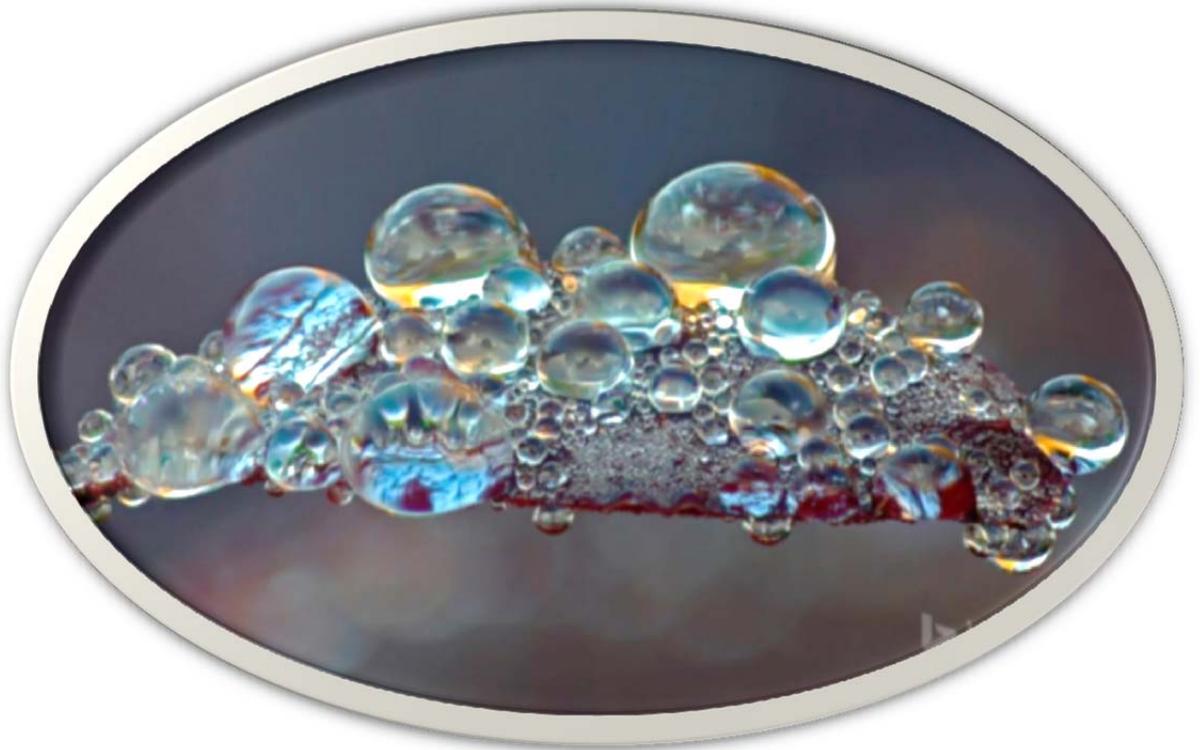




*North Wales Water Authority*



**Annual Report**  
**F.Y. 2015**



# Board of Directors



Joan H Nagel  
Chair



Albert S Tenney  
Vice-Chair



Herbert W Kavash  
Treasurer



Donna L Mengel  
Secretary



Gregory J D'Angelo  
Asst. Secretary/Treasurer

# Executive Team



Robert C Bender  
Executive Director



Bradley S Fisher PE  
Dir. Of Engineering/Ops



Michael P Clarke Esq  
Authority Solicitor



Kenneth Heydt PE  
Authority Engineer

## Executive Summary

The North Wales Water Authority (NWWA) commenced operations 64 years ago, with the intention of serving water to just a few hundred customers in the North Wales community. Since that humble beginning, the NWWA has grown to provide retail water service to over 27,000 customers in seven municipalities, as well as providing bulk water to 10 other municipalities and authorities for resale in their own service areas. On an average day, the NWWA provides about 8.5 million gallons of water to our customers.

To provide the most reliable water supply possible, the NWWA partnered with a neighboring authority in ownership of the Forest Park Water Treatment Plant, located in nearby Chalfont Borough, Bucks County. This award-winning treatment plant has the capacity to provide up to 40 million gallons of safe and clean water each day, and is considered one of the most technologically advanced treatment plants in the world. This status is regularly evidenced by the many visitors we receive representing utilities from all over the United States and many foreign countries.

We pride ourselves in providing a reliable supply of high quality and fairly- priced water – however, we also take pride in providing excellent and caring customer service. In doing so, we provide 24-hour service every day of the year to our customers, including our afterhours emergency crews. In addition, we are constantly making improvements to our water system and physical plant, and always improving our technologies, which allow us to maintain cost efficiencies and to always be on the “cutting-edge” of water-related technologies.

We employ over 40 full and part-time staff members, many with advanced degrees and water-related licenses needed to ensure compliance with various state and federal water safety regulations. Included in their duties is providing daily testing for quality control in all areas - ultimately providing the finest water possible for all of the homes and businesses we serve.

The following pages will summarize important operational and financial statistics, including evidence of our ongoing fiscal stability – while we maintain the lowest water rates in the region!

If you have any questions or comments after review of this report, please do not hesitate to contact our business office for assistance. We are truly pleased to present this report, and especially for the opportunity to continue serving our customers in the coming year.

Sincerely,

North Wales Water Authority Board of Directors

Joan H. Nagel, Esq.

## **INDEPENDENT AUDITORS REPORT**

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

We have audited the accompanying financial statements of the business-type activities of North Wales Water Authority (Authority) as of October 31, 2015, and for the year then ended, 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion 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 auditor's 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 opinion.

### **Opinion**

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 North Wales Water

Authority, as of October 31, 2015, and the respective changes in financial position, and 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, and budgetary comparison information on pages 3 through 5 and 27 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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's financial statements as a whole. The accompanying supplementary information on Page 28 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying supplementary information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects

LOPEZ, TEODOSIO, & LARKIN, LLC

Langhorne, Pennsylvania 19047

April 28, 2016

## Financial Statements

North Wales Water Authority  
Statement of Net Position  
October 31, 2015

### ASSETS

#### Current Assets

Cash and cash equivalents - unrestricted	\$2,257,658
Cash and cash equivalents - restricted	4,399,113
Accounts receivable	
Billed water and sewer charges	539,433
Unbilled water and sewer charges	1,565,115
Other	714,978
Inventory	685,218
Prepaid insurance and other expenses	302,467
<b>Total current assets</b>	<b>10,463,982</b>

#### Restricted Assets

Investments - restricted - market value	30,915,552
Interest receivable - restricted	25,437
<b>Total restricted assets</b>	<b>30,940,989</b>

#### Investment In Forest Park Project, net

Forest Park Water	63,575,438
Point Pleasant pumping station	13,669,433
PECO energy contract	3,757,861
<b>Total Investment in Forest Park Project</b>	<b>81,002,732</b>
Less Accumulated Depreciation	(40,051,266)

Net investment in Forest Park Project 40,951,466

#### Capital Assets, net

Property, plant and equipment	154,752,809
Less Accumulated Depreciation	(45,502,359)

Net capital assets 109,250,450

Total assets 191,606,887

### LIABILITIES

#### Current Liabilities

Accounts payable and FPW requisition payable	\$1,693,091
Current maturities of bonds payable	4,440,000
Current maturities of notes payable	100,000
Current maturities of debt service FDA	49,890
Accrued compensated absences	174,326
Accrued interest payable on bonds	1,183,687
Developer, consumers, and other deposits	406,268
Unearned service connection fees	150,429
<b>Total current liabilities</b>	<b>8,197,691</b>

#### Long-term liabilities

Note payables- net of current maturities	76,819
Debt service FDA- net of current maturities	211,680
Bonds payable- net of current maturities	54,543,753
Unamortized bond premium, net	2,580,337

Total long-term liabilities 57,412,589

Total liabilities 65,610,280

### NET POSITION

Net investment in capital assets 91,041,344

Restricted for capital activity and debt service 35,340,102

Unrestricted 2,395,419

Total net position **\$128,776,865**

### DEFERRED OUTFLOWS OF RESOURCES

Unamortized deferred charge on bond refundin 2,780,258

**Schedule of Revenues, Expenses and Change in Net Position Budget to Actual Year Ended  
October 31, 2015**

	<b>Final Budget</b>	<b>Actual</b>
<b>Operating Revenues</b>		
Metered Sales	\$12,717,889	\$12,647,334
Unmetered Sales	586,020	620,153
Other Operating Revenues	5,558,869	6,998,947
	<hr/>	<hr/>
Total Operating Revenues	18,862,778	20,266,434
	<hr/>	<hr/>
<b>Operating Expenses</b>		
General Operations	640,038	635,639
Water Collection System	5,353,337	5,593,653
Pumping System	287,834	344,344
Distribution System	966,079	995,093
Vehicles and Equipment	220,508	160,672
Facilities Maintenance	283,649	272,196
Metering, billing, and customer service	546,705	597,038
PA One Call	110,909	108,365
Water Quality	214,834	212,761
Wastewater Collection and Treatment	542,827	448,559
General and Administrative	3,494,461	3,363,804
	<hr/>	<hr/>
Total Operating Expenses, before depreciation and amortization expense	12,661,181	12,732,124
	<hr/>	<hr/>
<b>Operating Income, before depreciation, and amortization expense</b>	6,201,597	7,534,310
	<hr/>	<hr/>
<b>Depreciation and Amortization expense</b>		
North Wales Water Authority	2,275,000	2,191,440
Forest Park Water	1,600,000	1,664,450
Point Pleasant Pumping Station-PECO Energy Contract	1,000,000	481,883
Total Depreciation and Amortization Expense	4,875,000	4,337,773
	<hr/>	<hr/>
<b>Operating Income</b>	1,326,597	3,196,537
	<hr/>	<hr/>
Non-Operating Revenues (Expenses)		
Interest	59,610	90,031
Rent	657,702	577,293
Grant	216,715	-
Unrealized loss on investments	-	(73,410)
Gain on disposal of capital assets	-	32,558
Interest expense on revenue bonds	(2,355,848)	(1,384,243)
Total Non-Operating Revenues (Expenses)	(1,421,821)	(757,771)
	<hr/>	<hr/>
Capital grants and contributions	500,000	1,128,813
	<hr/>	<hr/>
<b>Change in Net Position</b>	\$404,776	\$3,567,579
	<hr/>	<hr/>

## Statement of Cash Flows- --Year Ended October 31, 2015

<b>Cash Flows from Operating Activities</b>	
Cash received from customers	\$21,096,043
Cash paid to suppliers for goods and services	(10,355,287)
Cash paid to employees for services and related expenses	(3,439,012)
Net cash provided by operating activities	<u>7,301,744</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Proceeds from rental of capital assets	577,293
Proceeds from disposal of capital assets	80,596
Proceeds from the 2012 water revenue bond	1,720,232
Capital grants and contributions	1,128,813
Debt principal reduction	(4,285,000)
Interest paid on revenue bonds	(1,384,243)
Additions to investment in Forest Park Project	(687,261)
Repayment of note payable	(149,889)
Acquisition and construction of capital assets	(5,958,962)
Net cash (used) in capital and related financing activities	<u>(8,958,421)</u>
<b>Cash Flows from Investing Activities</b>	
Interest received on investments	90,031
Net acquisition of investments	(11,394,752)
Net cash provided (used) by investing activities	<u>(11,304,721)</u>
Net decrease in cash and cash equivalents	(12,961,398)
Cash and cash equivalents - November 1, 2014	<u>19,618,169</u>
Cash and cash equivalents - October 31, 2015	<u>\$6,656,771</u>
<b>Reconciliation of Operating Income before Depreciation and Amortization Expense to Net Cash Provided By Operating Activities:</b>	
Operating income, before depreciation and amortization expense	\$7,534,310
Adjustments to reconcile operating income, before depreciation and amortization expense, to net cash provided by operating activities	
(Increase) decrease in	
Accounts receivable	829,609
Accrued interest receivable	(6,876)
Inventory	(130,961)
Prepaid insurance and other expenses	(23,382)
Increase (decrease) in	
Accounts payable and FPW requisition payable	(978,576)
Developer, consumers and other deposits	26,462
Accrued interest payable on bonds	4,037
Accrued compensated absences	15,899
Unearned service connection fees	31,222
Net cash provided by operating activities	<u>\$7,301,744</u>

## Service Statistics

### Water Main Installations and Replacements for 2015

The Authority maintains over 2.5 million feet of water main in the system, that's over 400 miles of pipe. Water main in the system varies in size from 4 inch to 42 inch.

In 2015 the Authority installed a total of 12,278 feet and replaced a total of 11,744



#### **New Water Main Installations:**

4 Inch 472 ft  
6 Inch 2,102 ft  
8 Inch 4,781 ft  
12 Inch 4,923 ft.

#### **Water Main Replacements:**

50 ft.  
121 ft.  
11,417 ft.  
156 ft.



### **New and Replaced Services, Meters and Fire Hydrants**

New Services Installed: 347  
Renewed Services: 259  
New Meters Installed: 79  
New Fire Hydrants Installed: 23  
Replaced Fire Hydrants: 20



### **Total Domestic Meters in the System:**

Residential 23,544  
Commercial 1231  
Industrial 207  
Other 207



### **Water Produced in Gallons:**

Gallons Pumped 3,536,693,586  
Gallons Accounted For 3,091,826,400  
Unmetered Water 1.01 MGD  
Average Daily Demand 9.69 MGD



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