
General expenses			
General office supplies	20,000	18,412	18,072
Copy machine	14,000	12,451	11,140
Postage	110,000	106,423	128,238
Officers' general expenses	100,000	179,393	153,150
Education, training	75,000	81,842	74,386
Payment processing fees	144,000	154,716	149,777
Other general office expenses	20,000	13,143	26,172
On call expense labor and miscellaneous cost	43,000	60,966	46,825
Maintenance of vehicles	240,000	281,686	222,024
Taxes			
Employee payroll	438,000	431,030	380,066
Unemployment compensation	10,000	7,605	18,953
Uncollected consumer accounts	-	-	55
General law expenses	100,000	97,115	87,332
Engineering consultation	120,000	152,541	304,154
Audit expenses	47,000	46,800	44,600
Insurance			
Corporate	391,000	392,414	271,805
Employee	1,532,000	1,517,050	1,464,774
Trustee fee	20,000	8,000	56,291
Pensions	400,000	377,094	322,167
Safety program	3,000	1,302	-
Public information	124,000	114,584	121,016
Maintenance of general properties	234,000	239,294	186,075
Utilities expense	35,000	52,942	26,652
Trash/ recycling expenses	20,000	17,077	20,341
Landscape maintenance	75,000	63,312	58,501
TOTAL GENERAL EXPENSES	<u>4,315,000</u>	<u>4,427,192</u>	<u>4,192,566</u>
TOTAL OPERATING EXPENSES	\$ <u>14,873,000</u>	\$ <u>15,118,085</u>	\$ <u>13,516,276</u>

NORTH PENN WATER AUTHORITY
SCHEDULES OF NONOPERATING INCOME
YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
NONOPERATING INCOME		
Interest on investments		
Revenue Fund	\$ 304,071	\$ 261,625
Operation and Maintenance Fund	34,453	51,503
Debt Service and Sinking Fund	51,047	275,618
Bond Redemption and Improvement Fund	495,406	371,787
Consumer Deposit Fund	306	307
Main Extension Fund	125,592	152,403
Debt Service Reserve Fund	162,564	192,682
Other funds	129,960	149,646
TOTAL INTEREST ON INVESTMENTS	<u>1,303,399</u>	<u>1,455,571</u>
Other nonoperating income		
Overhead reimbursement, developers	47,126	16,317
Penalties on assessments and customer bills	277,218	250,161
Equipment rental	468,682	542,953
Service connection fees	898,261	490,507
Miscellaneous income	8,327	92,793
Net gain (loss) on disposal of fixed assets	6,885	(76,611)
Interest income on the PECO Contract	-	79,447
TOTAL OTHER NONOPERATING INCOME	<u>1,706,499</u>	<u>1,395,567</u>
TOTAL NONOPERATING INCOME	<u>\$ 3,009,898</u>	<u>\$ 2,851,138</u>

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NORTH PENN WATER AUTHORITY
SCHEDULES OF PROPERTY, PLANT AND EQUIPMENT
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025		
	Cost	Accumulated Depreciation and Amortization	Net
PROPERTY, PLANT AND EQUIPMENT			
Land	\$ 2,375,654	\$ -	\$ 2,375,654
Wells	1,024,381	745,988	278,393
Chemical treatment plant	613,750	565,322	48,428
Pumping station structures	4,078,441	3,482,201	596,240
Pumps and pumping station	3,091,400	2,732,527	358,873
Electrical equipment	2,294,947	2,084,451	210,496
Storage reservoirs and sandpipes	17,892,424	6,629,248	11,263,176
Distribution mains	159,348,168	55,595,353	103,752,815
Service pipes	33,328,145	13,794,673	19,533,472
Meters and remote readers	10,945,333	4,075,254	6,870,079
Fire hydrants	7,070,652	2,667,871	4,402,781
General office structure	7,995,513	4,964,515	3,030,998
General office equipment	2,647,555	2,432,154	215,401
Radio equipment	104,260	93,541	10,719
Automobile vehicle equipment	111,880	111,880	-
Truck vehicle equipment	2,129,158	1,673,960	455,198
Backhoe equipment	354,616	345,527	9,089
Compressor equipment	26,318	26,318	-
Distribution department equipment	641,247	610,988	30,259
Pump department equipment	7,846	7,846	-
Meter department equipment	655,217	383,548	271,669
Grounds maintenance equipment	37,133	36,943	190
Vehicle maintenance equipment	67,793	56,423	11,370
Engineering equipment	28,765	20,861	7,904
General in-house equipment	104,395	99,894	4,501
Organization expense, capitalized	301,509	257,662	43,847
Laboratory equipment	429,488	273,808	155,680
	<u>257,705,988</u>	<u>103,768,756</u>	<u>153,937,232</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	\$ <u>257,705,988</u>	\$ <u>103,768,756</u>	\$ <u>153,937,232</u>

2024		
Cost	Accumulated Depreciation and Amortization	Net
\$ 2,370,303	\$ -	\$ 2,370,303
1,024,381	730,676	293,705
595,251	553,883	41,368
4,069,441	3,218,742	850,699
3,054,804	2,665,415	389,389
2,291,982	1,984,723	307,259
17,887,314	6,223,503	11,663,811
149,917,714	52,836,022	97,081,692
30,631,627	12,878,406	17,753,221
10,233,972	3,976,722	6,257,250
6,512,613	2,506,020	4,006,593
7,427,168	4,757,318	2,669,850
2,702,293	2,488,126	214,167
104,260	92,970	11,290
111,880	111,880	-
1,834,016	1,590,884	243,132
350,891	344,844	6,047
27,114	27,114	-
635,703	599,207	36,496
7,846	7,846	-
712,970	409,497	303,473
37,133	36,943	190
54,005	53,223	782
28,765	18,137	10,628
104,811	104,811	-
301,509	255,835	45,674
656,912	460,095	196,817
<u>\$ 243,686,678</u>	<u>\$ 98,932,842</u>	<u>\$ 144,753,836</u>