

**NORTHAMPTON, BUCKS COUNTY,
MUNICIPAL AUTHORITY**

FINANCIAL STATEMENTS

OCTOBER 31, 2017

(See Independent Auditors' Report)

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INDEPENDENT AUDITORS' REPORT

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

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, 2017, 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, 2017, 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

The financial statements of Northampton, Bucks County, Municipal Authority as of October 31, 2016, were audited by other auditors whose report dated January 12, 2017, expressed an unmodified opinion on those statements.

Bee, Bergvall & Co.

Bee, Bergvall & Company
Certified Public Accountants

Warrington, Pennsylvania
January 17, 2018

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
OCTOBER 31, 2017

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, 2017.

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:

- In September 2014, the Authority accepted dedication from Northampton Township of the public water facilities in the west end of the township with a value of \$1.8 million.
- In June 2016, Poet's Walk public water and sewer systems were dedicated to the Authority with a value of \$.76 million. In October 2016, Northampton Township dedicated the Churchville Water Main to the Authority with a value of \$.80 million. The total dedicated assets in the fiscal year 2016 were \$1.56 million.
- The Authority commissioned Herbert, Rowland & Grubic, Inc. (HRG) to perform a sewer and water rate study, the goal of which was to determine the adequacy of the sewer and water rates for a five-year period ending in fiscal 2021. The analysis indicated that it will be necessary for the Authority to increase water and sewer rates in order to meet the revenue requirements associated with budgeted and projected expenditures for both utilities beginning in February 2017.
- In November 2016, the Authority adopted the 2017 Operational and Capital Budget incorporating the HRG Rate studies simplifying the billing rate structure in 2017 for both water and sewer systems by:
 - Switching from quarterly to monthly billing.
 - Incorporating a base rate for water determined by the customer meter size with a single volumetric rate for water usage.
 - Incorporating a monthly minimum charge per customer account for sewer that includes the first 2,000 gallons of use and a volumetric rate per 1,000 gallons above the 2,000 gallons.
- In October 2017 the Authority accepted dedication from Northampton Township of the Railroad TCE Water Main extension in the amount of \$706,580.
- The Authority's net position increased approximately \$2.44 million from \$62.41 million in 2016 to \$64.85 million in 2017, as a result of this year's operations and contributed capital from Northampton Township. Of the total net assets, \$2.75 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, 2017

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, 2017 and 2016 is presented in Table A-1.

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

	<u>2017</u>	<u>2016</u>	<u>Dollar</u> <u>Change</u>	<u>Total %</u> <u>Change</u>
Current and other assets	\$ 14,249	\$ 12,344	\$ 1,905	15.4
Capital assets	<u>72,034</u>	<u>72,927</u>	<u>(893)</u>	(1.2)
Total Assets	<u>86,283</u>	<u>85,271</u>	<u>1,012</u>	1.2
Long-term debt outstanding	15,043	17,881	(2,838)	(15.9)
Other liabilities	<u>6,393</u>	<u>4,794</u>	<u>1,599</u>	33.4
Total Liabilities	<u>21,436</u>	<u>22,675</u>	<u>(1,239)</u>	(5.5)
Deferred Inflows of Resources	<u>-</u>	<u>185</u>	<u>(185)</u>	(100.0)
Invested in capital assets, net of related debt	57,060	55,069	1,991	3.6
Restricted	5,041	4,558	483	10.6
Unrestricted	<u>2,746</u>	<u>2,784</u>	<u>(38)</u>	(1.4)
Total Net Position	<u>\$ 64,847</u>	<u>\$ 62,411</u>	<u>\$ 2,436</u>	3.9

Table A-1 above shows that net position increased by \$2.4 million from fiscal 2016 to fiscal 2017 as a result of a large decrease in long-term debt outstanding offset by a large increase in accounts payable, accrued expenses and escrow liabilities.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
OCTOBER 31, 2017

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

	<u>2017</u>	<u>2016</u>	<u>Dollar</u> <u>Change</u>	<u>Total %</u> <u>Change</u>
Operating revenues	\$ 16,426	\$ 13,952	\$ 2,474	17.7
Nonoperating revenues	<u>271</u>	<u>347</u>	<u>(76)</u>	(21.9)
Total Revenue	<u>16,697</u>	<u>14,299</u>	<u>2,398</u>	16.8
Operating and administrative expenses	12,102	11,301	801	7.1
Depreciation expense	2,084	2,007	77	3.8
Nonoperating expense	<u>782</u>	<u>994</u>	<u>(212)</u>	(21.3)
Total Expenses	<u>14,968</u>	<u>14,302</u>	<u>666</u>	4.7
Net income (loss) before capital contributions	1,729	(3)	1,732	57,733.3
Capital contributions	<u>707</u>	<u>1,559</u>	<u>(852)</u>	-
Increase (decrease) in net position	2,436	1,556	880	(56.6)
Net Position, Beginning of Year	<u>62,411</u>	<u>60,855</u>	<u>1,556</u>	2.6
Net Position, End of Year	<u>\$ 64,847</u>	<u>\$ 62,411</u>	<u>\$ 2,436</u>	3.9

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 \$2.44 million from 2016 to 2017 as a result of the acceptance, in fiscal 2017, of the dedication of the Railroad TCE Water Extension, the increase in water and sewer rates and a decrease in interest and developer expense offset by a \$.8 million increase in operating and administrative expenses.

The Authority's total revenues increased by \$2.4 million or 16.8% due to increased water and sewer rates and a gain on redemption of the 2006 bond series.

The Authority's total expenses increased by \$.7 million or 4.7%, primarily due to budgeted increases in operating expenses such as payroll, payroll taxes and benefits, administrative expenses, such as postage, printing, legal services, maintenance expenses, such as building and grounds, water supplies & repairs, water major repairs, water and wastewater analysis and sewer rental. Sanitary sewer flows are highly dependent upon natural groundwater levels. Increased flows in 2017, attributable to higher groundwater levels, resulted in increased sewer expense in 2017 from the previous year. Groundwater levels were significantly lower in fiscal 2016, resulting in lower sewer rental expense.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
OCTOBER 31, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Authority's investment in capital assets, net of accumulated depreciation, decreased \$.9 million from October 31, 2016 to October 31, 2017.

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

	<u>2017</u>	<u>2016</u>	<u>Variance</u>
Land	\$ 6,603	\$ 6,595	\$ 8
Construction in progress	-	7,856	(7,856)
Vehicles, trucks and accessories	1,389	1,351	38
Water systems	30,394	22,788	7,606
Sewer systems	44,592	43,892	700
Development lines	<u>47,137</u>	<u>46,430</u>	<u>707</u>
Total	130,115	128,912	1,203
Less accumulated depreciation	<u>(58,081)</u>	<u>(55,985)</u>	<u>(2,096)</u>
Net Property, Plant and Equipment	<u>\$ 72,034</u>	<u>\$ 72,927</u>	<u>\$ (893)</u>

This decrease is due to depreciation expense of \$2.1 million partially offset by \$1.92 million additions of water and sewer system improvements less the BCWSA \$.71 million reduction in NBCMA portion of the BCWSA water infrastructure project completed in fiscal 2017.

LONG-TERM DEBT

At the end of the current fiscal year, the Authority had total long-term debt of \$15.04 million, of which \$15.00 million is the principal maturity and \$70 thousand is accrued interest. More detailed information about the Authority's debt is presented in the notes to the financial statements.

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.

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.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
OCTOBER 31, 2017

LONG-TERM DEBT (Continued)

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.

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 2/13/17, 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 1/1/17. 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 2018 fiscal year, subject to unknown weather impacts and the economy. In November 2016, the Authority adopted the 2017 Operational and Capital Budget incorporating the HRG Rate studies simplifying the billing rate structure in 2017, which includes a meter charge plus a uniform volumetric rate for water and a minimum charge plus a uniform volumetric rate for sewer. The Authority continues to reduce operational costs through broad-based cost reduction programs, reducing engineering expenses, and a reduction of overhead and operational costs.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Statements of Net Position

October 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Current Assets		
Unrestricted:		
Cash and cash equivalents	\$ 1,011,247	\$ 254,494
Investments	4,660,367	-
Accounts receivable, billed	628,272	593,202
Accounts receivable, unbilled	2,298,164	2,355,147
Current tapping and assessment fees receivable	265,699	260,417
Developer and other receivables	276,822	302,239
Inventories	23,433	29,456
Prepaid expenses	44,197	160,457
Total Unrestricted Assets	<u>9,208,201</u>	<u>3,955,412</u>
Restricted:		
Cash escrow	5,041,411	3,830,157
Revenue fund:		
Cash and money market accounts	-	845,396
Bond reserve fund:		
Cash and money market accounts	-	841,666
Bond redemption and improvement fund:		
Cash and money market accounts	-	2,848,310
Bond settlement - 2006 Series:		
Cash and money market accounts	-	543
Bond construction fund:		
Cash and money market accounts	-	122
2009 loan proceeds:		
Cash and money market accounts	-	22,650
Total Restricted Assets	<u>5,041,411</u>	<u>8,388,844</u>
Total Current Assets	<u>14,249,612</u>	<u>12,344,256</u>
Property, Plant and Equipment		
BCWSA Infrastructure Improvement (Construction in Progress)	-	7,849,380
Railroad TCE waterline (Construction in Progress)	-	6,079
Land	6,602,535	6,594,803
Other Capital Assets, net of Accumulated Depreciation	65,431,425	58,476,348
Total Property, Plant and Equipment, net	<u>72,033,960</u>	<u>72,926,610</u>
 TOTAL ASSETS	 <u>\$ 86,283,572</u>	 <u>\$ 85,270,866</u>

	<u>LIABILITIES</u>	
	<u>2017</u>	<u>2016</u>
Current Liabilities		
Payable from unrestricted assets and restricted revenue fund:		
Accounts payable and accrued expenses	\$ 1,351,431	\$ 963,893
Current maturities of long-term debt	1,522,294	-
Accrued interest	69,754	-
Total from Unrestricted Assets and Restricted Revenue Fund	<u>2,943,479</u>	<u>963,893</u>
Payable from restricted assets:		
Current maturities of long-term debt	-	1,416,780
Accrued interest	-	207,760
Funds in escrow	5,041,411	3,830,157
Total from Restricted Assets	<u>5,041,411</u>	<u>5,454,697</u>
Total Current Liabilities	<u>7,984,890</u>	<u>6,418,590</u>
Bond Reserve Fund		
Long-term debt	<u>13,451,320</u>	<u>16,255,643</u>
Total Bond Reserve Fund	<u>13,451,320</u>	<u>16,255,643</u>
TOTAL LIABILITIES	<u>\$ 21,436,210</u>	<u>\$ 22,674,233</u>

DEFERRED INFLOWS OF RESOURCES

Bond premium, net of amortization	\$ -	\$ 185,332
TOTAL DEFERRED INFLOWS	<u>\$ -</u>	<u>\$ 185,332</u>

NET POSITION

Net Investment in capital assets,	\$ 57,060,346	\$ 55,068,855
Restricted	5,041,411	4,558,687
Unrestricted	2,745,605	2,783,759
TOTAL NET POSITION	<u>\$ 64,847,362</u>	<u>\$ 62,411,301</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues	\$ 16,425,823	\$ 13,951,794
Operating and administrative expenses	12,102,124	11,301,501
Depreciation and amortization	<u>2,083,507</u>	<u>2,006,653</u>
Income (loss) before nonoperating revenues (expenses) and capital contributions	<u>2,240,192</u>	<u>643,640</u>
Nonoperating revenues (expenses)		
Interest income	24,996	9,317
Interest expense	(719,319)	(816,461)
Gain/(loss) on disposal of assets	-	52,000
Litigation settlement	-	100,000
Gain on redemption of bond	172,147	-
Penalties	-	(13,300)
Developer income	72,160	186,440
Developer expense	(60,695)	(164,422)
Other income	<u>-</u>	<u>578</u>
Total nonoperating revenues (expenses)	<u>(510,711)</u>	<u>(645,848)</u>
Net income (loss) before capital contributions	<u>1,729,481</u>	<u>(2,208)</u>
Contributed capital		
Contribution of systems from developers	<u>706,580</u>	<u>1,559,102</u>
Total contributed capital	<u>706,580</u>	<u>1,559,102</u>
Increase (decrease) in net assets	2,436,061	1,556,894
Net Position, Beginning of Year	<u>62,411,301</u>	<u>60,854,407</u>
Net Position, End of Year	<u>\$ 64,847,362</u>	<u>\$ 62,411,301</u>

See accompanying notes to financial statements.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Statements of Cash Flows

For The Years Ended October 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 16,467,871	\$ 14,095,907
Cash paid to employees	(1,630,636)	(1,451,050)
Cash paid for sewer rental charges	(5,993,623)	(5,737,351)
Cash paid for water purchases	(1,610,651)	(1,627,943)
Cash paid to other suppliers	<u>(2,357,393)</u>	<u>(2,298,823)</u>
Net Cash Provided by Operating Activities	<u>4,875,568</u>	<u>2,980,740</u>
Cash Flows from Non-Capital Financing Activities:		
Other expense	(60,695)	(177,722)
Other income	<u>72,160</u>	<u>287,018</u>
Net Cash Provided by Non-Capital Financing Activities	<u>11,465</u>	<u>109,296</u>
Cash Flows from Capital and Related Financing Activities:		
New borrowing	6,272,350	-
Cash received from sale of assets	-	52,000
Principal paid on long-term debt	(8,258,019)	(1,381,769)
Interest paid on long-term debt	(857,325)	(832,778)
Acquisition of property, plant and equipment	<u>(1,915,682)</u>	<u>(1,243,581)</u>
Net Cash Used in Capital and Financing Activities	<u>(4,758,676)</u>	<u>(3,406,128)</u>
Cash Flows from Investing Activities:		
Proceeds from sales and maturities of investment securities	5,263,767	717,218
Purchase of investment securities	(4,660,367)	(415,290)
Interest and other income received	<u>24,996</u>	<u>9,317</u>
Net Cash Provided by Investing Activities	<u>628,396</u>	<u>311,245</u>
Net (Decrease) Increase in Cash and Cash Equivalents	756,753	(4,847)
Cash and Cash Equivalents, Beginning of Year	<u>254,494</u>	<u>259,341</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,011,247</u>	<u>\$ 254,494</u>

	<u>2017</u>	<u>2016</u>
Reconciliation of Net Income (Loss) to Net Cash Provided by		
Operating Activities:		
Net income/loss before nonoperating expenses	\$ 2,240,192	\$ 643,640
Adjustments to reconcile net income (loss) before		
non-operating revenues and expenses and capital		
contributions to net cash provided by operating activities:		
Depreciation and amortization	2,083,507	2,006,653
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable and other receivables	42,048	144,113
Inventories	6,023	796
Prepaid expenses	116,260	(112,310)
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>387,538</u>	<u>297,848</u>
Net Cash Provided by Operating Activities	<u>\$ 4,875,568</u>	<u>\$ 2,980,740</u>
Supplemental disclosure of noncash capital and		
related financing activities:		
Dedicated assets contributed by developers	<u>\$ 706,580</u>	<u>\$ 1,559,102</u>
Adjustment of asset purchase and loan value	<u>\$ (713,140)</u>	<u>\$ -</u>

See accompanying notes to financial statements.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Notes to Financial Statements

For The Year Ended October 31, 2017

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 Systems and a Sewer Systems (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. All revenues must be disbursed solely for these purposes in conformity with procedures stipulated by the Trust Indenture.

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.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Notes to Financial Statements

For The Year Ended October 31, 2017

NOTE 2. Summary of Significant Accounting Policies (Continued)

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.

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

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	40
Equipment	5 – 30

Deferred Financing Costs: Bond issuance costs are written off in the year incurred.

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.

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, 2016, from which the summarized information was derived.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Notes to Financial Statements

For The Year Ended October 31, 2017

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. Bond premiums and discounts are deferred and amortized over the life of the bond using the straight-line method, when applicable. Bonds payable are reported net of the applicable bond premium or discount. The amortization expense for the years ended October 31, 2017 and October 31, 2016 was \$11,685 and \$16,848, respectively.

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. Invested in capital assets, net of related debt, 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 are 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>2017</u>	<u>2016</u>
Total Property, Plant & Equipment	\$ 72,033,960	\$ 72,926,610
Less: Long-term debt outstanding	(14,973,614)	(17,672,423)
Less: Unamortized debt premium	-	(185,332)
	<u>\$ 57,060,346</u>	<u>\$ 55,068,855</u>

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Notes to Financial Statements

For The Year Ended October 31, 2017

NOTE 2. Summary of Significant Accounting Policies (Continued)

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 October, 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, 2017

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.

NOTE 3. A. 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.

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.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Notes to Financial Statements

For The Year Ended October 31, 2017

NOTE 3. A. Deposits and Investments (Continued)

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.

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, 2017 consist of investments in an external investment pool money market, the Pennsylvania Local Government Investment Trust. At October 31, 2017, there were no investments other than Government Money Market funds.

Credit Risk: As of October 31, 2017, 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 meaning 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.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Notes to Financial Statements

For The Year Ended October 31, 2017

NOTE 3. A. Deposits and Investments (Continued)

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. 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, 2017, \$5,721,937 of the Authority’s bank balance of \$5,971,937 was exposed to custodial credit risk as follows:

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	<u>5,721,937</u>
Total Bank Balance	<u>\$ 5,971,937</u>

B. 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, 2017 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 Assessments 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, 2017 and 2016 is \$8,525 and \$5,398, respectively.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Notes to Financial Statements

For The Year Ended October 31, 2017

NOTE 4. Property, Plant and Equipment

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

	Balance November 1 <u>2016</u>	Additions	Deletions	Balance October 31 <u>2017</u>
Capital assets, not being depreciated:				
BCWSA infrastructure improvement	\$ 7,849,380	\$ -	\$ (7,849,380)	\$ -
Railroad TCE Waterline	6,079	-	(6,079)	-
Land	6,594,803	7,732	-	6,602,535
Total capital assets, not being depreciated	<u>14,450,262</u>	<u>7,732</u>	<u>(7,855,459)</u>	<u>6,602,535</u>
Capital assets, being depreciated:				
Water system, wells, mains, lines, structures & meters	45,879,777	9,025,572	(713,140)	54,192,209
Sewer system mains & meters	66,004,520	688,123	-	66,692,643
General office building	694,935	1,260	-	696,195
Equipment	1,882,536	48,454	-	1,930,990
Total	114,461,768	9,763,409	(713,140)	123,512,037
Accumulated depreciation	(55,985,420)	(2,095,192)	-	(58,080,612)
Total capital assets, being depreciated, net	<u>58,476,348</u>	<u>7,668,217</u>	<u>(713,140)</u>	<u>65,431,425</u>
All Capital Assets, Net	<u>\$ 72,926,610</u>	<u>\$ 7,675,949</u>	<u>\$ (8,568,599)</u>	<u>\$ 72,033,960</u>

Depreciation expense was \$2,095,192 and \$2,023,501 for the years ended October 31, 2017 and 2016, 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, 2017

NOTE 5. 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 the 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 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 loan agreement with The First National Bank and Trust Company of Newtown. The Note was a Water and Sewer Revenue Note, Series of 2009, in the maximum principal amount of \$8,000,000, which matures October 9, 2019. The bank note was a non-revolving, "draw-down," line of credit. The note bears interest at a fixed rate of 3.8%.

The Note was issued for the purpose of providing funds for and toward a capital project which consists of alterations, additions and improvements to or for the benefit of the water and sewer system facilities of the Authority. The Note permitted multiple advances for a draw period of 18 months from the date of issuance of the bank note during which all draws for the project were completed.

The Authority and the Bank agreed to modify, amend and supplement the 2009 Note to reduce the fixed rate of interest from 3.8% to 2.65% effective July 3, 2013.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Notes to Financial Statements

For The Year Ended October 31, 2017

NOTE 5. Long-Term Debt (Continued)

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.

Effective 2/13/17, 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 1/1/17. The Debt Service Interest Rate remained the same.

Changes in long-term debt and accrued interest during the fiscal year 2017 were as follows:

	2006 <u>Bonds</u> (Principal only)	2009 <u>Note</u> (Principal only)	2017 <u>Note</u> (Principal only)	BCWSA Share of Capital <u>Improvement</u> (Principal only)	<u>Total</u>
Balance, October 31, 2016	\$ 7,615,000	\$ 2,801,784	\$ -	\$ 7,255,639	\$ 17,672,423
New borrowings	-	-	6,272,350	-	6,272,350
BCWSA recalculated portion of Infrastructure project	-	-	-	(713,140)	(713,140)
BCWSA lowered payment factor	-	-	-	392,803	392,803
Principal Payments	<u>(7,615,000)</u>	<u>(773,637)</u>	<u>(184,844)</u>	<u>(77,341)</u>	<u>(8,650,822)</u>
Balance, October 31, 2017	-	2,028,147	6,087,506	6,857,961	14,973,614
Current Portion	<u>-</u>	<u>(794,491)</u>	<u>(563,803)</u>	<u>(164,000)</u>	<u>(1,522,294)</u>
Long-Term Portion	<u>\$ -</u>	<u>\$ 1,233,656</u>	<u>\$ 5,523,703</u>	<u>\$ 6,693,961</u>	<u>\$ 13,451,320</u>

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Notes to Financial Statements

For The Year Ended October 31, 2017

NOTE 5. Long-Term Debt (Continued)

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

<u>October 31</u>	<u>2009</u> <u>Note</u>	<u>2017</u> <u>Note</u>	BCWSA Share of Capital <u>Improvement</u> <u>Anticipated</u>	<u>Total</u>
2018	\$ 794,491	\$ 563,803	\$ 164,000	\$ 1,522,294
2019	1,233,656	578,054	172,821	1,984,531
2020	-	592,672	182,116	774,788
2021	-	607,659	191,910	799,569
2022	-	623,026	202,232	825,258
2023-2027	-	3,122,292	1,186,484	4,308,776
2028-2032	-	-	1,541,757	1,541,757
2033-2037	-	-	2,003,409	2,003,409
2038-2040	-	-	1,213,232	1,213,232
Total	<u>\$ 2,028,147</u>	<u>\$ 6,087,506</u>	<u>\$ 6,857,961</u>	<u>\$ 14,973,614</u>

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

<u>October 31</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 1,522,294	\$ 550,589
2019	1,984,531	511,671
2020	774,788	454,900
2021	799,569	430,118
2022	825,258	404,429
2023-2027	4,308,776	1,603,110
2028-2032	1,541,757	1,058,918
2033-2037	2,003,409	597,266
2038-2041	<u>1,213,232</u>	<u>83,802</u>
Total	<u>\$ 14,973,614</u>	<u>\$ 5,694,803</u>

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Notes to Financial Statements

For The Year Ended October 31, 2017

NOTE 6. 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.

During the years ended October 31, 2017 and 2016, the Authority received \$706,580 and \$1,559,102 of dedicated property, plant and equipment, respectively.

NOTE 7. 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 employee that starts 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, 2017 and 2016 was \$176,552 and \$142,144, 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, 2017

NOTE 8. 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 January of 2016, the Authority entered into a 3-year collective bargaining agreement with Teamsters Local No. 17 covering all full-time and part-time blue collar, non-professional employees. The contract expires December 31, 2018.

NOTE 9. 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.

The Authority has an ongoing investigation regarding the appropriate wholesale sanitary sewer rates charged by Bucks County Water and Sewer Authority based upon the agreement with BCWSA dated February 23, 1965. As a result, since January 2012 when Bucks County Water and Sewer Authority raised its sewer rates, the Authority has not paid a portion of the increase but has accrued the full amount charged in its financial statements and has set aside funds in the amount of \$4.0 million at October 31, 2017 in a separate bank account.

In 2015, Upper Southampton Municipal Authority (USMA) increased the Authority's sewer rate by approximately 235%. This matter is not currently in litigation but the Authority disputes the unilateral increase in sewer rates and sewer rate calculations imposed by USMA. By Board of Director action and authorization, the Authority is placing the monies which are alleged to be owed by the Authority to USMA in a segregated account and has authorized the Authority's engineer for this issue to install sanitary sewer meters to investigate and provide an opinion in this matter. The Authority has set aside funds in the amount of approximately \$900,000 at October 31, 2017 in a separate bank account.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Notes to Financial Statements

For The Year Ended October 31, 2017

NOTE 10. 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.

NOTE 11. Subsequent Events

Subsequent events were evaluated through the date of this report, which is the date the financial statements were available to be issued.

Northampton, Bucks County, Municipal Authority purchased a new administrative office building on November 17, 2017 for \$1,319,490. No funds were borrowed for this transaction.

SUPPLEMENTARY INFORMATION

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Supplementary Information Operating Revenues

For The Years Ended October 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Revenues		
Usage and rental charges	\$ 16,048,816	\$ 12,870,965
Penalties	126,049	245,454
Certification fees	20,195	16,269
Tapping fees	60,777	599,275
Water development	-	3,547
Fire hydrant	40,677	39,258
Assessment fees	28,177	86,744
Cell tower rental	29,000	30,601
Water meter sales, net	12,061	8,953
Other services and miscellaneous	<u>60,071</u>	<u>50,728</u>
Total Operating Revenues	<u>\$ 16,425,823</u>	<u>\$ 13,951,794</u>

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Supplementary Information
Operating and Administrative Expenses

For The Years Ended October 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating and Administrative Expenses:		
Administrative salaries	\$ 801,641	\$ 705,132
Board salaries	16,500	15,950
Maintenance salaries	827,398	739,516
Taxes and benefits	730,664	644,644
Administrative expenses	1,450,337	1,210,164
Maintenance expenses	326,595	315,466
Water purchases	1,610,651	1,627,943
Water analysis	38,119	19,046
Sewer wastewater analysis	6,588	5,519
Water and sewer system electric	206,388	215,196
Sewer rental	6,013,037	5,648,640
Equipment rental	59,384	130,658
Chemicals	14,822	23,627
Total Operating and Administrative Expenses	<u>\$ 12,102,124</u>	<u>\$ 11,301,501</u>