

**NORTHAMPTON, BUCKS COUNTY,
MUNICIPAL AUTHORITY**

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

OCTOBER 31, 2021

(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, 2021, 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, 2021, 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.

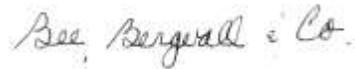
Other Information

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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 6, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended October 31, 2020, 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 5, 2022

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
OCTOBER 31, 2021

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, 2021.

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 \$2.32 million from \$67.93 million in 2020 to \$70.24 million in 2021, as a result of this year's operations. Of the total net assets, \$9.83 million remains unrestricted and available to support current operations, capital outlay and debt service.

The NBCMA Board approved Resolution 2021-1243 Amending Resolution 2021-1241, dated April 7, 2021, entering into a Wastewater Agreement between NBCMA and the Upper Southampton Municipal Authority (USMA), making a capital acquisition of wastewater capacity in the amount of \$825,000. In addition, Upper Southampton Municipal Authority's sewer charges to Northampton, Bucks County, Municipal Authority will be based upon the actual flow of wastewater.

The NBCMA Board approved Resolution 2021-1251 authorizing the proper officers of the Authority to execute and deliver the Modified 2017 Note Loan documents with The First National Bank & Trust Company of Newtown (FNBN). The interest rate of the existing 2017 FNBN note is being lowered from 2.5% fixed rate to 1.65% fixed through the note's maturity on May 2027, using the same monthly loan payment. Loan settlement date was November 10, 2021.

The NBCMA Board approved Resolution 2021-1252 authorizing the proper officers of the Authority to execute and deliver the 2021 Note Loan documents with The First National Bank & Trust Company of Newtown (FNBN). This note has a 24-month advance period up to a maximum of \$3,820,162.50. The purpose of the Note is to finance the 2021 Cured In Place Pipe Lining project awarded on December 1, 2021. Loan settlement date was November 10, 2021.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
OCTOBER 31, 2021

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, 2021 and 2020 is presented in Table A-1.

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

	<u>2021</u>	<u>2020</u>	<u>Dollar</u> <u>Change</u>	<u>Total %</u> <u>Change</u>
Current and other assets	\$ 12,145	\$ 10,204	\$ 1,941	19.0
Long term assets	294	284	10	3.5
Capital assets	<u>70,720</u>	<u>70,221</u>	<u>499</u>	0.7
Total Assets	<u>83,159</u>	<u>80,709</u>	<u>2,450</u>	3.0
Long-term debt outstanding	10,304	10,978	(674)	(6.1)
Other liabilities	<u>2,611</u>	<u>1,804</u>	<u>807</u>	44.7
Total Liabilities	<u>12,915</u>	<u>12,782</u>	<u>133</u>	1.0
Net Investment in capital assets	60,416	59,243	1,173	2.0
Unrestricted	<u>9,828</u>	<u>8,684</u>	<u>1,144</u>	13.2
Total Net Position	<u>\$ 70,244</u>	<u>\$ 67,927</u>	<u>\$ 2,317</u>	3.4

Table A-1 above shows that net position increased \$2.317 million from Fiscal Year 2020 to Fiscal Year 2021 as a result of a large increase in cash and cash equivalents and capital assets. The 1.941 million increase in current assets is mostly due to the 1.642 million increase in cash and cash equivalents related to the timing of bill payments, with a .567 million increase in Accounts Payable and accrued expenses and an increase in net assets from operations. The net increase in capital assets net of sales of fixed assets was .499 million. There was a .674 million decrease in long-term debt outstanding.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
OCTOBER 31, 2021

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

	<u>2021</u>	<u>2020</u>	<u>Dollar Change</u>	<u>Total % Change</u>
Operating revenues	\$ 16,384	\$ 18,035	\$ (1,651)	(9.2)
Nonoperating revenues	<u>644</u>	<u>477</u>	<u>167</u>	35.0
Total Revenue	<u>17,028</u>	<u>18,512</u>	<u>(1,484)</u>	(8.0)
Operating and administrative expenses	12,774	12,106	668	5.5
Depreciation expense	2,099	2,107	(8)	(0.4)
Nonoperating expense	<u>646</u>	<u>640</u>	<u>6</u>	0.9
Total Expenses	<u>15,519</u>	<u>14,853</u>	<u>666</u>	4.5
Net income (loss) before capital contributions	1,509	3,659	(2,150)	(58.8)
Capital contributions	<u>808</u>	<u>-</u>	<u>808</u>	-
Increase (decrease) in net position	2,317	3,659	(1,342)	(36.7)
Net Position, Beginning of Year	<u>67,927</u>	<u>64,268</u>	<u>3,659</u>	5.7
Net Position, End of Year	<u>\$ 70,244</u>	<u>\$ 67,927</u>	<u>\$ 2,317</u>	3.4

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 \$2.317 million from 2020 to 2021 down from a previous year net position increase of 3.659 million due to a 1.651 decrease in operating revenues, a .167 million increase in non-operating revenues and a large increase of .668 million in operating and administrative expenses.

The Authority's total revenues decreased 1.484 million or 8.0% due to a decrease of \$.536 million in customer water and sewer usage, \$.958 million decrease in tapping fees, a .112 million decrease in late penalties. The Authority board passed a resolution in April 2020 not to impose charges on late customer payments due to the coronavirus pandemic, which remained in effect through fiscal year 2021. In fiscal year 2020, the Authority received close to 1 million in tapping fees for the Spring Mill Townhouse development.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
OCTOBER 31, 2021

The Authority's total expenses increased by \$.666 million or 4.5%, due mostly to a .729 million increase in sanitary sewer flows, which are dependent upon natural groundwater levels netted against a .152 million decrease in customer water usage with smaller increases in salaries, taxes and benefits, electric usage and decreases in administrative and maintenance expenses, water analysis and equipment rental.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Authority's investment in capital assets, net of accumulated depreciation, increased \$.5 million from October 31, 2020 to October 31, 2021.

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

	<u>2021</u>	<u>2020</u>	Variance
Land	\$ 6,603	\$ 6,603	\$ -
Vehicles, trucks and accessories	1,589	1,597	(8)
Water systems	32,234	31,737	497
Sewer systems	48,138	46,862	1,276
Development lines	<u>47,945</u>	<u>47,137</u>	<u>808</u>
Total	136,509	133,936	2,573
Less accumulated depreciation	<u>(65,789)</u>	<u>(63,715)</u>	<u>(2,074)</u>
Net Property, Plant and Equipment	<u>\$ 70,720</u>	<u>\$ 70,221</u>	<u>\$ 499</u>

This increase is due to \$2.573 million in water and sewer system improvements less the \$2.098 million in depreciation expense netted against .025 change in accumulated depreciation on sold assets.

LONG-TERM DEBT

At the end of the current fiscal year, the Authority had total long-term debt of \$10.34 million, of which \$10.30 million is the principal maturity and \$34 thousand is accrued interest. More detailed information about the Authority's debt is presented in the notes to the financial statements.

On March 5, 2021, the Authority renewed a Revolving Line of Credit in the amount of \$3 million, for a term of 12 months maturing on March 5, 2022. The interest rate will be fixed at a tax-exempt rate of 2.55% for the term of the note. The Authority did not borrow from the Line of Credit in fiscal year 2021.

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, 2021

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 November 10, 2021, the Authority's 2017 loan agreement with The First National Bank and Trust Company of Newtown was modified with a lower interest rate of 1.65% through the Note's maturity on May 2027, maintaining the same monthly loan payment.

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.

On November 10, 2021, NBCMA entered into a new Water and Sewer Revenue Note with The First National Bank and Trust Company of Newtown. The 2021 Note shall have a 24-month advance period with advances allowed up to the maximum commitment amount of \$3,820,162.50. The purpose of the Note is to fund the 2021 Cured in Place Pipe Lining project making repairs to the Upper Southampton Basin Area 100 and the PR-1 Area 200. The initial rate on the Note shall be fixed at 1.65% for the first seven years (84 months). After the 84th payment, the Note shall reset to a variable rate equal to 65% of the Wall Street Journal, U.S. Prime Rate for the next twelve months and every 12 months thereafter.

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 2022 fiscal year, subject to unknown weather impacts and the economy.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Statements of Net Position

October 31, 2021 and 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Current Assets		
Unrestricted:		
Cash and cash equivalents	\$ 4,983,155	\$ 3,340,882
Investments	2,501,572	2,500,225
Accounts receivable, billed	983,395	925,663
Accounts receivable, unbilled	2,308,024	2,350,070
Current tapping and assessment fees receivable	154,707	177,536
Developer and other receivables	192,483	239,022
Grant receivable	27,835	32,527
Inventories	152,665	46,129
Prepaid expenses	212,511	207,251
Total Unrestricted Assets	<u>11,516,347</u>	<u>9,819,305</u>
Restricted:		
Cash escrow	<u>628,606</u>	<u>385,496</u>
Total Restricted Assets	<u>628,606</u>	<u>385,496</u>
Total Current Assets	<u>12,144,953</u>	<u>10,204,801</u>
Long-Term Assets		
Notes receivable - related party, net	<u>294,134</u>	<u>283,721</u>
Property, Plant and Equipment		
Land	6,602,743	6,602,535
Other Capital Assets, net of Accumulated Depreciation	<u>64,116,849</u>	<u>63,618,137</u>
Total Property, Plant and Equipment, net	<u>70,719,592</u>	<u>70,220,672</u>
 TOTAL ASSETS	 <u>\$ 83,158,679</u>	 <u>\$ 80,709,194</u>

LIABILITIES

	<u>2021</u>	<u>2020</u>
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,948,122	\$ 1,381,204
Current maturities of long-term debt	740,758	698,741
Accrued interest	<u>33,861</u>	<u>38,081</u>
Total from Unrestricted Assets	<u>2,722,741</u>	<u>2,118,026</u>
Payable from restricted assets:		
Funds in escrow	<u>628,606</u>	<u>385,496</u>
Total from Restricted Assets	<u>628,606</u>	<u>385,496</u>
Total Current Liabilities	<u>3,351,347</u>	<u>2,503,522</u>
Long-term Liabilities		
Long-term debt	<u>9,563,037</u>	<u>10,279,164</u>
TOTAL LIABILITIES	<u>\$ 12,914,384</u>	<u>\$ 12,782,686</u>

NET POSITION

Net investment in capital assets	\$ 60,415,797	\$ 59,242,767
Unrestricted	<u>9,828,498</u>	<u>8,683,741</u>
TOTAL NET POSITION	<u>\$ 70,244,295</u>	<u>\$ 67,926,508</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 16,384,208	\$ 18,034,644
Operating and administrative expenses	12,773,981	12,105,816
Depreciation	<u>2,098,829</u>	<u>2,106,728</u>
Income (loss) before nonoperating revenues (expenses) and capital contributions	<u>1,511,398</u>	<u>3,822,100</u>
Nonoperating revenues (expenses)		
Interest income	12,074	25,011
Interest expense	(444,307)	(466,559)
Gain/(loss) on sale of assets	6,750	-
Grant income	393,314	251,048
Developer income	231,648	200,683
Developer expense	<u>(201,316)</u>	<u>(173,598)</u>
Total nonoperating revenues (expenses)	<u>(1,837)</u>	<u>(163,415)</u>
Net income (loss) before capital contributions	<u>1,509,561</u>	<u>3,658,685</u>
Contributed capital		
Contribution of systems from developers	<u>808,226</u>	<u>-</u>
Total contributed capital	<u>808,226</u>	<u>-</u>
Increase (decrease) in net position	2,317,787	3,658,685
Net Position, Beginning of Year	<u>67,926,508</u>	<u>64,267,823</u>
Net Position, End of Year	<u>\$ 70,244,295</u>	<u>\$ 67,926,508</u>

See accompanying notes to financial statements.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Statements of Cash Flows

For The Years Ended October 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 16,437,890	\$ 17,964,242
Other cash received	571,099	323,250
Cash paid to employees	(1,804,113)	(1,690,603)
Cash paid for sewer rental charges	(6,541,288)	(5,812,124)
Cash paid for water purchases	(1,542,778)	(1,695,045)
Cash paid to other suppliers	(2,758,669)	(2,696,123)
Other-(payment) release of amounts	<u>-</u>	<u>-</u>
Net Cash Provided by (Used in) Operating Activities	<u>4,362,141</u>	<u>6,393,597</u>
Cash Flows from Non-Capital Financing Activities:		
Other expense	(201,316)	(173,598)
Other income	<u>231,648</u>	<u>200,683</u>
Net Cash Provided by Non-Capital Financing Activities	<u>30,332</u>	<u>27,085</u>
Cash Flows from Capital and Related Financing Activities:		
Capital grants	398,006	222,427
Cash received from sale of assets	6,750	-
Principal paid on long-term debt	(674,110)	(689,573)
Interest paid on long-term debt	(448,527)	(468,165)
Acquisition of property, plant and equipment	<u>(1,789,523)</u>	<u>(739,126)</u>
Net Cash Used in Capital and Financing Activities	<u>(2,507,404)</u>	<u>(1,674,437)</u>
Cash Flows from Investing Activities:		
Proceeds from sales and maturities of investment securities	-	-
Purchase of investment securities	(1,347)	(2,500,225)
Interest and other income received	<u>1,661</u>	<u>14,967</u>
Net Cash (Used in) Provided by Investing Activities	<u>314</u>	<u>(2,485,258)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	1,885,383	2,260,987
Cash and Cash Equivalents, Beginning of Year	<u>3,726,378</u>	<u>1,465,391</u>
Cash and Cash Equivalents, End of Year	<u>\$ 5,611,761</u>	<u>\$ 3,726,378</u>

	<u>2021</u>	<u>2020</u>
Reconciliation of Net Income (Loss) to Net Cash (Used in)		
Provided by Operating Activities:		
Net income (loss) before nonoperating expenses	\$ 1,511,398	\$ 3,822,100
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	2,098,829	2,106,728
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable and other receivables	53,682	(70,402)
Inventories	(106,536)	33,776
Prepaid expenses	(5,260)	(19,148)
Increase (decrease) in:		
Accounts payable and accrued expenses	566,918	255,230
Escrow liability	243,110	265,313
Net Cash (Used in) Provided by Operating Activities	<u>\$ 4,362,141</u>	<u>\$ 6,393,597</u>
Supplemental disclosure of noncash capital and		
related financing activities:		
Dedicated assets contributed by developers	<u>\$ 808,226</u>	<u>\$ -</u>
Amortization of note receivable - related party	<u>\$ 10,413</u>	<u>\$ 10,044</u>
Cash and cash equivalents	\$ 4,983,155	\$ 3,340,882
Cash escrow	628,606	385,496
	<u>\$ 5,611,761</u>	<u>\$ 3,726,378</u>

See accompanying notes to financial statements.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Notes to Financial Statements

For The Year Ended October 31, 2021

NOTE 1. The Organization

The Northampton, Bucks County, Municipal Authority (the Authority)(NBCMA), 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, 2021

NOTE 2. Summary of Significant Accounting Policies (Continued)

Receivables: Accounts receivable are stated at their net realizable value. Receivables, in excess of 90 days past due, are evaluated for collectability. 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, 2021, 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, 2021 and 2020 is \$0 and \$2,507, respectively. The reduction in interest from 2020 to 2021 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, 2021

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, 2021 and October 31, 2020. 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>2021</u>	<u>2020</u>
Total Property, Plant & Equipment	\$ 70,719,592	\$ 70,220,672
Less: Long-term debt outstanding	<u>(10,303,795)</u>	<u>(10,977,905)</u>
	<u>\$ 60,415,797</u>	<u>\$ 59,242,767</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, 2021

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, 2020, 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, 2021

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.

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, 2021

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, 2021

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, 2021 and 2020 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, 2021, 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, 2021, \$5,187,530 of the Authority's bank balance of \$5,437,530 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	1,382,777
PLGIT	<u>3,804,753</u>
Total	<u>\$ 5,437,530</u>

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Notes to Financial Statements

For The Year Ended October 31, 2021

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, 2021, 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 \$6,063,215 of deposits invested in PLGIT at October 31, 2021, of which \$3,804,753 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, 2021, 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. At October 31, 2021, \$628,606 represents the balance of these monies held in escrow.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Notes to Financial Statements

For The Year Ended October 31, 2021

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, 2021 and 2020 are shown below:

	<u>2021</u>	<u>2020</u>
Note Receivable per agreement	\$ 650,000	\$ 650,000
Discount	<u>(355,866)</u>	<u>(366,279)</u>
	<u>\$ 294,134</u>	<u>\$ 283,721</u>

NOTE 5. Property, Plant and Equipment

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

	Balance November 1 <u>2020</u>	<u>Additions</u>	<u>Deletions</u>	Balance October 31 <u>2021</u>
Capital assets, not being depreciated:				
Land	\$ 6,602,535	\$ 208	\$ -	\$ 6,602,743
Total capital assets, not being depreciated	<u>6,602,535</u>	<u>208</u>	<u>-</u>	<u>6,602,743</u>
Capital assets, being depreciated:				
Water system, wells, mains, lines, structures & meters	54,679,402	958,702	-	55,638,104
Sewer system mains & meters	68,010,757	1,546,992	-	69,557,749
General office building	2,295,674	32,500	-	2,328,174
Equipment	<u>2,347,676</u>	<u>59,347</u>	<u>(25,434)</u>	<u>2,381,589</u>
Total	127,333,509	2,597,541	(25,434)	129,905,616
Accumulated depreciation	<u>(63,715,372)</u>	<u>(2,098,829)</u>	<u>25,434</u>	<u>(65,788,767)</u>
Total capital assets, being depreciated, net	<u>63,618,137</u>	<u>498,712</u>	<u>-</u>	<u>64,116,849</u>
All Capital Assets, Net	<u>\$ 70,220,672</u>	<u>\$ 498,920</u>	<u>\$ -</u>	<u>\$ 70,719,592</u>

Depreciation expense was \$2,098,829 and \$2,106,728 for the years ended October 31, 2021 and 2020, 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, 2021

NOTE 6. Line of Credit

On March 5, 2021, the Authority obtained a Revolving Line of Credit in the amount of \$3 million, maturing on March 5, 2022. The interest rate will be fixed at a tax-exempt rate of 2.55% for the term of the note. The Authority did not borrow from the Line of Credit in the fiscal year ending October 31, 2021.

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 November 10, 2021, the Authority's 2017 loan agreement with The First National Bank and Trust Company of Newtown was modified with a lower interest rate of 1.65% through the Note's maturity on May 2027, maintaining the same monthly loan payment.

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, 2021

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.

On November 10, 2021, NBCMA entered into a new Water and Sewer Revenue Note with The First National Bank and Trust Company of Newtown. The 2021 Note shall have a 24-month advance period with advances allowed up to the maximum commitment amount of \$3,820,162.50. The purpose of the Note is to fund the 2021 Cured in Place Pipe Lining project making repairs to the Upper Southampton Basin Area 100 and the PR-1 Area 200. The initial rate on the Note shall be fixed at 1.65% for the first seven years (84 months). After the 84th payment, the Note shall reset to a variable rate equal to 65% of the Wall Street Journal, U.S. Prime Rate for the next twelve months and every 12 months thereafter.

Changes in long-term debt and accrued interest during the fiscal year 2021 were as follows:

	2017 <u>Note</u>	BCWSA Loan NCMA Share of Capital <u>Improvement</u>	<u>Total</u>
Balance, October 31, 2020	\$ 4,352,797	\$ 6,625,108	\$ 10,977,905
Principal Payments	<u>(607,820)</u>	<u>(66,290)</u>	<u>(674,110)</u>
Balance, October 31, 2021	3,744,977	6,558,818	10,303,795
Current Portion	<u>(652,700)</u>	<u>(88,058)</u>	<u>(740,758)</u>
Long-Term Portion	<u>\$ 3,092,277</u>	<u>\$ 6,470,760</u>	<u>\$ 9,563,037</u>

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Notes to Financial Statements

For The Year Ended October 31, 2021

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>
2022	\$ 652,700	\$ 88,058	\$ 740,758
2023	663,533	92,794	756,327
2024	674,564	97,785	772,349
2025	685,779	103,044	788,823
2026	697,181	108,586	805,767
2027-2031	371,220	637,069	1,008,289
2032-2036	-	827,827	827,827
2037-2041	-	1,075,706	1,075,706
2042-2046	-	1,397,807	1,397,807
2047-2051	-	1,816,355	1,816,355
2052	-	313,787	313,787
Total	<u>\$ 3,744,977</u>	<u>\$ 6,558,818</u>	<u>\$ 10,303,795</u>

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

<u>October 31,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 740,758	\$ 399,092
2023	756,327	383,523
2024	772,349	367,501
2025	788,823	351,026
2026	805,767	334,084
2027-2031	1,008,289	1,516,294
2032-2036	827,827	1,323,659
2037-2041	1,075,706	1,075,781
2042-2046	1,397,807	753,680
2047-2051	1,816,355	335,131
2052	313,787	6,868
	<u>\$ 10,303,795</u>	<u>\$ 6,846,639</u>

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Notes to Financial Statements

For The Year Ended October 31, 2021

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 \$808,226 in dedicated property, plant and equipment during the year ended October 31, 2021 and no dedicated property, plant and equipment during the year ended October 31, 2020.

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, 2021 and 2020 was \$208,251 and \$180,722, 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, 2021

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.

The NBCMA Board approved Resolution 2021-1243 Amending Resolution 2021-1241, dated April 7, 2021, entering into a Wastewater Agreement between NBCMA and the Upper Southampton Municipal Authority (USMA), making a capital acquisition of wastewater capacity in the amount of \$825,000. In addition, Upper Southampton Municipal Authority's sewer charges to Northampton, Bucks County, Municipal Authority will be based upon the actual flow of wastewater.

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

The NBCMA Board approved Resolution 2021-1241 where NBCMA entered into a Wastewater Service Agreement with Upper Southampton Municipal Authority (USMA) related to USMA providing sanitary sewer service with certain designated properties in Northampton and that the litigation, Docket No. 2020-01630 between NBCMA and USMA is hereby terminated with prejudice consistent with the terms of the Agreement.

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Notes to Financial Statements

For The Year Ended October 31, 2021

NOTE 11. Contingent Liabilities (Continued)

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.

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues:		
Usage and rental charges	\$ 16,011,800	\$ 16,548,065
Penalties	10,359	122,658
Certification fees	57,660	51,700
Connection charges	3,250	38,940
Tapping fees	176,235	1,134,431
Water/Sewer development	126	8,481
Fire hydrant	38,894	47,809
Cell tower rental	28,042	29,063
Office rent	8,400	8,400
Water meter sales, net	10,494	2,430
Other services and miscellaneous	38,948	42,667
Total Operating Revenues	<u>\$ 16,384,208</u>	<u>\$ 18,034,644</u>

NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

Supplementary Information
Operating and Administrative Expenses

For The Years Ended October 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating and Administrative Expenses:		
Administrative salaries	\$ 901,795	\$ 889,677
Board salaries	16,500	16,500
Maintenance salaries	886,797	837,899
Taxes and benefits	815,904	736,192
Administrative expenses	830,563	848,098
Maintenance expenses	871,299	877,665
Water purchases	1,542,778	1,695,045
Water analysis	71,232	91,780
Sewer wastewater analysis	4,845	4,705
Water and sewer system electric	180,089	169,834
Sewer rental	6,541,288	5,812,124
Equipment rental	83,790	105,115
Chemicals	27,101	21,182
Total Operating and Administrative Expenses	<u>\$ 12,773,981</u>	<u>\$ 12,105,816</u>