

**NORRISTOWN MUNICIPAL WASTE AUTHORITY  
(A COMPONENT UNIT OF THE  
MUNICIPALITY OF NORRISTOWN)  
MONTGOMERY COUNTY, PENNSYLVANIA**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**YEAR ENDED DECEMBER 31, 2023**



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## Independent Auditors' Report

Board of Directors  
Norristown Municipal Waste Authority  
Norristown, PA

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of the business type activities of Norristown Municipal Waste Authority (a Component Unit of the Municipality of Norristown), Montgomery County, Pennsylvania (the Authority), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Norristown Municipal Waste Authority as of December 31, 2023, 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.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Norristown Municipal Waste Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Norristown Municipal Waste Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Norristown Municipal Waste Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Norristown Municipal Waste Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

### ***Required Supplementary Information***


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

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Norristown Municipal Waste Authority's basic financial statements. The accompanying financial information listed as supplemental information - Operating and Administrative Expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying financial information listed as supplemental information - Operating and Administrative Expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Report on Summarized Comparative Information***

We previously audited Norristown Municipal Waste Authority's 2022 financial statements, and our report dated March 27, 2023, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it was derived.



Bee, Bergvall and Company, P.C.  
Certified Public Accountants

Warrington, PA  
April 3, 2024

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The following discussion and analysis of the activities and financial performance of the Norristown Municipal Waste Authority (the "Authority") provides an introduction and overview to the Authority's basic financial statements for the fiscal years ended December 31, 2023 and 2022. Please consider the information presented here in conjunction with the accompanying financial statements and related footnotes.

The Norristown Municipal Waste Authority is a component of the Municipality of Norristown. The Authority was established in 1993 to be a self-supporting entity to serve the residents of the Municipality of Norristown. The members of the Authority Board are appointed by the Municipality of Norristown for a five (5) year term.

### **Authority Activities and Highlights**

- The net position increased by \$2,007,330 for the year ended December 31, 2023, which is slightly less than the increase in the previous year.
- The Authority's operating revenues, which consist of sewer rental income and wholesale income, increased by 1.7% while the operating and administrative expenses increased by 15.8% primarily due to inflation. As a result, the operating income decreased by 20.76%. However, a significant increase in non-operating revenue helped to offset much of the reduction in operating income, thereby resulting in very little impact on the net position of the Authority.

The sewer rental income from the customers in the Municipality of Norristown increased by \$78,203 while the income from the outside municipal customers increased by \$18,092, resulting in the \$96,295 increase in operating revenues. The adjustment in the sewer rental income is connected to the increase in sewer billings, which are based on water usage. Post pandemic the water company has returned to reading the water meters on a monthly basis and water usage has stabilized. This coupled with an improving economy, an uptick in online payments, and the return to targeted water shut offs to increase collections has reversed the trend in the sewer rental income experienced in 2022. The Authority anticipates that this experience will continue going forward.

The Authority serves an adjoining municipality, West Norriton Township, as a wholesale customer and in accordance with an inter-municipal agreement between the parties, bills this entity quarterly based on certain treatment related operating expenses. Debt service normally is not a factor since the wholesale customer is responsible for its share of the capital expenditures upfront. However, that situation has changed in light of the 2020 borrowing of the Authority (see page 11 for additional information). As a result, the Township pays its share of the 2020 borrowing quarterly. The actual expenses apportioned to the wholesale customer increased in 2023; the debt service portion of the quarterly billing added to the wholesale income, resulting in an increase in the income. It should be noted that the wholesale customer reimbursement is based on cash disbursements for treatment plant expenses even though a portion may be capitalized and therefore not considered operating expenses within the context of these financial statements.

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The increase in the overall operating and administrative expenses amounted to \$550,450 as compared to the prior year. The relative impact of this change is evidenced in the fact that every expense category, with the exception of salaries and benefits, increased. The increase in expense categories occurred in depreciation (\$252,754), chemicals and laboratory fees (\$93,862), sewer and manhole repairs (\$79,511), professional fees (\$52,694), utilities (\$29,755), sewer plant costs (\$17,734), and general and administration (\$16,214). The largest percent increase was experienced by the sewer and manhole repairs group (69.13%). Inflation was the main factor driving the increase in operating and administrative expenses with the exception of depreciation, a noncash expense that is directly correlated to the net investments in capital assets.

As mentioned, the upward movement in chlorine, and laboratory costs were impacted significantly by inflation. Throughout the year chemical prices in particular would increase without notice. Also, the usage of polymer for the dewatering process and chlorine for the treatment process increased during the year as adjustments were made to the operations to acclimate to the new equipment installed as part of the sewer plant upgrade. The same upward trend in pricing impacted laboratory supplies albeit not as impactful as chemicals. Nevertheless, the transition to an in-house laboratory has been positive as it has reduced our reliance on outsourcing and provided real-time results, which has improved our operational efficiency. The change in the collection system category was the result of several emergency repairs to the sewer lines and a planned maintenance action to plug leaks in some of the problem manholes that were discovered during a routine inspection program. The work in the sewers and manholes will help to mitigate the infiltration/inflow that is common to most older sewer systems. As for professional fees, legal and engineering expenses were higher than anticipated in large part due to the additional capital projects undertaken after the completion of the sewer plant upgrade. The uptick in utilities is associated with an increase in sludge production, which affected electricity and natural gas as a result of unanticipated changes in the dewatering process due to the sewer plant upgrade. In the case of the sewer plant costs, the completion of work attendant to the flood in 2022 turned out to be greater than envisioned due to supply chain issues remaining with electrical replacement parts and their pricing. Finally, the 8 percent increase in general and administration was not related to any particular expense item but rather more to the cumulative effect of adjustments to each activity in this category.

The only expense area that did decrease was salaries and wages (\$22,256). This reduction was only 2 percent as the workforce was diminished due to the voluntary departure of one of its employees toward the end of the year. The loss of this employee, in turn, resulted in a slight drop in medical and pension expenses.

The Authority is reassessing its organizational structure to determine the most optimum hire for 2024 with the goal of obtaining the most advantageous mix of staff skills, especially in light of operational changes and improvements associated with the sewer plant upgrade.

The increase in the operating revenues (\$96,252) was not sufficient to offset the increase in the operating expenses (\$550,450) and as a result the operating income decreased by (\$454,155) from the prior year. However, a significant increase in non-operating revenue (\$330,388) helped to offset much of the reduction in operating income. The overall adjustment changed the net position from \$2,131,097 in 2022 to \$2,007,330 in 2023.



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## **Overview of the Financial Statements**

Norristown Municipal Waste Authority basic financial statements include a statement of net position, statement of revenues, expenses, and changes in net position, statement of cash flows, and notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The Authority's financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America promulgated by the GASB.

## **Statement of Net Position**

The Statement of Net Position presents the financial position of the Authority. It provides information on the Authority's assets, plus deferred outflows and inflows of resources, and liabilities, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

## **Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows**

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues are recognized when earned, not when they are received. Expenses are recognized when incurred, not when they are paid. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

## **Statement of Cash Flows**

The Statement of Cash Flows presents information on the effects changes in assets and liabilities have on cash during the course of the fiscal year.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 19 through 27 of this report.

## **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information as listed in the table of contents.

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**Financial Analysis**

**Net Position**

As noted earlier, net position may serve over time as a useful indicator of an Authority's financial position. In the case of the Norristown Municipal Waste Authority, assets, plus deferred outflows of resources, exceeded liabilities by \$23,700,641 at the close of the fiscal year.

The following table summarizes the financial position of the Authority as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets	\$ 3,628,100	\$ 3,515,920
Restricted Assets	1,854,604	3,214,149
Non Current Assets, net	<u>34,590,491</u>	<u>33,482,318</u>
Total Assets	<u>\$ 40,073,195</u>	<u>\$ 40,212,387</u>
Deferred Outflows		
Loss on Issuance, net of amortization	<u>\$ 1,631</u>	<u>\$ 3,262</u>
Current and Other Liabilities		
Current Liabilities	\$ 1,493,162	\$ 2,429,530
Non Current Liabilities	<u>14,881,023</u>	<u>16,092,808</u>
Total Liabilities	<u>\$ 16,374,185</u>	<u>\$ 18,522,338</u>
Net Position		
Net Investment in Capital Assets	\$ 18,548,471	\$ 15,351,173
Restricted	1,839,190	3,192,263
Unrestricted	<u>3,312,980</u>	<u>3,149,875</u>
Total Net Position	<u>\$ 23,700,641</u>	<u>\$ 21,693,311</u>

The Authority's net position presented in the table reflects a surplus in net investment in capital assets (sewer plant, sewer collection system, and equipment) of \$18,548,471 as well as an unrestricted net position of \$3,312,980.

Net investment in Capital Assets increased by \$3,197,298 as more was invested in capital projects while unrestricted net assets increased by \$163,105.

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The Authority operates as a component unit of the Municipality of Norristown. The Authority's primary source of revenue is user fees. These fees are charged to all users of the sewer system. Operating expenses primarily include wages and benefits, utilities, and other costs associated with the operation and maintenance of the treatment plant and sewer system.

The following table summarizes the revenues, expenses and changes in net position of the Authority for the fiscal years ended December 31, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Operating Revenues:		
Sewer Rental Income	\$ 4,903,226	\$ 4,825,023
Sewer Wholesale Income	<u>863,575</u>	<u>845,483</u>
Total Operating Revenues	<u>5,766,801</u>	<u>5,670,506</u>
Operating and Administrative Expenses	<u>4,033,292</u>	<u>3,482,842</u>
Operating Income	<u>1,733,509</u>	<u>2,187,664</u>
Non-operating Revenue (Expenses)	<u>273,821</u>	<u>(56,567)</u>
Increase (Decrease) in Net Assets	2,007,330	2,131,097
Net Position, Beginning	<u>21,693,311</u>	<u>19,562,214</u>
Net Position, Ending	<u>\$23,700,641</u>	<u>\$21,693,311</u>

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The following table summarizes the statement of changes in the net position of the Authority for the fiscal year ended 2023:

	<u>Beginning Balance</u>	<u>Increase (Decrease)</u>	<u>Ending Balance</u>
Net Investment in Capital Assets	\$ 15,351,173	\$ 3,197,298	\$ 18,548,471
Restricted	3,192,263	(1,353,073)	1,839,190
Unrestricted	<u>3,149,875</u>	<u>163,105</u>	<u>3,312,980</u>
Total Net Position	<u>\$ 21,693,311</u>	<u>\$ 2,007,330</u>	<u>\$ 23,700,641</u>

### Capital Acquisitions

The Authority's investment in capital assets includes land, buildings, and equipment. Capital acquisitions are recorded at cost. Acquisitions are funded by available reserves and debt.

Norristown Municipal Waste Authority's investment in capital assets as of December 31, 2023 and 2022, net of accumulated depreciation, was as follows:

	<u>2023</u>	<u>2022</u>
Sewer Plant	\$ 24,535,149	\$ 11,031,555
Sewer Collection System	9,267,257	9,410,564
Equipment	98,002	130,002
Construction in Progress	<u>618,677</u>	<u>12,801,310</u>
Capital Assets Net of Depreciation	<u>\$ 34,519,085</u>	<u>\$ 33,373,431</u>

The overall increase of \$1,145,654 in capital assets during the current fiscal year was the result of the following:

- Increase of \$13,503,594 in sewer plant assets primarily due to the capitalization of the majority of the construction in progress as a result of the completion of the sewer plant upgrade along with the completion of several other capital projects during 2023.
- Decrease of \$143,307 in collection system assets due to the current year depreciation expense.
- Decrease of \$32,000 in equipment at the sewer plant.
- Decrease of \$12,182,633 in the construction in progress as a result of the reallocation of the engineering and construction costs connected with the sewer plant upgrade as mentioned in the sewer plant item above.

Additional information on capital assets can be found in Note 4 to the financial statements.

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## **Debt Administration**

In 2013 the Authority issued three Sewer Revenue Notes in order to refinance its existing debt (2003 Sewer Revenue Bonds and 2009 Sewer Revenue Note) and borrow new money for certain capital improvements to the sewer system. This borrowing was intended to take advantage of lower interest rates and provide a mechanism for securing funds for necessary improvements to the sewer plant and the collection sewer system. The covenants associated with the bond issue had severely restricted the Authority in its attempt to upgrade its facilities to comply with State requirements while an interest rate reset was set in 2015 for the revenue note. In addition, the restructuring of the debt allowed the Authority to maintain a stable amortization payment each year while providing flexibility for future financing.

As of December 31, 2023, the Authority had a total debt outstanding of \$7,453,143 for the 2013 Sewer Revenue Notes. Of this amount, \$997,443 constitutes the obligation incurred by the Authority under Sewer Revenue Note 2013B to refinance the Sewer Revenue Note Series 2009, and \$6,455,700 covers the drawdown of the Authority under Sewer Revenue Note 2013C for capital improvements. The debt associated with Sewer Revenue Note 2013A, which covered the refinancing of the 2003 Sewer Revenue Bonds, was paid off in September 2023.

Based on the terms of the 2013 borrowing, Series B and C were subject to an interest reset in October 2023. The Authority decided to let the interest rate float with a ceiling of 6.0 percent. However, this interest rate reset was higher than the original interest rates due to the ongoing adjustments in interest rates imposed by the Federal Reserve to combat inflation. Fortunately, the termination of Series A improved the actual debt service situation for the Authority for the last quarter of 2023. Series B will terminate in October 2025. Depending on the interest rate reset and the interest rate obtained for the refinancing of the 2020 borrowing (see next paragraph), it may be fiscally feasible to include Series C in the 2020 refinancing.

In May 2020, the Authority issued Sewer Revenue Notes, Series 2020, in the amount of \$10,000,000 to be used, along with internal funds, to pay for the costs of upgrading the wastewater treatment plant. The Notes bear interest at 2.75 percent although there is a final balloon payment due in 2025. The original term sheet called for a 15-year amortization; however, for tax purposes it was necessary to restructure the borrowing with the balloon payment because at the time of settlement, the Municipality had entered into negotiations with a private utility to purchase the Authority's sewer system. The sale was ultimately rescinded. Nevertheless, the balloon payment still must be satisfied which means that the Authority will need to refinance the outstanding obligation on the 2020 borrowing by May 2025. As of December 31, 2023, the Authority has \$8,519,102 outstanding on the 2020 Notes. The total outstanding debt for all Authority Bonds (Series 2013 and 2020) at the end of the fiscal year was \$15,972,245.

With respect to the 2020 loan, the Authority started to fully amortize the debt in 2021 in accordance with the terms of the borrowing. In addition, the Authority and West Norriton Township signed an amendment to its inter-municipal agreement that provided for the Township to reimburse the Authority on a quarterly basis for one-third of the debt payments attendant to the 2020 loan in lieu of the Township borrowing up front its one-third share of the costs of the wastewater treatment plant upgrading.

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Additional information on the Authority's existing long-term debt can be found in Note 5 to the financial statements. The Authority's debt is essentially secured by the sewer receipts and revenues.

**Economic Factors and Next Year's Budgets and Rates**

The prior three fiscal years have been challenging for the financial operations of the Authority as it navigated through uncharted waters from the pandemic that impacted collections and the accounts receivables, to the supply chain issues that caused the cost of goods and service to rise in a disproportionate manner, and to the volatility in interest rates that caused the debt service component of the Authority borrowing to change due to a programmed reset of rates in its 2013 loans. However, the Authority made a number of adjustments, both operationally and fiscally for the year ended December 31, 2023, and is now well positioned going forward.

The Authority continues its trend of focusing on (1) improving its revenue stream in 2024 with a renewed effort on collections and (2) optimizing the use of the new equipment installed as part of the recently completed sewer plant upgrade project to reduce operating expenses, particularly in the areas of electricity, sludge disposal and maintenance/repairs. The Authority believes that this two-prong approach of increasing revenues and decreasing expenses will provide a financial baseline, which will enable the Authority to improve its service while maintaining a reasonable sewer rate for its customers.

It is acknowledged that terminating water service as an inducement to pay outstanding sewer charges is not the preferred path to increasing collections. However, the Authority only reverts to this approach on a targeted basis. Statistically, almost 90 percent of the sewer customers contacted about delinquency with a letter indicating the termination of water service if arrangements are not made to reduce the outstanding charges made a payment or payment arrangements. The Authority makes every effort to work with customers on a reasonable payment plan if needed and will direct customers to charitable organizations that help distressed people with utility bills. It will, however, consider the filing of a lien after numerous attempts to collect and only after dialogue with the customer.

Recognizing that collection measures need a balanced program, the Authority has increased its efforts to promote the use of online payments, electronic sewer bills and auto-pay where the sewer charge is automatically deducted from a customer's banking account and encouraged the use of the drop box outside the Authority office for those customers who are reluctant to or incapable of using electronic and regular mail but can't visit the Authority office during normal business hours. The Authority is pleased at the significant progress made in reducing the accounts receivable in 2023.

The Authority continues to assess its financial condition by analyzing its revenues and expenses on a five-year basis to determine the adequacy of its sewer rates and its ability to address unanticipated situations in the field. Several years ago, it established a philosophy of increasing its sewer rates gradually (approximately 2.5 percent each time) and periodically (at least every two years) to assure that it will satisfy its debt obligations and provide sufficient revenues to meet its financial obligations without creating an undue burden for its customers in any given year. This approach was delayed for a number of reasons, including the pandemic and the timing of the sewer plant upgrade.

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The Authority did raise its sewer rates in 2023 by 3 percent, which amounted to approximately \$8 per year for the average customer. This nominal increase was intended to minimize the impact on sewer customers while expanding the revenue base. The Authority will continue to utilize the approach of minimal, periodic rate increase in an effort to preempt larger rate increases in the future.

The debt service situation changed in 2023 and then dramatically in 2024 with the expectation of a further adjustment in 2025. As mentioned in the Debt Administration section (see pg. 11), the 2013 borrowing consisted of three loans. Series A terminated in September 2023 reducing the monthly debt service payment by approximately \$99,900 for October through December. On the other hand, Series B and C were subject to an interest rate reset, which in turn increased the monthly debt service by approximately \$17,000. The Authority had the option at that time to either convert the reset on Series B and C to either a fixed amount or a floating rate with a ceiling of 6 percent in accordance with the contractual terms of the 2013 borrowing. The Authority chose the floating rate because a shift to a fixed rate would have precluded any future refinancing according to the terms of the initial borrowing. Since the Authority intends to incorporate Series C in a refinancing planned for 2025 (discussed below), the decision was inevitable, especially given the interest rate ceiling set for the floating rate. Series B is terminated in October 2025 and will not be included in any future refinancing. As a result, the debt service for 2024 is reduced by approximately \$80,000 - \$83,000 per month which reduces the financial pressure on the budget and eliminates the need for any rate increase. The floating rate is pegged indirectly to the Federal fund rate set by the Federal Reserve and should see a reduction in 2024. The debt service savings in 2024 will offset increases envisioned in certain operating expenses with any surplus money at the end of the year being returned to the Capital Fund for ongoing sewer treatment plant improvements. Parenthetically it should be mentioned that the Authority has created a Tapping Fee Account that is funded by tapping fees collected from developers and used for rehabilitation and additions to the sewer system.

As also mentioned in the Debt Administration section, the Authority has a balloon payment due in May 2025 on the 2020 loan used to fund the sewer plant upgrade project. The timing of the actual refinancing will depend on the movement of interest rates. Incorporating Series C of the 2013 borrowing in the refinancing will help to establish a stable debt service requirement for the foreseeable future although it is acknowledged that the debt service on the refinancing will be higher than the current debt service on the 2020 borrowing and Series C due to the upward movement of interest rates in the last two years. Further, the Authority will need to take into consideration the continued servicing of Series B through September 2025. Nevertheless, the Authority does not envision the debt service situation to have a dramatic impact on the budgeting process in 2025.

With respect to operating expenses, the Authority has been working with its consultants to reduce professional service fees and signing utility and labor contracts that help to stabilize the baseline cost of operations. Previously, the Authority signed a three-year contract for sludge disposal that is higher than its previous arrangement but still at a marketable price. As part of the sewer plant upgrade project, a new belt filter press was installed to help improve the dewatering process associated with the treatment of sludge. Reducing the amount of water in sludge in turn reduces the amount of sludge to be hauled away and landfilled which can impact the sludge disposal cost despite the higher fees. The Authority has been experimenting with various polymers in 2023 to find the optimum concentration and supplier to facilitate the dewatering process.

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This has resulted in an increase in chemical expenses. The Authority believes it has achieved its desired goal. The next step would be to reach a certain threshold of dewatering on a consistent basis in order to find alternate means for sludge disposal which could result in a significant reduction in this expense item. The Authority would like to move in this direction within the next two years.

The Authority recently obtained new pricing for electricity through an online bidding process that became effective in 2024. The market price for the contract was significantly higher than the previous contract for supply and transmission due to inflation. However, the highly efficient and modern pumps, blowers, and related aeration facilities recently put online in connection with the sewer plant upgrade has resulted in a decrease in electrical usage, which will help to offset the higher electrical rates and thereby keep the electrical expense contained for the next two years until the supply contract expires. It is plausible that electrical rates will decrease as inflation subsides in the forthcoming years. Finally, the Authority has an existing agreement with a natural gas supplier that should keep the cost of gas used in the sludge digestion process at the treatment plant at a reduced amount.

As for labor costs, the Authority's collective agreement with its union employees continues to provide price stability for wages and its benefit package in 2024. A new agreement will be negotiated in 2024 to cover the next three or four years. The Authority does expect that inflation and its effect on wages will be a major discussion item and it is preparing for the additional expenses. A new labor technician was hired in 2024 to fill a vacancy in the workforce that has existed for a year. The Authority is confident that at this time it has the proper mix of skills and personnel to ensure that the treatment plant continues to be operated in an optimum manner. In addition, the sewer upgrade included the installation of instrumentation to monitor the operations of the wastewater treatment plant, which will enable the existing staff to maintain, if not improve, its operational efficiency. These contractual arrangements should help to keep operating expenses in line and controllable, given that labor, sludge disposal and utilities comprise a majority of the costs attendant to the treatment plant and collection system. Finally, the in-house laboratory has been certified by the State and the Authority is now performing most of its own analysis, which is providing real time testing and reducing the cost of an outside laboratory.

As for future capital projects, the Authority has developed a capital improvement plan for the wastewater treatment plant and the sewer collection system over the next five years. The plant upgrade has addressed most of the prominent issues with the treatment plant. In the next two years, the Authority will take steps to flood proof the remaining pumps and electrical equipment at the treatment facility. This undertaking will be financed in part with a grant from the State of Pennsylvania. When completed, the plant will be in a position to respond quickly and at minimal cost after a major flood. Finally, there are also plans to replace and relocate the electrical transformer that provides service to the treatment plant as the transformer has reached its useful life and its location is subject to high winds and potential damage from flooding.

Regarding the collection sewers, the Authority has instituted an aggressive monthly cleaning of the sewer pipes by area to help increase the longevity of the sewer lines and mitigate the possibility of sewer blockages.



NORRISTOWN MUNICIPAL WASTE AUTHORITY  
(A Component Unit of the Municipality of Norristown)  
Management's Discussion and Analysis  
December 31, 2023

In addition, the Authority has established a long-term program of periodic rehabilitation of manholes and the systematic metering of the sewer system in an attempt to isolate areas of excessive infiltration/inflow (I/I) so that follow up televising can be conducted to develop the optimum approach to rectifying the situation either by the lining or replacement of the most severely damaged pipe. The Authority is working with its consultants to quantify the work that might be needed to achieve this I/I reduction and thereby increase capacity in the sewer lines and at the treatment plant. Finally, the Authority has focused its most recent efforts on insuring that the sewers serving two potentially large developments in the Municipality are adequate and in good condition. The possible growth from these developments will help the community and provide additional customers to the sewer system.

**Contacting the Authority's Financial Management**

This financial report is designed to provide our customers, creditors, and funding agencies with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If there are any questions about this report or if additional financial information is required, please contact the Authority's staff at Norristown Municipal Waste Authority, 23 East Marshall Street, Norristown, PA 19401.

Gregory Nester  
Authority Chairperson

Barry Thompson  
Executive Director

**NORRISTOWN MUNICIPAL WASTE AUTHORITY**  
**(Component Unit of the Municipality of Norristown)**  
**Statements of Net Position**  
**December 31, 2023 and 2022**

	<b><u>ASSETS</u></b>	
	<u>2023</u>	<u>2022</u>
Current Assets		
Cash and cash equivalents	\$ 2,552,262	\$ 2,352,747
Accounts receivable, sewer, net of allowance for uncollectible	852,787	887,663
Accounts receivable, West Norristown Township	217,651	212,360
Other assets	5,400	63,150
Total Current Assets	<u>3,628,100</u>	<u>3,515,920</u>
Non-Current Assets		
Restricted Assets		
Cash and cash equivalents-debt	1,839,190	3,192,263
Cash and cash equivalents-escrows	15,414	21,886
	<u>1,854,604</u>	<u>3,214,149</u>
Capital Assets		
Construction in progress	618,677	12,801,311
Property and equipment, net of accumulated depreciation	33,900,408	20,572,120
	<u>34,519,085</u>	<u>33,373,431</u>
Right of Use Asset, net of accumulated amortization	71,406	108,887
Total Non-Current Assets	<u>36,445,095</u>	<u>36,696,467</u>
TOTAL ASSETS	<u>40,073,195</u>	<u>40,212,387</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Unamortized loss on refunding	1,631	3,262
TOTAL DEFERRED OUTFLOWS	<u>1,631</u>	<u>3,262</u>

**LIABILITIES**

Current Liabilities		
Current portion of long term debt	1,174,269	2,064,381
Accounts payable	-	218,463
Accrued expenses-restricted assets	242,409	72,315
Accrued vacation	12,186	12,186
Current portion of lease liability	42,522	40,409
Interest payable	21,776	21,776
Total Current Liabilities	<u>1,493,162</u>	<u>2,429,530</u>
Non-Current Liabilities		
Escrow deposits	15,414	21,886
Compensated absences	25,045	22,544
Lease liability, net of current portion	42,588	87,239
Bonds payable, net of current portion	14,797,976	15,961,139
Total Non-Current Liabilities	<u>14,881,023</u>	<u>16,092,808</u>
TOTAL LIABILITIES	<u>16,374,185</u>	<u>18,522,338</u>

**NET POSITION**

Net investment in capital assets	18,548,471	15,351,173
Restricted	1,839,190	3,192,263
Unrestricted	3,312,980	3,149,875
TOTAL NET POSITION	<u>\$ 23,700,641</u>	<u>\$ 21,693,311</u>

See independent auditors' report and accompanying notes to financial statements

NORRISTOWN MUNICIPAL WASTE AUTHORITY  
 (Component Unit of the Municipality of Norristown)  
Statements of Revenues, Expenses, and Changes in Net Position  
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues		
Sewer retail income	\$ 4,903,226	\$ 4,825,023
Sewer wholesale income	<u>863,575</u>	<u>845,483</u>
Total operating revenues	<u>5,766,801</u>	<u>5,670,506</u>
 Operating and administrative expenses	 <u>4,033,292</u>	 <u>3,482,842</u>
 Operating income	 <u>1,733,509</u>	 <u>2,187,664</u>
Nonoperating revenues (expenses)		
Investment income	115,904	18,792
Interest expense	(540,773)	(550,022)
Insurance proceeds	-	-
Amortization of bond defeasance	(1,631)	(15,392)
Capital reimbursements	607,563	428,857
Tapping fees	81,200	50,200
Other income	<u>11,558</u>	<u>10,998</u>
Total nonoperating revenues (expenses)	<u>273,821</u>	<u>(56,567)</u>
 Increase (decrease) in net position	 2,007,330	 2,131,097
 Net position, beginning of year	 <u>21,693,311</u>	 <u>19,562,214</u>
 Net position, end of year	 <u>\$ 23,700,641</u>	 <u>\$ 21,693,311</u>

See independent auditors' report and accompanying notes to financial statements

**NORRISTOWN MUNICIPAL WASTE AUTHORITY**  
**(Component Unit of the Municipality of Norristown)**  
**Statements of Cash Flows**

**For the Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from customers	\$ 4,895,564	\$ 4,891,281
Other operating cash receipts	858,284	774,105
Cash paid to suppliers of goods and services	(1,806,622)	(1,822,050)
Cash paid for salaries and benefits	<u>(1,224,712)</u>	<u>(1,253,600)</u>
Net cash provided by operating activities	<u>2,722,514</u>	<u>2,589,736</u>
Cash flows from investing activities:		
Interest and dividends received	115,904	18,792
Increase (decrease) in escrow deposits	<u>(6,472)</u>	<u>(2,787)</u>
Net cash provided by investing activities	<u>109,432</u>	<u>16,005</u>
Cash flows from non-capital financing activities:		
Nonoperating revenues received	<u>11,558</u>	<u>10,997</u>
Net cash provided by (used in) non-capital financing activities	<u>11,558</u>	<u>10,997</u>
Cash flows from capital and financing activities:		
Proceed from long-term debt	-	583,000
Repayment of long-term debt	(2,053,275)	(2,273,338)
Other	2,678	-
Capital reimbursements	607,563	428,857
Acquisition and construction of capital assets	(2,100,927)	(2,613,368)
Tapping fees	81,200	50,200
Bond interest paid	<u>(540,773)</u>	<u>(552,443)</u>
Net cash provided by (used in) capital and financing activities	<u>(4,003,534)</u>	<u>(4,377,092)</u>
Net increase (decrease) in cash and cash equivalents	(1,160,030)	(1,760,354)
Cash and cash equivalents, beginning of year	<u>5,566,896</u>	<u>7,327,250</u>
Cash and cash equivalents, end of year	<u>\$ 4,406,866</u>	<u>\$ 5,566,896</u>
Reconciliation of net income to net cash provided by operating activities:		
Net operating income	\$ 1,733,509	\$ 2,187,664
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	990,076	737,322
Bad debt expense (recovery)	27,991	6,470
Loss on disposal of assets	-	8,677
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable and other receivables	1,594	(5,120)
Other assets	57,750	(4,813)
Increase (decrease) in:		
Accounts payable and accrued expenses	(48,369)	(298,992)
Compensated absences	2,501	(3,098)
Lease liability	<u>(42,538)</u>	<u>(38,374)</u>
Net cash provided by operating activities	<u>\$ 2,722,514</u>	<u>\$ 2,589,736</u>
Cash and cash equivalents	\$ 2,552,262	\$ 2,352,747
Restricted cash and cash equivalents	<u>1,854,604</u>	<u>3,214,149</u>
	<u>\$ 4,406,866</u>	<u>\$ 5,566,896</u>

See independent auditors' report and accompanying notes to financial statements

NORRISTOWN MUNICIPAL WASTE AUTHORITY  
(Component Unit of the Municipality of Norristown)  
Notes to Financial Statements  
December 31, 2023

**NOTE 1. Summary of Significant Accounting Policies**

Reporting Entity: Norristown Municipal Waste Authority (the Authority), a component unit of the Municipality of Norristown was created as an operating authority on January 4, 1993 by the Municipality of Norristown. The accompanying financial statements present the primary government. In evaluating the Authority (the primary government) as a reporting entity, all potential component units that may or may not fall within the financial accountability of the Authority have been addressed. 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.

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenditures are recognized when incurred.

Cash and Cash Equivalents: The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with maturities within three months or less from date of acquisition.

Trade Accounts Receivable: Trade receivables consist of retail sewer line and treatment charges to another governmental entity. Trade receivables are shown net of an allowance for uncollectible. Trade receivables, in excess of 90 days past due, are evaluated for collectability and an allowance is established based on the best available information and in an amount that management deems adequate. Trade receivables are written off when deemed uncollectible and any subsequent recoveries are recorded when received. At December 31, 2023, the allowance for doubtful accounts was \$85,819.

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 operation. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the Authority's policy to apply those expenses to restricted net position to the extent that such are available and then to unrestricted net position.

NORRISTOWN MUNICIPAL WASTE AUTHORITY  
(Component Unit of the Municipality of Norristown)  
Notes to Financial Statements  
December 31, 2023

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

Capital Assets: Capital assets, which include property, plant, equipment, and sewer system assets, are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects when constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Plant and Sewer Collection System	6-50 years
Equipment	5-10 years

Right to Use Asset: The Authority has recorded the right to use lease assets as a result of implementing GASB 87. The right to use assets are initially recorded at an amount equal to the present value of minimum lease payments. The right to use assets are amortized on a straight-line basis over the life of the related lease.

Compensated Absences: Employees of the Authority are entitled to accrue unused sick leave one calendar year to the next. With the exception of the first year of employment, all employees are granted sick leave at the rate of one (1) day for each month of the year. Sick leave may be accumulated from year to year up to a maximum of 120 hours. The accrued sick leave liability for the year ended December 31, 2023 is \$24,834.

Vacation time is granted to employees based on the length of service. An employee is paid for any unused vacation time at the beginning of the following calendar year. The accrued vacation liability for the year ended December 31, 2023 is \$12,379.

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 bonds using the straight-line method, when applicable. Bonds payable are reported net of the applicable bond premium or discount.

NORRISTOWN MUNICIPAL WASTE AUTHORITY  
(Component Unit of the Municipality of Norristown)  
Notes to Financial Statements  
December 31, 2023

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

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 is excluded from the determination. Restricted represent cash and investments established for debt repayment under terms of the debt trust indenture. Restricted assets also include developer deposits held by the Authority to be used to pay costs of certain engineering, legal, and inspection work required by the Authority. Unrestricted are amounts that do not meet the definitions above and are available for the Authority operations.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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, because the management discussion and analysis is presented for two years only. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

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.

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 future periods and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Authority only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

NORRISTOWN MUNICIPAL WASTE AUTHORITY  
(Component Unit of the Municipality of Norristown)  
Notes to Financial Statements  
December 31, 2023

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

Deferred Outflows/Inflows of Resources: (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The Authority does not have any items that qualify for reporting in this category.

Subsequent Events: The Authority has evaluated events and transactions for potential recognition or disclosure in the financial statements through the date of this report, which is the date the statements were available for release. No significant events have been recognized or disclosed.

New Accounting Pronouncements: Governmental Accounting Standards Board has issued statements which will become effective in future years. Management has not yet determined the impact of these standards on the financial statements.

**NOTE 2. Budgets and Budgetary Accounting**

Annual budgets are adopted on the cash basis of accounting.

The Authority follows these procedures in establishing the budget:

1. During November a preliminary budget is presented.
2. In December the final budget is adopted.
3. All budget revisions require the approval of the Authority.
4. Budgetary control is maintained at the account level.
5. The budget is adopted on the cash basis of accounting. All appropriations lapse at year end.



NORRISTOWN MUNICIPAL WASTE AUTHORITY  
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December 31, 2023

**NOTE 3. Cash and Investments**

State law allows the Authority to invest in obligations of the United States of America, the Commonwealth of Pennsylvania, or any agency or instrumentality of either, which are secured by the full faith and credit of such entity. The law also allows for the Authority to invest in certificates of deposit of banks, savings and loans, and savings banks both within and outside the Commonwealth of Pennsylvania, provided such amounts are insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance, and that deposits in excess of such insurance are collateralized by the depository. The state also imposes limitations with respect to the amount of investment in certificates of deposit to the extent that such deposits may not exceed 20% of a bank's total capital surplus or 20% of a savings and loans or savings bank's assets, net of its liabilities. The Authority may also invest in shares of registered investment companies, provided that investments of the Authority are authorized investments, as noted above.

*Custodial Credit Risk-Deposits:* In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's policy is to require their banking institution to provide a letter stating that they follow the Commonwealth of Pennsylvania Act 72, where all funds in excess of federal depository insurance limits held by the bank are collateralized in public funds secured on a pooled basis. At year-end, the bank balance was \$4,136,927 and of the bank balance, \$250,000 was covered by depository insurance. Any balances exceeding depository insurance are exposed to custodial credit risk because it is uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the Authority's name.

*Custodial Credit Risk-Investments:* For an investment, this is the risk that, in the event of a failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The risks of default are eliminated due to the constraints imposed upon allowable investment instruments through state limitations as discussed above.

*Interest Rate Risk:* This is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Authority has an investment policy which limits investment maturities to within five years of the date of such investment as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk:* This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the investment of governmental funds as described above. The Authority does not have a formal investment policy for credit risk.

NORRISTOWN MUNICIPAL WASTE AUTHORITY  
(Component Unit of the Municipality of Norristown)  
Notes to Financial Statements  
December 31, 2023

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

*Concentration of Credit Risk:* This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The concentration of credit risk in investments of external investment pools is not required to be disclosed.

The Authority acts in a custodial capacity with respect to monies deposited with it by developers and others. These monies are held by the Authority and used to pay legal, engineering, and other fees incurred on behalf of a specific project. Any unused deposits are returned to the developer upon completion of the project, except for an administrative handling fee. None of the monies received from or expended on behalf of the developers are recorded in the revenues or expenses of the Authority. At December 31, 2023, \$15,413 represents the balance of these monies held in escrow.

**NOTE 4. Capital Assets**

Capital asset activity for the year ended December 31, 2023 was as follows:

	Balance December 31, <u>2022</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2023</u>
Capital Assets not being depreciated				
Construction in Progress	\$ 12,801,310	\$ 2,100,927	\$ (14,283,560)	\$ 618,677
Capital Assets being depreciated				
Sewer Plant	24,933,381	14,283,560	-	39,216,941
Sewer Collection System	12,331,644	-	-	12,331,644
Equipment	207,966	-	-	207,966
Total Capital Assets being depreciated	<u>37,472,991</u>	<u>14,283,560</u>	<u>-</u>	<u>51,756,551</u>
Less Accumulated Depreciation				
Sewer Plant	13,901,826	779,966	-	14,681,792
Sewer Collection System	2,921,080	143,307	-	3,064,387
Equipment	77,964	32,000	-	109,964
Total Accumulated Depreciation	<u>16,900,870</u>	<u>955,273</u>	<u>-</u>	<u>17,856,143</u>
Capital Assets being depreciated, net	<u>20,572,121</u>	<u>13,328,287</u>	<u>-</u>	<u>33,900,408</u>
Total Capital Assets, net	<u>\$ 33,373,431</u>	<u>\$ 15,429,214</u>	<u>\$ (14,283,560)</u>	<u>\$ 34,519,085</u>

NORRISTOWN MUNICIPAL WASTE AUTHORITY  
(Component Unit of the Municipality of Norristown)  
Notes to Financial Statements  
December 31, 2023

**NOTE 5. Long Term Debt**

Sewer Revenue Notes

In May of 2020, the Authority issued Sewer Revenue Note, Series 2020 for \$10,000,000, which will be used for the acquisition, construction, and improvements of facility. The Notes bearing interest at 2.7% with interest only payments until June of 2021 and the principal and interest payment of \$67,802 and a final balloon payment in 2025.

In prior years, Sewer Revenue Note 2013B and 2013C were issued at a fixed rate of 2.87% through September 2023, and then were adjusted as per the agreement. The Authority selected a floating rate for the remainder of the term of the note with a ceiling of 6% as per the agreement. At December 31, 2023, the interest rate was 5.919%. Interest and principal payments on all loans are calculated based upon a 20-year amortization schedule.

Changes in long term-debt for 2023 are as follows:

	Balance December 31, <u>2022</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2023</u>	Amounts due within <u>one year</u>
Sewer Revenue Note 2013A initial issue used to refund 2003 bond due September 2023 with interest at 3.28%	\$ 904,042	\$ -	\$ 904,042	\$ -	\$ -
Sewer Revenue Note 2013B initial issue used to refund 2009 note due September 2025 with interest at 2.87% through September 2023 then adjusted as defined by agreement	1,526,691	-	529,248	997,443	535,286
Sewer Revenue Note 2013C initial issue used for capital improvements due September 2033 with interest at 2.87% through September 2023 then adjusted as defined by agreement	6,503,700	-	48,000	6,455,700	48,000
Sewer Revenue Notes 2020 due September 2025 with interest at 2.7%	9,091,087	-	571,985	8,519,102	590,983
Total notes payable	18,025,520	-	2,053,275	15,972,245	1,174,269
Compensated absences	22,544	-	(2,501)	25,045	-
	<u>\$ 18,048,064</u>	<u>\$ -</u>	<u>\$ 2,050,774</u>	<u>\$ 15,997,290</u>	<u>\$ 1,174,269</u>

NORRISTOWN MUNICIPAL WASTE AUTHORITY  
 (Component Unit of the Municipality of Norristown)  
Notes to Financial Statements  
December 31, 2023

**NOTE 5. Long Term Debt (Continued)**

The above bonded debt is secured by the receipts and revenues of the Authority. The Authority incurred interest costs of \$ 540,773 the year ended December 31, 2023. Aggregate maturities on long term debt as of December 31, 2023 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,174,269	\$ 450,142	\$ 1,624,411
2025	8,604,069	349,901	8,953,970
2026	724,050	168,290	892,340
2027	745,106	147,234	892,340
2028	766,774	125,566	892,340
2029-2032	<u>3,957,977</u>	<u>280,638</u>	<u>4,238,615</u>
	<u>\$ 15,972,245</u>	<u>\$ 1,521,771</u>	<u>\$ 17,494,016</u>

**NOTE 6. Defined Contribution Plan**

The Authority offers its employees a defined contribution plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Additionally, participants with an employee contribution rate under 5% receive a credit of \$1.75 per hour worked. Participants with contribution rates 5% and over receive a credit of \$2.25 per hour worked. Employer contributions to the plan amounted to \$47,754 in 2023.

Participants' rights under the plan are equal to the fair market value of the deferred account for each participant.

NORRISTOWN MUNICIPAL WASTE AUTHORITY  
(Component Unit of the Municipality of Norristown)  
Notes to Financial Statements  
December 31, 2023

**NOTE 7. Risk Management and Contingencies**

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 the normal course of business, there are various relatively minor claims and suits pending against the Authority, none of which materially affect the financial position of the Authority. At the present time, there are no unasserted claims or significant litigation matters pending.

**NOTE 8. Lease**

The Authority currently leases its office space for \$3,500 per month and escalates by 2.5%, on January 1<sup>st</sup> of each year until expiration. The Authority has recorded one right to use asset associated with the lease for office space. The right to use assets is amortized on a straight-line basis over the life of the lease.

	Balance December 31, <u>2022</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2023</u>
Lease Assets				
Building	\$ 181,479	\$ -	\$ -	\$ 181,479
Less Accumulated Amortization	<u>72,592</u>	<u>37,481</u>	<u>-</u>	<u>110,073</u>
	<u>\$ 108,887</u>	<u>\$ (37,481)</u>	<u>\$ -</u>	<u>\$ 71,406</u>

The future minimum lease obligation and the net present value of lease payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 42,522	\$ 1,604	\$ 44,126
2025	<u>42,588</u>	<u>514</u>	<u>43,102</u>
	<u>\$ 85,110</u>	<u>\$ 2,118</u>	<u>\$ 87,228</u>

**SUPPLEMENTAL INFORMATION**

NORRISTOWN MUNICIPAL WASTE AUTHORITY  
 (Component Unit of the Municipality of Norristown)  
Supplemental Information  
Operating and Administrative Expenses  
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Salaries and benefits	\$ 1,227,213	\$ 1,249,869
Depreciation and amortization	990,076	737,322
Maintenance and repairs	194,530	115,019
Professional fees	207,573	154,879
Chemicals and laboratory fees	305,022	211,160
Utilities	272,031	242,276
Sewer plant costs	508,025	490,291
Sanitary sewer costs	5,908	200
Insurance	84,737	81,384
General and administrative	210,186	193,972
Bad debt expense	<u>27,991</u>	<u>6,470</u>
Total Operating and Administrative Expenses	<u>\$ 4,033,292</u>	<u>\$ 3,482,842</u>