

**NORTHAMPTON, BUCKS COUNTY,  
MUNICIPAL AUTHORITY**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**OCTOBER 31, 2020**

(See Independent Auditors' Report)



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## INDEPENDENT AUDITORS' REPORT

To the Board Members of  
Northampton, Bucks County, Municipal Authority  
Richboro, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Northampton, Bucks County, Municipal Authority (the Authority), as of and for the year ended October 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Northampton, Bucks County, Municipal Authority of Richboro, Pennsylvania, as of October 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northampton, Bucks County, Municipal Authority of Richboro, Pennsylvania's basic financial statements. The Operating Revenues Schedule and the Operating and Administrative Expenses Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Operating Revenues Schedule and the Operating and Administrative Expenses Schedule are the responsibility of management and were derived from and relate 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 Operating Revenues Schedule and the Operating and Administrative Expenses Schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Prior Period Financial Statements**

We have previously audited the Authority's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 9, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended October 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Bee, Bergvall & Company  
Certified Public Accountants

Warrington, Pennsylvania  
January 6, 2021

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
OCTOBER 31, 2020

Our discussion and analysis of Northampton, Bucks County, Municipal Authority's (the Authority) financial performance provides an overview of the Authority's financial activities for the fiscal year ended October 31, 2020.

This discussion should be read in conjunction with the Authority's basic financial statements.

### **FINANCIAL HIGHLIGHTS**

Management believes the Authority's financial condition is strong. The following are key financial highlights and activities:

- Northampton, Bucks County, Municipal Authority (NBCMA) entered into binding arbitration with Bucks County Water & Sewer Authority (BCWSA) which concluded in the 2018 fiscal year.
- The Arbitrator ordered that a new Cost of Service Study should be conducted by an independent third-party expert agreeable to both parties. The cost of service study as ordered was intended to set new rates for the wholesale customers of BCWSA served by the Neshaminy Interceptor, effective January 2020.
- Results of the Cost of Service Study concluded that sanitary sewer flows from NBCMA were to be reduced by 89.5 cents per 1,000 gallons of flow effective January 2020. In addition to the rate reduction, BCWSA was to credit NBCMA \$323,392 in calendar year 2020 in twelve (12) monthly installments of \$26,949 for overcharges when BCWSA acquired wholesale customers and converted them to retail customers.
- The Authority's net position increased approximately \$3.66 million from \$64.27 million in 2019 to \$67.93 million in 2020, as a result of this year's operations. Most of the increase in net position is due to the sewer rate reduction from BCWSA from the Cost of Service Study conducted in fiscal year 2019. Of the total net assets, \$8.7 million remains unrestricted and available to support current operations, capital outlay and debt service.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
OCTOBER 31, 2020

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Authority's annual report includes the MD&A report, the independent auditors' report and the basic financial statements of the Authority. The financial statements also include schedules and notes that explain in more detail some of the information in the financial statements.

**FINANCIAL ANALYSIS OF THE AUTHORITY**

The following comparative condensed financial and other selected information serve as the key financial data and indicators for management, monitoring and planning. Comments regarding the year-to-year variances are included in each section by the name of the statement or account.

**NET POSITION**

A summary of the Authority's Statements of Net Position as of October 31, 2020 and 2019 is presented in Table A-1.

Table A-1  
Condensed Statements of Net Position  
(In thousands of dollars)

	<u>2020</u>	<u>2019</u>	<u>Dollar Change</u>	<u>Total % Change</u>
Current and other assets	\$ 10,204	\$ 5,359	\$ 4,845	90.4
Long term assets	284	274	10	3.6
Capital assets	<u>70,221</u>	<u>71,588</u>	<u>(1,367)</u>	(1.9)
Total Assets	<u>80,709</u>	<u>77,221</u>	<u>3,488</u>	4.5
Long-term debt outstanding	10,978	11,667	(689)	(5.9)
Other liabilities	<u>1,804</u>	<u>1,286</u>	<u>518</u>	40.3
Total Liabilities	<u>12,782</u>	<u>12,953</u>	<u>(171)</u>	(1.3)
Net Investment in capital assets	59,243	59,921	(678)	(1.1)
Unrestricted	<u>8,684</u>	<u>4,347</u>	<u>4,337</u>	99.8
Total Net Position	<u>\$ 67,927</u>	<u>\$ 64,268</u>	<u>\$ 3,659</u>	5.7

Table A-1 above shows that net position increased \$3.659 million from fiscal 2019 to fiscal 2020 as a result of a large increase in cash and cash equivalents and investments netted against a decrease in capital assets. There was also a large decrease in long-term debt outstanding. The large increase in cash and cash equivalents relates to the sewer rate reduction from BCWSA from the Cost of Service Study conducted in fiscal year 2019 and the monthly credit of \$26,949 in calendar year 2020 for overcharges when BCWSA acquired wholesale customers and converted them to retail customers. The decrease in capital assets are assets that are fully depreciated.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
OCTOBER 31, 2020

Table A-2  
Condensed Statements of Revenues,  
Expenses, and Changes in Net Position  
(In thousands of dollars)

	<u>2020</u>	<u>2019</u>	<u>Dollar Change</u>	<u>Total % Change</u>
Operating revenues	\$ 18,035	\$ 17,221	\$ 814	4.7
Nonoperating revenues	<u>477</u>	<u>222</u>	<u>255</u>	114.9
Total Revenue	<u>18,512</u>	<u>17,443</u>	<u>1,069</u>	6.1
Operating and administrative expenses	12,106	15,895	(3,789)	(23.8)
Depreciation expense	2,107	2,161	(54)	(2.5)
Nonoperating expense	<u>640</u>	<u>589</u>	<u>51</u>	8.7
Total Expenses	<u>14,853</u>	<u>18,645</u>	<u>(3,792)</u>	(20.3)
Increase (decrease) in net position	3,659	(1,202)	4,861	(404.4)
Net Position, Beginning of Year	<u>64,268</u>	<u>65,470</u>	<u>(1,202)</u>	(1.8)
Net Position, End of Year	<u>\$ 67,927</u>	<u>\$ 64,268</u>	<u>\$ 3,659</u>	5.7

While the Statements of Net Position shows the change in assets and liabilities, the Statements of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes. In Table A-2 above, the net position increased by \$3.659 million from 2019 to 2020 due to an increase in total revenues of \$1.069 million and a reduction in total expenses of \$3.792 million.

The Authority's total revenues increased \$1.069 million or 6.1% due to an increase of \$.67 million in customer water and sewer usage, \$.62 million increase in tapping fees netted against a reduction of \$.18 million in late penalties with a resolution passed in April 2020 not to impose charges on late customer payments due to the coronavirus pandemic with smaller increases/decreases in all other operating revenue categories. There was also the large reduction in miscellaneous revenues pertaining to the 2019 fiscal year Cost of Service Study determination and Authority accrual of the \$.32 million be refunded to the Authority in calendar year 2020.

The Authority's total expenses decreased by \$3.792 million or 20.3%, primarily due to the \$4.0 million reduction in BCWSA sewer rental fees from the Cost of Service Study sewer rate reduction determination in fiscal year 2019 and lower sanitary sewer flows, which are dependent upon natural groundwater levels. There was also a reduction of \$.15 million in charges related to legal services with smaller increases/decreases in all other operating expense categories.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
OCTOBER 31, 2020

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Authority's investment in capital assets, net of accumulated depreciation, decreased \$1.367 million from October 31, 2019 to October 31, 2020.

Table A-3  
Property, Plant and Equipment  
(In thousands of dollars)

	<u>2020</u>	<u>2019</u>	<u>Variance</u>
Land	\$ 6,603	\$ 6,603	\$ -
Vehicles, trucks and accessories	1,597	1,595	2
Water systems	31,737	31,468	269
Sewer systems	46,862	46,394	468
Development lines	<u>47,137</u>	<u>47,137</u>	<u>-</u>
Total	133,936	133,197	739
Less accumulated depreciation	<u>(63,715)</u>	<u>(61,609)</u>	<u>(2,106)</u>
Net Property, Plant and Equipment	<u>\$ 70,221</u>	<u>\$ 71,588</u>	<u>\$ (1,367)</u>

This decrease is due to \$.739 million in water and sewer system improvements less the \$2.106 million in depreciation expense.

***LONG-TERM DEBT***

At the end of the current fiscal year, the Authority had total long-term debt of \$11.0 million, of which \$10.98 million is the principal maturity and \$38 thousand is accrued interest. More detailed information about the Authority's debt is presented in the notes to the financial statements.

On March 5, 2020, the Authority renewed a Revolving Line of Credit in the amount of \$3 million, for a term of 12 months maturing on March 5, 2021. The interest rate will be fixed at a tax-exempt rate of 3.55% for the term of the note. The Authority did not borrow from the Line of Credit in fiscal year 2020.

On November 15, 2006, the Authority adopted a resolution to issue new debt in the sum of \$11 million to finance the Authority's 2007-2011 Capital improvement programs. The Bonds are dated December 15, 2006 and amend and supplement the First Supplemental Trust Indenture, dated September 1, 1990, and have a final maturity date of December 2027. The Bonds are secured solely by a pledge of Revenues from the Authority, including investment interest, and are guaranteed by Financial Security Assurance, Inc., a guaranty bond insurance company.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
OCTOBER 31, 2020

***LONG-TERM DEBT (continued)***

The Water and Sewer Revenue Bonds, Series of 2006 were redeemed on July 10, 2017 with the proceeds from the 2017 loan agreement with The First National Bank and Trust Company of Newtown. The note is a Water and Sewer Revenue Note. The tax-exempt interest rate will be fixed at 2.5% for 10 years. The 2017 note was issued for the purpose of redeeming the Water and Sewer Revenue Bonds, Series of 2006.

On October 9, 2009, the Authority entered into a new credit agreement with The First National Bank and Trust Company of Newtown, PA pursuant to which the Authority can borrow up to \$8 million on a non-revolving line of credit at a fixed rate of 3.8%. In July 2013, the Authority refinanced this loan facility (principal balance of \$5.0 million at date of refinance), reducing the interest rate to 2.65% with no other amendment to any existing terms and conditions. The 2009 note was paid off in September 2019.

On October 5, 2011, the Authority entered into an agreement with Bucks County Water and Sewer Authority, (BCWSA). BCWSA will continue to provide public water to Northampton from the Forest Park Water Treatment Plant. This will require certain infrastructure improvements. The total cost of the capital improvements is estimated at \$69,000,000. Northampton, Bucks County, Municipal Authority's proportionate share shall be \$7,849,380, which shall be paid at a rate of \$.84 per 1,000 gallons based upon a Debt Service Rate of 5¼% annual rate. The term of this agreement is 30 years and was effective May 1, 2011 and shall remain in full force and effect until May 1, 2041.

Effective February 13, 2017, BCWSA adjusted Northampton, Bucks County, Municipal Authority's proportionate share to \$7,136,240. BCWSA also adjusted the payment rate to \$.68687 per 1,000 gallons effective January 1, 2017. The adjustment in the payment rate extended the loan payments to May 1, 2053. The Debt Service Interest Rate remained the same.

***ECONOMIC FACTORS AND NEXT YEAR'S RATES***

Northampton Township has seen stabilization in population growth and building construction therefore, income realized through developer contributions and tapping fees is limited. Revenue to cover future operating expenses and debt service will then be derived, primarily, from the water and sewer usage and rental charges. Management remains cautious with the forecast of consumption demand for the 2021 fiscal year, subject to unknown weather impacts and the economy.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Statements of Net Position

October 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b><u>ASSETS</u></b>		
Current Assets		
Unrestricted:		
Cash and cash equivalents	\$ 3,340,882	\$ 1,345,208
Investments	2,500,225	-
Accounts receivable, billed	925,663	735,481
Accounts receivable, unbilled	2,350,070	2,153,930
Current tapping and assessment fees receivable	177,536	180,320
Developer and other receivables	239,022	552,158
Grant receivable	32,527	3,906
Inventories	46,129	79,905
Prepaid expenses	207,251	188,103
Total Unrestricted Assets	<u>9,819,305</u>	<u>5,239,011</u>
Restricted:		
Cash escrow	<u>385,496</u>	<u>120,183</u>
Total Restricted Assets	<u>385,496</u>	<u>120,183</u>
Total Current Assets	<u>10,204,801</u>	<u>5,359,194</u>
Long-Term Assets		
Notes receivable - related party, net	<u>283,721</u>	<u>273,677</u>
Property, Plant and Equipment		
Land	6,602,535	6,602,535
Other Capital Assets, net of Accumulated Depreciation	<u>63,618,137</u>	<u>64,985,739</u>
Total Property, Plant and Equipment, net	<u>70,220,672</u>	<u>71,588,274</u>
 TOTAL ASSETS	 <u>\$ 80,709,194</u>	 <u>\$ 77,221,145</u>

**LIABILITIES**

	<u>2020</u>	<u>2019</u>
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,381,204	\$ 1,125,974
Current maturities of long-term debt	698,741	666,856
Accrued interest	<u>38,081</u>	<u>39,687</u>
Total from Unrestricted Assets	<u>2,118,026</u>	<u>1,832,517</u>
Payable from restricted assets:		
Funds in escrow	<u>385,496</u>	<u>120,183</u>
Total from Restricted Assets	<u>385,496</u>	<u>120,183</u>
Total Current Liabilities	<u>2,503,522</u>	<u>1,952,700</u>
Long-term Liabilities		
Long-term debt	<u>10,279,164</u>	<u>11,000,622</u>
TOTAL LIABILITIES	<u>\$ 12,782,686</u>	<u>\$ 12,953,322</u>

**NET POSITION**

Net investment in capital assets	\$ 59,242,767	\$ 59,920,796
Unrestricted	<u>8,683,741</u>	<u>4,347,027</u>
TOTAL NET POSITION	<u>\$ 67,926,508</u>	<u>\$ 64,267,823</u>

See accompanying notes to financial statements.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position

For The Years Ended October 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 18,034,644	\$ 17,220,806
Operating and administrative expenses	12,105,816	15,894,849
Depreciation	<u>2,106,728</u>	<u>2,160,928</u>
Income (loss) before nonoperating revenues (expenses) and capital contributions	<u>3,822,100</u>	<u>(834,971)</u>
Nonoperating revenues (expenses)		
Interest income	25,011	36,365
Interest expense	(466,559)	(500,938)
Gain/(loss) on sale of assets	-	55,366
Grant income	251,048	27,770
Developer income	200,683	103,394
Developer expense	<u>(173,598)</u>	<u>(89,199)</u>
Total nonoperating revenues (expenses)	<u>(163,415)</u>	<u>(367,242)</u>
Increase (decrease) in net position	3,658,685	(1,202,213)
Net Position, Beginning of Year	<u>64,267,823</u>	<u>65,470,036</u>
Net Position, End of Year	<u>\$ 67,926,508</u>	<u>\$ 64,267,823</u>

See accompanying notes to financial statements.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Statements of Cash Flows

For The Years Ended October 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 17,964,242	\$ 16,862,723
Other cash received	323,250	-
Cash paid to employees	(1,690,603)	(1,657,083)
Cash paid for sewer rental charges	(5,812,124)	(9,786,546)
Cash paid for water purchases	(1,695,045)	(1,611,340)
Cash paid to other suppliers	(2,696,123)	(3,357,029)
Other-(payment) release of amounts	-	(5,156,709)
Net Cash Provided by (Used in) Operating Activities	<u>6,393,597</u>	<u>(4,705,984)</u>
Cash Flows from Non-Capital Financing Activities:		
Other expense	(173,598)	(89,199)
Other income	<u>200,683</u>	<u>103,394</u>
Net Cash Provided by Non-Capital Financing Activities	<u>27,085</u>	<u>14,195</u>
Cash Flows from Capital and Related Financing Activities:		
Capital grants	222,427	23,864
Principal paid on long-term debt	(689,573)	(1,882,232)
Interest paid on long-term debt	(468,165)	(518,974)
Acquisition of property, plant and equipment	<u>(739,126)</u>	<u>(724,888)</u>
Net Cash Used in Capital and Financing Activities	<u>(1,674,437)</u>	<u>(3,102,230)</u>
Cash Flows from Investing Activities:		
Proceeds from sales and maturities of investment securities	-	22,168,688
Purchase of investment securities	(2,500,225)	(19,291,194)
Interest and other income received	<u>14,967</u>	<u>26,677</u>
Net Cash (Used in) Provided by Investing Activities	<u>(2,485,258)</u>	<u>2,904,171</u>
Net (Decrease) Increase in Cash and Cash Equivalents	2,260,987	(4,889,848)
Cash and Cash Equivalents, Beginning of Year	<u>1,465,391</u>	<u>6,355,239</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,726,378</u>	<u>\$ 1,465,391</u>

	<u>2020</u>	<u>2019</u>
Reconciliation of Net Income (Loss) to Net Cash (Used in)		
Provided by Operating Activities:		
Net income (loss) before nonoperating expenses	\$ 3,822,100	\$ (834,971)
Adjustments to reconcile net income (loss) before non- operating revenues and expenses and capital contributions to net cash (used in) provided by operating activities:		
Depreciation	2,106,728	2,160,928
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable and other receivables	(70,402)	(358,085)
Inventories	33,776	(47,085)
Prepaid expenses	(19,148)	38,644
Increase (decrease) in:		
Accounts payable and accrued expenses	255,230	(5,633,888)
Escrow liability	265,313	(31,527)
Net Cash (Used in) Provided by Operating Activities	<u>\$ 6,393,597</u>	<u>\$ (4,705,984)</u>
Supplemental disclosure of noncash capital and related financing activities:		
Amortization of note receivable - related party	<u>\$ 10,044</u>	<u>\$ 9,688</u>
Cash and cash equivalents	\$ 3,340,882	\$ 1,345,208
Cash escrow	<u>385,496</u>	<u>120,183</u>
	<u>\$ 3,726,378</u>	<u>\$ 1,465,391</u>

See accompanying notes to financial statements.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Notes to Financial Statements

For The Year Ended October 31, 2020

**NOTE 1. The Organization**

The Northampton, Bucks County, Municipal Authority (the Authority), incorporated in 1964 under the Pennsylvania Municipality Authorities Act of 1945, owns and operates a Water System and a Sewer System (collectively, the System). The two systems are combined for financial reporting purposes, but internally accounted for separately.

The Authority is empowered by law to, among other things, collect reasonable and uniform rates and other charges in the area served by the System, provide for payment of its expenses and debt service requirements, construct, improve, repair, maintain and operate the System, and fulfill the terms of agreements into which the Authority has entered.

*Financial Reporting Entity*

As defined by accounting principles generally accepted in the United States of America, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is present if the Authority appoints a voting majority of a component unit's governing body and has the ability to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Authority. Based on the aforementioned criteria, there were no entities which were considered for inclusion in the reporting entity.

**NOTE 2. Summary of Significant Accounting Policies**

*Basis of Accounting:* The Authority maintains its books and records on the accrual basis of accounting. All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises.

*Cash and Cash Equivalents:* All highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

*Investments:* Investments are reported at fair value based on quoted market prices.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Notes to Financial Statements

For The Year Ended October 31, 2020

**NOTE 2. Summary of Significant Accounting Policies (Continued)**

*Receivables:* Accounts receivable are stated at their net realizable value. The Authority recognizes uncollectible accounts as a direct charge to bad debt expense at the time the Board deems the accounts to be uncollectible. At October 31, 2020, all amounts were considered collectible and no allowance for uncollectible accounts has been calculated.

The Authority has constructed sanitary sewer facilities which provide a benefit to the Property by enabling the Property Owners to connect the Property into the Authority's public sanitary sewer facilities. Some Authority Property Owners have signed agreements to set up a payment plan to pay Tapping Fees and/or Assessment Fees over a term of 60 months ending April 2016 for Phase I and June 2016 for Phase II of the Western End Infrastructure Project. The annual interest rate is 5.0% per annum on the unpaid portion. The accrued interest on the unpaid portion for the years ending October 31, 2020 and 2019 is \$2,507 and \$7,850, respectively. The reduction in interest from 2019 to 2020 is due to the Board Resolution in April 2020 not to charge late fees for customer late payments due to the Coronavirus Pandemic.

*Prepaid Expenses:* Prepaid expenses consist of prepaid insurance and other costs which are being expensed over the term of the policy or agreement.

*Inventories:* Inventories of water meters and fire hydrants are recorded at cost and accounted for on the first-in, first-out basis.

*Note Receivable:* The note receivable is recorded at its present value at inception date. The discount is recognized in interest income over the life of the loan.

*Property, Plant and Equipment:* Property, plant and equipment are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Maintenance and repairs that do not significantly extend the value or life of property, plant and equipment, are expensed as incurred. Effective December 7, 2016, the Authority implemented a capitalization policy whereby items with a cost of \$5,000 or more and a useful life of 5 years or greater are capitalized. Depreciation is calculated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Water systems, wells, mains, lines structures and meters	20 – 75
Sewer system mains and lines	75
General office building	50
Equipment	5 – 30

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Notes to Financial Statements

For The Year Ended October 31, 2020

**NOTE 2. Summary of Significant Accounting Policies (Continued)**

Long-term Obligations: In the financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts are deferred and amortized over the life of the debt using the straight-line method, when applicable. Long-term obligations are reported net of the applicable premium or discount. There was no amortization expense for the years ended October 31, 2020 and October 31, 2019. Debt issuance costs are expensed as incurred.

Compensated Absences: Employees are allowed to carryover unused vacation benefits. Unused sick pay is paid out at 75% in January of the following year.

Net Position: Net position includes the various net earnings from operating and nonoperating revenues, expenses and contributions of capital. Net position is classified in the following three components: invested in capital assets, net of related liabilities; restricted for capital activity and debt services; and unrestricted net position. Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted for capital activity and debt service consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates less any related liabilities. Unrestricted consists of all other net position not appropriated for expenditures or legally segregated for a specific future use.

Net Investment in Capital Assets:

	<u>2020</u>	<u>2019</u>
Total Property, Plant & Equipment	\$ 70,220,672	\$ 71,588,274
Less: Long-term debt outstanding	<u>(10,977,905)</u>	<u>(11,667,478)</u>
	<u>\$ 59,242,767</u>	<u>\$ 59,920,796</u>

Reclassifications: Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Notes to Financial Statements

For The Year Ended October 31, 2020

**NOTE 2. Summary of Significant Accounting Policies (Continued)**

*Comparative Information:* The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting policies generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended October 31, 2019, from which the summarized information was derived.

*Revenue Recognition:* The Authority distinguishes between operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

For expenses that could be paid by either restricted or unrestricted resources, it is the Authority's policy to use restricted resources for restricted items and then unrestricted resources as they are needed.

*Revenues and Rate Structure:* Revenues from water and sewer services are recognized on the accrual basis as earned. Services are supplied to customers under a rate structure designed to produce revenues sufficient to provide for operating and maintenance costs, capital outlay, debt service, reserves and debt coverage.

*Use of Estimates:* The preparation of financial statements 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 disclosure 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 those estimates.

*Budgets and Budgetary Accounting:* The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. During November, the budget is discussed and approved in a public meeting.
2. All budget revisions require the approval of the Authority.
3. Budgetary control is maintained at the account level.
4. The budget is adopted on the accrual basis of accounting. All appropriations lapse at year-end.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Notes to Financial Statements

For The Year Ended October 31, 2020

**NOTE 2. Summary of Significant Accounting Policies (Continued)**

*Deferred Outflows/Inflows of Resources:* In addition to assets, the Statement of Financial 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 Statement of Financial Position will sometimes report a separate section of deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenues) until that time.

*Subsequent Events:* Subsequent events were evaluated through the date of this report, which is the date the financial statements were available for release. No significant events have been recognized or disclosed.

*New Accounting Pronouncements: GASB Codification Section L20, Leases (GASB 87):* GASB 87 substantially changes current accounting procedures regarding lease accounting and offers specific accounting guidance for lessees, lessors and sale-leaseback transactions. GASB 87 establishes a right-of-use (“ROU”) model that requires lessees to record a ROU asset and lease liability in the statement of financial position for all leases with terms longer than 12 months (the standard may optionally be applied to leases with term of 12 months or less). Leases will be classified as either finance leases or operating leases depending on the characteristics of the lease; consistent with current accounting procedures, the recognition, measurement and presentation of expenses and cash flows arising from the lease will depend on the lease classification. This Statement is expected to have an implementation date for fiscal years beginning after June 15, 2021.

**NOTE 3. Deposits and Investments**

The Board of Directors (the Board) of the Authority, in accordance with the Commonwealth of Pennsylvania (the Commonwealth) statute, may appoint one or more depositories for Authority funds and approve security to be furnished by such depository. This security may be in the form of collateral consisting of obligations of the United States of America or the Commonwealth, or any political subdivision thereof, deposited with the financial institution.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Notes to Financial Statements

For The Year Ended October 31, 2020

**NOTE 3. Deposits and Investments (Continued)**

The Pennsylvania Act 72 of 1971 (Act 72), as amended, allows depositories to satisfy the collateralization requirement by pooling eligible investments to cover total public funds on deposits in excess of federal insurance. Such pooled collateral is pledged with the financial institution's trust department.

The Board also has the power to invest Authority sinking funds in the manner provided for by the Local Government Unit Debt Act, to invest monies of the Authority other than sinking funds as authorized below, and to liquidate any such investments, in whole or in part, by disposing of securities or withdrawing funds on deposit. Any action taken to make or to liquidate any investment shall be made by the officers designated by action of the Board.

The Board shall invest Authority funds consistent with business practice. The Municipality Authorities Act of 1945 allows the Authority to invest in the following instruments:

- a) United States Treasury bills.
- b) Short-term obligations of United States Government, of its agencies or instrumentalities.
- c) Deposits in savings accounts, time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC) 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 financial institution.
- d) 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 any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
- e) Shares of an investment company registered under the Investment Company Act of 1940 (mutual funds), whose shares are registered under the Securities Act of 1933, provided that the only investments are in the authorized investments for Authority funds listed in (a) through (d) above.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Notes to Financial Statements

For The Year Ended October 31, 2020

**NOTE 3. Deposits and Investments (Continued)**

*Concentration of Credit Risk:* The Authority places no limit on the amount the Authority may invest in any one issuer. All of the Authority's investments as of October 31, 2020 and 2019 consist of investments in an external investment pool, the Pennsylvania Local Government Investment Trust in a variable rate portfolio rated AAAM.

*Credit Risk:* As of October 31, 2020, the Authority's investments were in an external investment pool money market investing in obligations backed by the full faith and credit of the United States Government, and short-term obligations of the United States Government.

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy states that the average portfolio maturity shall be at a target range of three to seven years. No individual investment shall exceed ten years.

*Custodial Credit Risk – Deposits:* Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it or the government will not be able to recover collateral securities in the possession of an outside party. The Authority's investment policy gives the members of the Board the authority to permit assets pledged as collateral under subsection (d)(3), to be pooled in accordance with the act of August 6, 1971 (P.L. 281, No. 72), entitled "An act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis; and authorizing the appointment of custodians to act as pledges of assets." At October 31, 2020, \$3,310,828 of the Authority's bank balance of \$3,560,828 was exposed to custodial credit risk because it was uninsured and uncollateralized. The majority of this balance was invested in PLGIT funds as described below.

Amount insured by FDIC or collateralized with securities held by the Authority in its name	\$ 250,000
Uncollateralized but covered under the provisions of Act 72 described above	1,137,043
PLGIT	<u>2,173,785</u>
Total	<u>\$ 3,560,828</u>

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Notes to Financial Statements

For The Year Ended October 31, 2020

**NOTE 3. Deposits and Investments (Continued)**

*Investment Pool:* The Authority participates in an external investment pool, the Pennsylvania Local Government Investment Trust (“PLGIT”). PLGIT is a common law trust established pursuant to the Intergovernmental Cooperation Act and similar statutes by Local Governments in Pennsylvania for the purpose of pooling their investments. It is a fundamental policy of PLGIT to maintain a net position value of \$1 per share, but there can be no assurance that the net position value will not vary from \$1 per share.

At October 31, 2020, management of PLGIT has indicated that all investments made of the PLGIT were either obligations of the U.S. Government or its agencies or instrumentalities, or certificates of deposit insured by FDIC. The Authority had \$2,173,785 of deposits invested in PLGIT at October 31, 2020, all of which is included in cash and cash equivalents. All amounts invested have maturity dates of less than 6 months. The Authority’s position in the external investment pool is the same as the value of the pool shares and is reported at amortized cost which approximates fair value. PLGIT activities are invested directly in a portfolio of securities, which are held by a third-party custodian. All investments in an external investment pool that is not SEC registered are subject to oversight by the Commonwealth of Pennsylvania. The Authority can withdraw funds from the external investment pool without limitation or fees upon adequate notice.

*Fair Value Measurement:* The Authority categorizes its fair value measurements within the hierarchy established by generally accepted accounting 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 that include quoted prices for similar assets in active markets and inputs that are observable for the asset, either directly, or indirectly, for substantially the full term of the financial instrument. Fair values of these instruments are estimated using pricing models, quoted pricing models, quoted prices of securities with similar characteristics, or discounted cash flows; Level 3 inputs are significant unobservable inputs. The Authority only had one recurring fair value measurement as of October 31, 2020, term deposits are classified as Level 1.

*Escrow Cash Deposit:* The Authority acts in a custodial capacity with respect to monies deposited with it by developers and others. These monies are held by the Authority and used to pay legal, engineering, and other fees incurred on behalf of a specific project. Any unused deposits are returned to the developer upon completion of the project, except for an administrative handling fee. None of the monies received from or expended on behalf of the developers are recorded as revenue or expenses of the Authority. At October 31, 2020, \$385,496 represents the balance of these monies held in escrow.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Notes to Financial Statements

For The Year Ended October 31, 2020

**NOTE 4. Note Receivable**

Northampton, Bucks County, Municipal Authority sold the former administrative office building on July 11, 2018 for \$650,000 to Northampton Township (Township). The Township entered into a Purchase Money Promissory Note with the Authority in the sum of \$650,000, without interest, and shall be payable in full within 25 years from the date above. The Authority recorded a discount on the note based on the Township's long-term borrowing rate of 3.67%. Annual interest reduces the discount on the note receivable. The Note Receivable balance for the years ended October 31, 2020 and 2019 are shown below:

	<u>2020</u>	<u>2019</u>
Note Receivable per agreement	\$ 650,000	\$ 650,000
Discount	<u>(366,279)</u>	<u>(376,323)</u>
	<u>\$ 283,721</u>	<u>\$ 273,677</u>

**NOTE 5. Property, Plant and Equipment**

Property, plant and equipment consist of the following as of October 31:

	Balance November 1 <u>2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance October 31 <u>2020</u>
Capital assets, not being depreciated:				
Land	\$ 6,602,535	\$ -	\$ -	\$ 6,602,535
Total capital assets, not being depreciated	<u>6,602,535</u>	<u>-</u>	<u>-</u>	<u>6,602,535</u>
Capital assets, being depreciated:				
Water system, wells, mains, lines, structures & meters	54,420,161	259,241	-	54,679,402
Sewer system mains & meters	67,593,785	416,972	-	68,010,757
General office building	2,295,674	-	-	2,295,674
Equipment	<u>2,284,763</u>	<u>62,913</u>	<u>-</u>	<u>2,347,676</u>
Total	126,594,383	739,126	-	127,333,509
Accumulated depreciation	<u>(61,608,644)</u>	<u>(2,106,728)</u>	<u>-</u>	<u>(63,715,372)</u>
Total capital assets, being depreciated, net	<u>64,985,739</u>	<u>(1,367,602)</u>	<u>-</u>	<u>63,618,137</u>
All Capital Assets, Net	<u>\$ 71,588,274</u>	<u>\$ (1,367,602)</u>	<u>\$ -</u>	<u>\$ 70,220,672</u>

Depreciation expense was \$ 2,106,728 and \$ 2,160,928 for the years ended October 31, 2020 and 2019, respectively.

Operating Leases: The Authority leases office equipment under noncancellable operating leases. Total liabilities under these leases are considered immaterial to the financial statements.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Notes to Financial Statements

For The Year Ended October 31, 2020

**NOTE 6. Line of Credit**

On March 5, 2020, the Authority obtained a Revolving Line of Credit in the amount of \$3 million, maturing on March 5, 2021. The interest rate will be fixed at a tax-exempt rate of 3.55% for the term of the note. The Authority did not borrow from the Line of Credit in the fiscal year ending October 31, 2020.

**NOTE 7. Long-Term Debt**

On December 15, 2006, the Authority issued \$11,000,000 Water and Sewer Revenue Bonds, Series of 2006. Proceeds of the Bonds together with other available funds of the Authority were used to (1) provide funds for the Authority's capital improvement program, (2) fund the Bond Reserve Fund in an amount equal to maximum annual debt service on the Bonds, and (3) pay costs of issuance of the Bonds. Proceeds of the Bonds were used to improve, expand, modernize and rehabilitate the Authority's aging water and wastewater collection systems with the purpose of meeting regulatory, environmental, and contractual requirements, while simultaneously integrating technology to aid in operational efficiency. The primary goal of the capital improvement program is to reduce the wastewater inflow and infiltration that the Authority currently experiences in periods of wet weather.

The Water and Sewer Revenue Bonds, Series of 2006 were redeemed on July 10, 2017 with proceeds from the 2017 loan agreement with The First National Bank and Trust Company of Newtown. The note is a Water and Sewer Revenue Note. The tax-exempt interest rate will be fixed at 2.5% for 10 years. The 2017 note was issued for the purpose of redeeming the Water and Sewer Revenue Bonds, Series of 2006.

On October 5, 2011, the Authority entered into an agreement with Bucks County Water and Sewer Authority, (BCWSA). BCWSA will continue to provide public water to the Authority from the Forest Park Water Treatment Plant. This will require certain infrastructure improvements. The total cost of the capital improvements is estimated at \$69,000,000. Northampton, Bucks County, Municipal Authority's proportionate share shall be \$7,849,380, which shall be paid at a rate of \$.84 per 1,000 gallons based upon a Debt Service Rate of 5¼% annual rate. The term of this agreement is 30 years and was effective May 1, 2011 and shall remain in full force and effect until May 1, 2041.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Notes to Financial Statements

For The Year Ended October 31, 2020

**NOTE 7. Long-Term Debt (Continued)**

Effective February 13, 2017, BCWSA adjusted Northampton, Bucks County, Municipal Authority's proportionate share to \$7,136,240. BCWSA also adjusted the payment rate to \$.68687 per 1,000 gallons effective January 1, 2017. The Debt Service Interest Rate remained the same. The adjustment in the payment rate extended the loan payments to May 1, 2053.

Changes in long-term debt and accrued interest during the fiscal year 2020 were as follows:

	<u>2017 Note</u>	<u>BCWSA Loan NCMA Share of Capital Improvement</u>	<u>Total</u>
Balance, October 31, 2019	\$ 4,945,568	\$ 6,721,910	\$ 11,667,478
Principal Payments	<u>(592,771)</u>	<u>(96,802)</u>	<u>(689,573)</u>
Balance, October 31, 2020	4,352,797	6,625,108	10,977,905
Current Portion	<u>(607,667)</u>	<u>(91,074)</u>	<u>(698,741)</u>
Long-Term Portion	<u>\$ 3,745,130</u>	<u>\$ 6,534,034</u>	<u>\$ 10,279,164</u>

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Notes to Financial Statements

For The Year Ended October 31, 2020

**NOTE 7. Long-Term Debt (Continued)**

Debt service maturities of the outstanding debt obligations are as follows:

<u>October 31,</u>	<u>2017</u> <u>Note</u>	<u>BCWSA</u> <u>Share of</u> <u>Capital</u> <u>Improvement</u> <u>Anticipated</u>	<u>Total</u>
2021	\$ 607,667	\$ 91,074	\$ 698,741
2022	623,031	95,972	719,003
2023	638,787	101,133	739,920
2024	654,940	106,572	761,512
2025	671,503	112,304	783,807
2026-2030	1,156,869	658,882	1,815,751
2031-2035	-	856,173	856,173
2036-2040	-	1,112,539	1,112,539
2041-2045	-	1,445,669	1,445,669
2046-2050	-	1,878,548	1,878,548
2051	-	166,242	166,242
Total	<u>\$ 4,352,797</u>	<u>\$ 6,625,108</u>	<u>\$ 10,977,905</u>

Future principal and interest payments on the notes are as follows:

<u>October 31,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 698,741	\$ 447,532
2022	719,003	427,271
2023	739,920	406,354
2024	761,512	384,761
2025	783,807	362,467
2026-2030	1,815,751	1,550,190
2031-2035	856,173	1,327,431
2036-2040	1,112,539	1,071,065
2041-2045	1,445,669	737,935
2046-2050	1,878,548	305,056
2051	166,242	2,069
	<u>\$ 10,977,905</u>	<u>\$ 7,022,131</u>

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Notes to Financial Statements

For The Year Ended October 31, 2020

**NOTE 8. Capital Contributions**

Funds are received from developers to reimburse the Authority for costs incurred, such as design fees, engineering inspections and legal expenses relating to Authority constructed and developer constructed property, plant and equipment. Developer constructed property, plant and equipment are subsequently dedicated to the Authority. These contributions are reported as nonoperating revenues in the statements of revenues, expenses and changes in net position.

The Authority received no dedicated property, plant and equipment during the years ended October 31, 2020 and 2019.

**NOTE 9. Pension Plan**

The Authority maintains two separate defined contribution pension plans. The Target Money Purchase Plan and Trust (the Plan) covers all non-union, administrative individuals employed as of November 1, 2008, who are between the ages of 20½ and 61 at their initial plan entry date (November 1). The Plan has no length of service requirement prior to entry and provides benefits targeted at approximately 30% of a defined “Average Pay at Retirement” under a straight-life annuity with an assumed interest rate of 5.5%, and vesting over a six-year period, starting March 2009. Authority contributions are made each pay.

The Valic Governmental Volume Submitter Plan covers all Union employees and any non-union employees that start employment after November 1, 2008. The Authority contributes to each eligible employee’s account a base percentage of gross earnings and a matching contribution up to a maximum of three to five percent per year based on years of service. Authority contributions are made each pay with vesting over a six-year period.

The Authority’s pension expense for the years ended October 31, 2020 and 2019 was \$180,722 and \$175,110, respectively. This amount is included in operating and administrative expenses.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Notes to Financial Statements

For The Year Ended October 31, 2020

**NOTE 10. Commitments**

The Authority has agreements with neighboring municipal authorities to purchase water from other water supply systems and connect to sewer lines and utilize capacity at other treatment plants through rental arrangements.

In February of 2019, the Authority entered into a 3-year collective bargaining agreement with Teamsters Local No. 107 covering all full-time and part-time blue collar, non-professional employees. The contract period is from January 1, 2019 to December 31, 2021.

**NOTE 11. Contingent Liabilities**

Pending or Threatened Litigation

In the normal course of business, there are various claims and suits pending against the Authority, none of which materially affect the financial position of the Authority.

UPPER SOUTHAMPTON MUNICIPAL AUTHORITY

Northampton, Bucks County, Municipal Authority (NBCMA) was notified that on March 25, 2019, by Resolution No. 2019-03; Upper Southampton Municipal Authority (USMA) approved at a regular meeting of the Board of USMA the termination of the agreement dated October 27, 1961 between NBCMA and USMA.

The 1961 Agreement will continue until NBCMA disconnects from USMA system but no later than March 25, 2024. USMA filed a complaint in March of 2020. The matter has not proceeded beyond the preliminary objections issues which are not yet resolved. The Authority is in negotiation and exposure is currently unknown.

BUCK COUNTY WATER AND SEWER AUTHORITY (ARBITRATION RESOLUTION)

NBCMA entered into binding arbitration with Bucks County Water & Sewer Authority (BCWSA) which was concluded in the 2018 fiscal year.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Notes to Financial Statements

For The Year Ended October 31, 2020

**NOTE 11. Contingent Liabilities (Continued)**

The Arbitrator ordered that a new cost of service study should be conducted by an independent third-party expert agreeable to both parties. The cost of service study as ordered was intended to set new rates for the wholesale customers of BCWSA served by the Neshaminy Interceptor, effective January 2020.

Results of the Cost of Service Study concluded that sanitary sewer flows from NBCMA are to be reduced by 89.5 cents per 1,000 gallons of flow effective January 2020. In addition to the rate reduction, BCWSA is to credit NBCMA \$323,392 in calendar year 2020 in twelve (12) monthly installments of \$26,949 for overcharges when BCWSA acquired wholesale customers and converted them to retail customers.

On November 20, 2019, Resolution No. 2019-1229; a Resolution of NBCMA authorized the Executive Director and Solicitor to advise BCWSA that NBCMA is seeking reimbursement with imputed interest of overcharges for sanitary sewer service for calendar years 2017, 2018 and 2019.

It is noted that the arbitration Order only covered specific calendar years 2012 through 2016; NBCMA is now seeking reimbursement of monetary overcharges for calendar years 2017, 2018 and 2019, which periods are outside the time scope affected by the arbitration as agreed to by both parties.

**NOTE 12. Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance.

In March of 2020, a global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. As a result, economic uncertainties have arisen and could negatively impact the Authority finances including investment income. The full potential impact is unknown at this time.

**SUPPLEMENTARY INFORMATION**

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Supplementary Information Operating Revenues

For The Years Ended October 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Usage and rental charges	\$ 16,548,065	\$ 15,878,953
Penalties	122,658	306,037
Certification fees	51,700	38,825
Connection charges	38,940	-
Tapping fees	1,134,431	510,967
Water/Sewer development	8,481	-
Fire hydrant	47,809	39,014
Cell tower rental	29,063	29,605
Office rent	8,400	8,400
Water meter sales, net	2,430	3,666
Other services and miscellaneous	42,667	405,339
Total Operating Revenues	<u>\$ 18,034,644</u>	<u>\$ 17,220,806</u>

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Supplementary Information  
Operating and Administrative Expenses

For The Years Ended October 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating and Administrative Expenses:		
Administrative salaries	\$ 889,677	\$ 833,931
Board salaries	16,500	16,500
Maintenance salaries	837,899	803,944
Taxes and benefits	736,192	765,131
Administrative expenses	848,098	952,917
Maintenance expenses	877,665	713,899
Water purchases	1,695,045	1,611,340
Water analysis	91,780	100,655
Sewer wastewater analysis	4,705	4,029
Water and sewer system electric	169,834	163,723
Sewer rental	5,812,124	9,786,546
Equipment rental	105,115	117,140
Chemicals	21,182	25,094
Total Operating and Administrative Expenses	<u>\$ 12,105,816</u>	<u>\$ 15,894,849</u>