

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

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

YEAR ENDED DECEMBER 31, 2024

TABLE OF CONTENTS

Independent Auditors' Report	2-4
Management's Discussion and Analysis	5-16
Basic Financial Statements:	
Statements of Net Position	17
Statements of Revenues, Expenses, and Changes in Net Position	18
Statements of Cash Flows	19
Notes to Financial Statements	20-28
 SUPPLEMENTAL INFORMATION	
Operating and Administrative Expenses	30



936 Easton Rd., PO Box 754, Warrington, PA 18976 | 130 Almshouse Rd., Suite 201A, Richboro, PA 18954
215-343-2727 | www.bbco-cpa.com

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, 2024, 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, 2024, 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.

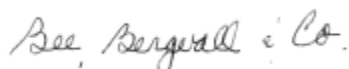
We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency 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 2023 financial statements, and our report dated April 3, 2024, 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, 2023, 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
March 12, 2025

NORRISTOWN MUNICIPAL WASTE AUTHORITY
(A Component Unit of the Municipality of Norristown)
Management's Discussion and Analysis
December 31, 2024

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 \$1,369,325 for the year ended December 31, 2024, which is less than the increase in the previous year.
- The Authority's operating revenues, which consist of sewer rental income and wholesale income, increased by 3.6% while the operating and administrative expenses increased by 14.8% primarily due to cost of renovations undertaken to the administrative building at the wastewater treatment plant as a result of damage caused by a flood several years prior. The operating income decreased by 22.6%. However, with capital reimbursements offsetting the non-operating expenses, the operating income still had a positive impact on the net position of the Authority.

The sewer rental income from the customers in the Municipality of Norristown increased by \$143,317 while the income from the outside municipal customers increased by \$63,468, resulting in the \$206,785 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. The water company has focused on reading the water meters on a regular basis to avoid estimated usage reports. In addition, the Municipality has seen an increase in development, which, in turn, has increased the overall usage of the Authority's customer base. 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 several years ago.

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 2024 as evidenced by the increase in overall operating expenses to the Authority; the debt service portion of the quarterly billing added to the wholesale income, thereby increasing the income.

NORRISTOWN MUNICIPAL WASTE AUTHORITY
(A Component Unit of the Municipality of Norristown)
Management's Discussion and Analysis
December 31, 2024

The increase in the overall operating and administrative expenses amounted to \$598,522, which is very similar to the prior year's change. From a macro perspective, 6 of the 11 expense categories decreased while 5 increased. The increase in expense categories occurred in depreciation (\$262,296), utilities (\$74,883), sewer plant costs (\$320,433), insurance (\$17,519), and general and administration (\$43,422). The largest percent increase was experienced by the sewer plant costs (38.7%) with the other expense groupings experiencing percent increases between 17 and 20. Inflation was the main factor driving the increase in most of the expense categories with the exception of depreciation, a noncash expense that is directly correlated to the net investments in capital asset, and sewer plant costs, which were impacted by the one-time repairs and renovations to the administration building caused by a flood.

The items affected by inflation cover utilities, insurance, and general and administration. The uptick in utilities is primarily the result of a substantial increase in the contracted unit price for electricity. The Authority obtains bids for the supply of electricity and it experienced a 40% increase in the pricing driven by inflationary pressure. Fortunately, the anticipated increase in the expense item was tempered by the reduction in electrical usage due to the modern and highly efficient equipment installed in the plant upgrade recently completed. Insurance, as expected, experienced an increase in both the liability sector and the workers compensation policy. This situation is occurring throughout the country and as mentioned was anticipated. As for the general and administrative category, the increase in postage rates had a significant impact on this expense along with a large refund to the County for recycled cooling water used at its facilities. This item is in accordance with an agreement between the Authority and the County.

Sewer plant costs, specifically the renovations to the administration building, were a significant factor in the upward movement of the expenses in 2024. This category was greater than the increase in depreciation, which is understandable given the completion of the sewer plant upgrade project, and over twice the sum of the other three expense group increases combined. The repair and renovations to the administration building were required due to the damage caused by the flood in 2022. The recovery from the flood was slowed by supply chain issues resulting in a delay in addressing the administration building. This work, which ultimately cost \$300,000, was placed last on the list as the Authority was able to relocate its offices and laboratory to other locations with the wastewater treatment facility. Because of the nature and scope of the work, the costs were expensed rather than capitalized.

The only expense areas with meaningful reductions were salaries and wages (\$18,420), professional fees (\$35,165), and chemicals and laboratory fees (\$29,920). The decrease in salaries and wages was primarily attributable to the drop in overtime, which is connected in part to the ability of the new equipment to adjust to changes in the flow and characteristics of the wastewater on a daily or weekly basis. Professional fees were reduced essentially due to a decrease in the need for legal counsel. Finally, chlorine usage was diminished significantly due to operational and equipment adjustments while laboratory expenses have stabilized as the laboratory operation has matured.

NORRISTOWN MUNICIPAL WASTE AUTHORITY
(A Component Unit of the Municipality of Norristown)
Management's Discussion and Analysis
December 31, 2024

The decrease in the operating revenues (\$206,785) coupled with the increase in the operating expenses (\$598,522) resulted in a decrease in the operating income by (\$391,737) from the prior year. There was little change in the net operating expenses from last year but a reduction in the capital reimbursements of \$221,508. The overall adjustment changed the net position from \$2,007,330 in 2023 to \$1,369,325 in 2024.

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 20 through 28 of this report.

NORRISTOWN MUNICIPAL WASTE AUTHORITY
(A Component Unit of the Municipality of Norristown)
Management's Discussion and Analysis
December 31, 2024

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.

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 \$25,069,966 at the close of the fiscal year.

The following table summarizes the financial position of the Authority as of December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Assets		
Current Assets	\$ 4,428,145	\$ 3,628,100
Restricted Assets	1,652,747	1,854,604
Non Current Assets, net	<u>34,051,914</u>	<u>34,590,491</u>
Total Assets	<u>\$ 40,132,806</u>	<u>\$ 40,073,195</u>
Deferred Outflows		
Loss on Issuance, net of amortization	<u>\$ -</u>	<u>\$ 1,631</u>
Current and Other Liabilities		
Current Liabilities	\$ 8,824,980	\$ 1,493,162
Non Current Liabilities	<u>6,237,860</u>	<u>14,881,023</u>
Total Liabilities	<u>\$ 15,062,840</u>	<u>\$ 16,374,185</u>
Net Position		
Net Investment in Capital Assets	\$ 19,209,988	\$ 18,548,471
Restricted	1,637,716	1,839,190
Unrestricted	<u>4,222,262</u>	<u>3,312,980</u>
Total Net Position	<u>\$ 25,069,966</u>	<u>\$ 23,700,641</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 \$19,209,988 as well as an unrestricted net position of \$4,222,262.

Net investment in Capital Assets increased by \$661,517 as more was invested in capital projects while unrestricted net assets increased by \$909,282.

NORRISTOWN MUNICIPAL WASTE AUTHORITY
(A Component Unit of the Municipality of Norristown)
Management's Discussion and Analysis
December 31, 2024

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, 2024 and 2023.

	<u>2024</u>	<u>2023</u>
Operating Revenues:		
Sewer Rental Income	\$ 5,046,543	\$ 4,903,226
Sewer Wholesale Income	<u>927,043</u>	<u>863,575</u>
Total Operating Revenues	<u>5,973,586</u>	<u>5,766,801</u>
Operating and Administrative Expenses	<u>4,631,814</u>	<u>4,033,292</u>
Operating Income	<u>1,341,772</u>	<u>1,733,509</u>
Non-operating Revenue (Expenses)	<u>(358,502)</u>	<u>(333,742)</u>
Capital reimbursements	<u>386,055</u>	<u>607,563</u>
Change in Net Position	1,369,325	2,007,330
Net Position, Beginning	<u>23,700,641</u>	<u>21,693,311</u>
Net Position, Ending	<u>\$ 25,069,966</u>	<u>\$ 23,700,641</u>

NORRISTOWN MUNICIPAL WASTE AUTHORITY
(A Component Unit of the Municipality of Norristown)
Management's Discussion and Analysis
December 31, 2024

The following table summarizes the statement of changes in the net position of the Authority for the fiscal year ended 2024:

	<u>Beginning Balance</u>	<u>Increase (Decrease)</u>	<u>Ending Balance</u>
Net Investment in Capital Assets	\$ 18,548,471	\$ 661,517	\$ 19,209,988
Restricted	1,839,190	(201,474)	1,637,716
Unrestricted	<u>3,312,980</u>	<u>909,282</u>	<u>4,222,262</u>
Total Net Position	<u>\$ 23,700,641</u>	<u>\$ 1,369,325</u>	<u>\$ 25,069,966</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, 2024 and 2023, net of accumulated depreciation, was as follows:

	<u>2024</u>	<u>2023</u>
Sewer Plant	\$ 24,629,019	\$ 24,535,149
Sewer Collection System	9,114,534	9,267,257
Equipment	66,002	98,002
Construction in Progress	<u>206,656</u>	<u>618,677</u>
Capital Assets Net of Depreciation	<u>\$ 34,016,211</u>	<u>\$ 34,519,085</u>

The overall decrease of \$502,874 in capital assets during the current fiscal year was the result of the following:

- Increase of \$93,870 in sewer plant assets primarily due to the capitalization of the construction in progress associated with the completion of a capital project during 2024.
- Decrease of \$152,722 in collection system assets due to the current year depreciation expense.
- Decrease of \$32,000 in equipment at the sewer plant due to the current year depreciation expense.
- Decrease of \$412,021 in the construction in progress, which was comprised of \$1,161,519 of deletions attendant to the sewer plant upgrade and other capital projects as well as the addition of \$749,498 for capital projects recently undertaken.

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

NORRISTOWN MUNICIPAL WASTE AUTHORITY
(A Component Unit of the Municipality of Norristown)
Management's Discussion and Analysis
December 31, 2024

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, 2024, the Authority had a total debt outstanding of \$6,874,338 for the 2013 Sewer Revenue Notes. Of this amount, \$466,638 constitutes the obligation incurred by the Authority under Sewer Revenue Note 2013B to refinance the Sewer Revenue Note Series 2009, and \$6,407,700 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 2024. 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. The Authority is currently in discussion with the bank to determine the structure of the refinancing. As of December 31, 2024, the Authority has \$7,931,885 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 \$14,806,223.

NORRISTOWN MUNICIPAL WASTE AUTHORITY
(A Component Unit of the Municipality of Norristown)
Management's Discussion and Analysis
December 31, 2024

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.

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 past few 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, 2024, and is now well positioned going forward.

The Authority continues its trend of focusing on (1) improving its revenue stream in 2025 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 improving its revenue picture and containing expenses will provide a financial baseline, which will enable the Authority to improve its service while maintaining a reasonable sewer rate for its customers. Further, the termination of one of the 2013 loans has freed up money to be used to maintain the current sewer rates and provide a surplus to fund future capital improvements to the wastewater treatment plant and sewer system with the goal of having sufficient capacity to accommodate development in the Municipality of Norristown. Development not only helps provide tax revenue for the Municipality but also additional revenues for the Authority from an increase in its customer base.

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, over 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.

NORRISTOWN MUNICIPAL WASTE AUTHORITY
(A Component Unit of the Municipality of Norristown)
Management's Discussion and Analysis
December 31, 2024

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 2024.

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. 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. Given the reduction of debt service in the last quarter of 2023 due to the aforementioned termination of one of the 2013 loans (see the discussion in the next paragraph), the Authority did not see a need to change rates in 2024 and will not raise rates in 2025. It is the goal of the Authority to be proactive in determining the need for any rate adjustments and will utilize the approach of minimal, periodic rate increases, as required, 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 anticipated 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 2024. 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 will terminate in October 2025 and will not be included in any future refinancing. As a result, the debt service for 2024 is reduced by approximately \$84,000 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.

NORRISTOWN MUNICIPAL WASTE AUTHORITY
(A Component Unit of the Municipality of Norristown)
Management's Discussion and Analysis
December 31, 2024

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.

The Authority is currently working with the bank to investigate several refinancing scenarios that might include a floating rate that is convertible to a fixed rate under certain timetables. While this could result in fluctuating monthly debt service payments, it is not envisioned to be problematic from a budgeting perspective since the Authority will still have a reasonable surplus to cover the situation.

With respect to operating expenses, the Authority has been working with its consultants to reduce professional service fees, as evidenced in 2024, 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. In addition, it is currently operating under a new electric supply pricing contract.

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 experimented with various polymers to find the optimum concentration and supplier to facilitate the dewatering process. The Authority believes that it is close to achieving its desired goal. A side benefit to reaching this threshold point is the reduction in the use and expense of chemicals, which had risen in 2023 but is down in 2024. 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.

NORRISTOWN MUNICIPAL WASTE AUTHORITY
(A Component Unit of the Municipality of Norristown)
Management's Discussion and Analysis
December 31, 2024

As for labor costs, the Authority's Collective Bargaining Agreement (CBA) with its union employees continues to provide price stability for wages and its benefit package in 2024. A new CBA was negotiated in 2024 to cover the next three years, and it provides reasonable salary and benefit increases to help stabilize the largest expense component for the future. 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 plant 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.

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 2024, the Authority initiated two projects to improve operations at the wastewater treatment plant. In both cases, the requisite equipment was ordered in advance of construction due to the lead time associated with delivery, which is 6-8 for motors and pumps and almost a year for electrical supplies.

The first project involves flood proofing the remaining pumps, motors, and electrical panels at the treatment facility by replacing them with modern and flood resilient equipment. 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. The other capital improvement focuses on replacing and relocating 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. The cost of this undertaking will be covered by internal funds. It is anticipated that both projects will start in the third or fourth quarter of 2025 and conclude in early 2026. The Authority has sufficient funds in its Capital Account to pay for the estimated \$1.2 million project costs net of the grant.

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. 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 consultant 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. The estimated cost of the development related work will be covered by a combination of grants and internal funds.

NORRISTOWN MUNICIPAL WASTE AUTHORITY
(A Component Unit of the Municipality of Norristown)
Management's Discussion and Analysis
December 31, 2024

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, 2024 and 2023

	<u>ASSETS</u>	
	<u>2024</u>	<u>2023</u>
Current Assets		
Cash and cash equivalents	\$ 3,264,884	\$ 2,552,262
Accounts receivable, sewer, net of allowance for uncollectible	876,815	852,787
Accounts receivable, West Norristown Township	281,046	217,651
Other assets	<u>5,400</u>	<u>5,400</u>
Total Current Assets	<u>4,428,145</u>	<u>3,628,100</u>
Non-Current Assets		
Restricted Assets		
Cash and cash equivalents-debt	1,637,716	1,839,190
Cash and cash equivalents-escrows	<u>15,031</u>	<u>15,414</u>
	<u>1,652,747</u>	<u>1,854,604</u>
Capital Assets		
Construction in progress	206,656	618,677
Property and equipment, net of accumulated depreciation	<u>33,809,555</u>	<u>33,900,408</u>
	<u>34,016,211</u>	<u>34,519,085</u>
Right of Use Asset, net of accumulated amortization	<u>35,703</u>	<u>71,406</u>
Total Non-Current Assets	<u>35,704,661</u>	<u>36,445,095</u>
TOTAL ASSETS	<u>\$ 40,132,806</u>	<u>\$ 40,073,195</u>

DEFERRED OUTFLOWS OF RESOURCES

Unamortized loss on refunding	\$ 0.01	\$ 1,631
TOTAL DEFERRED OUTFLOWS	<u>\$ 0.01</u>	<u>\$ 1,631</u>

LIABILITIES

Current Liabilities		
Current portion of long term debt	\$ 8,612,316	\$ 1,174,269
Accrued expenses	135,077	242,409
Accrued vacation	12,186	12,186
Current portion of lease liability	43,625	42,522
Interest payable	<u>21,776</u>	<u>21,776</u>
Total Current Liabilities	<u>8,824,980</u>	<u>1,493,162</u>
Non-Current Liabilities		
Escrow deposits	15,033	15,414
Compensated absences	28,920	25,045
Lease liability, net of current portion	-	42,588
Bonds payable, net of current portion	<u>6,193,907</u>	<u>14,797,976</u>
Total Non-Current Liabilities	<u>6,237,860</u>	<u>14,881,023</u>
TOTAL LIABILITIES	<u>\$ 15,062,840</u>	<u>\$ 16,374,185</u>

NET POSITION

Net investment in capital assets	\$ 19,209,988	\$ 18,548,471
Restricted	1,637,716	1,839,190
Unrestricted	<u>4,222,262</u>	<u>3,312,980</u>
TOTAL NET POSITION	<u>\$ 25,069,966</u>	<u>\$ 23,700,641</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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating revenues		
Sewer retail income	\$ 5,046,543	\$ 4,903,226
Sewer wholesale income	<u>927,043</u>	<u>863,575</u>
Total operating revenues	<u>5,973,586</u>	<u>5,766,801</u>
 Operating and administrative expenses	 <u>4,631,814</u>	 <u>4,033,292</u>
 Operating income	 <u>1,341,772</u>	 <u>1,733,509</u>
Nonoperating revenues (expenses)		
Investment income	148,908	115,904
Interest expense	(652,096)	(540,773)
Amortization of bond defeasance	(1,631)	(1,631)
Tapping fees	167,974	81,200
Other income	<u>(21,657)</u>	<u>11,558</u>
Total nonoperating revenues (expenses)	<u>(358,502)</u>	<u>(333,742)</u>
 Change in net position before capital contributions	 983,270	 1,399,767
Capital reimbursements	<u>386,055</u>	<u>607,563</u>
Change in net position	<u>1,369,325</u>	<u>2,007,330</u>
Net position, beginning of year	<u>23,700,641</u>	<u>21,693,311</u>
 Net position, end of year	 <u>\$ 25,069,966</u>	 <u>\$ 23,700,641</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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash received from customers	\$ 5,022,515	\$ 4,895,564
Other operating cash receipts	863,648	858,284
Cash paid to suppliers of goods and services	(2,277,981)	(1,806,622)
Cash paid for salaries and benefits	<u>(1,204,918)</u>	<u>(1,224,712)</u>
Net cash provided by operating activities	<u>2,403,264</u>	<u>2,722,514</u>
Cash flows from investing activities:		
Interest and dividends received	148,908	115,904
Increase (decrease) in escrow deposits	<u>(381)</u>	<u>(6,472)</u>
Net cash provided by investing activities	<u>148,527</u>	<u>109,432</u>
Cash flows from non-capital financing activities:		
Nonoperating revenues received	<u>(21,657)</u>	<u>11,558</u>
Net cash provided by (used in) non-capital financing activities	<u>(21,657)</u>	<u>11,558</u>
Cash flows from capital and financing activities:		
Repayment of long-term debt	(1,166,022)	(2,053,275)
Other	(5,782)	2,678
Capital reimbursements	-	-
Acquisition and construction of capital assets	(749,498)	(2,100,927)
Tapping fees	167,974	81,200
Bond interest paid	<u>(652,096)</u>	<u>(540,773)</u>
Net cash provided by (used in) capital and financing activities	<u>(2,405,424)</u>	<u>(4,611,097)</u>
Net increase (decrease) in cash and cash equivalents	124,710	(1,767,593)
Cash and cash equivalents, beginning of year	<u>3,799,303</u>	<u>5,566,896</u>
Cash and cash equivalents, end of year	<u>\$ 3,924,013</u>	<u>\$ 3,799,303</u>
Reconciliation of net income to net cash provided by operating activities:		
Net operating income	\$ 1,341,772	\$ 1,733,509
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,252,372	990,076
Bad debt expense (recovery)	144	27,991
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable and other receivables	(87,567)	1,594
Other assets	-	15,212
Increase (decrease) in:		
Accounts payable and accrued expenses	(107,332)	(48,369)
Compensated absences	<u>3,875</u>	<u>2,501</u>
Net cash provided by operating activities	<u>\$ 2,403,264</u>	<u>\$ 2,722,514</u>
Cash and cash equivalents	\$ 3,264,884	\$ 2,552,262
Restricted cash and cash equivalents	<u>1,652,747</u>	<u>1,854,604</u>
	<u>\$ 4,917,631</u>	<u>\$ 4,406,866</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, 2024

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, 2024, 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, 2024

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: 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, 2024 is \$28,110.

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, 2024 is \$12,996.

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, 2024

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, 2023, 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, 2024

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: GASB has issued Statement No.101, *Compensated Absences*, to update the recognition, measurement, and disclosure requirements for compensated absences. This statement has been implemented for the year ending December 31, 2024 and had not material effect. 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
(Component Unit of the Municipality of Norristown)
Notes to Financial Statements
December 31, 2024

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, 2024

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, 2024, \$15,031 represents the balance of these monies held in escrow.

NOTE 4. Capital Assets

Capital asset activity for the year ended December 31, 2024 was as follows:

	Balance December 31, <u>2023</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2024</u>
Capital Assets not being depreciated				
Construction in Progress	\$ 618,677	\$ 749,498	\$ (1,161,519)	\$ 206,656
Capital Assets being depreciated				
Sewer Plant	39,216,941	1,161,519	-	40,378,460
Sewer Collection System	12,331,644	-	-	12,331,644
Equipment	207,966	-	-	207,966
Total Capital Assets being depreciated	<u>51,756,551</u>	<u>1,161,519</u>	<u>-</u>	<u>52,918,070</u>
Less Accumulated Depreciation				
Sewer Plant	14,681,792	1,067,649	-	15,749,441
Sewer Collection System	3,064,387	152,723	-	3,217,110
Equipment	109,964	32,000	-	141,964
Total Accumulated Depreciation	<u>17,856,143</u>	<u>1,252,372</u>	<u>-</u>	<u>19,108,515</u>
Capital Assets being depreciated, net	<u>33,900,408</u>	<u>(90,853)</u>	<u>-</u>	<u>33,809,555</u>
Total Capital Assets, net	<u>\$ 34,519,085</u>	<u>\$ 658,645</u>	<u>\$ (1,161,519)</u>	<u>\$ 34,016,211</u>

NORRISTOWN MUNICIPAL WASTE AUTHORITY
(Component Unit of the Municipality of Norristown)
Notes to Financial Statements
December 31, 2024

NOTE 4. Capital Assets (Continued)

	Balance			Balance
	December 31,			December 31,
	<u>2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>2024</u>
Lease Assets				
Building	\$ 181,479	\$ -	\$ -	\$ 181,479
Less Accumulated Amortization	<u>110,073</u>	<u>35,703</u>	<u>-</u>	<u>145,776</u>
Total Lease Assets, net	<u>\$ 71,406</u>	<u>\$ (35,703)</u>	<u>\$ -</u>	<u>\$ 35,703</u>

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.

NORRISTOWN MUNICIPAL WASTE AUTHORITY
(Component Unit of the Municipality of Norristown)
Notes to Financial Statements
December 31, 2024

NOTE 5. Long Term Debt (Continued)

Sewer Revenue Notes (continued)

Changes in long term-debt for 2024 are as follows:

	Balance December 31, <u>2023</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2024</u>	Amounts due within <u>one year</u>
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	\$ 997,443	\$ -	\$ 530,805	\$ 466,638	\$ 466,638
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	6,455,700	-	48,000	6,407,700	213,793
Sewer Revenue Notes 2020 due September 2025 with interest at 2.7%	<u>8,519,102</u>	<u>-</u>	<u>587,217</u>	<u>7,931,885</u>	<u>7,931,885</u>
Total notes payable	15,972,245	-	1,166,022	14,806,223	8,612,316
Compensated absences	<u>25,045</u>	<u>-</u>	<u>(3,875)</u>	<u>28,920</u>	<u>-</u>
	<u>\$ 15,997,290</u>	<u>\$ -</u>	<u>\$ 1,162,147</u>	<u>\$ 14,835,143</u>	<u>\$ 8,612,316</u>

The above bonded debt is secured by the receipts and revenues of the Authority. The Authority incurred interest costs of \$652,096 the year ended December 31, 2024. Aggregate maturities on long term debt as of December 31, 2024 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 8,612,316	\$ 544,064	\$ 9,156,380
2026	724,050	347,058	1,071,108
2027	745,106	303,632	1,048,738
2028	766,774	259,689	1,026,463
2029	789,072	212,954	1,002,026
2029-2033	<u>3,168,905</u>	<u>365,914</u>	<u>3,534,819</u>
	<u>\$ 14,806,223</u>	<u>\$ 2,033,311</u>	<u>\$ 16,839,534</u>

NORRISTOWN MUNICIPAL WASTE AUTHORITY
 (Component Unit of the Municipality of Norristown)
Notes to Financial Statements
December 31, 2024

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 \$55,284 in 2024.

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

NOTE 7. Lease

The Authority currently leases its office space for \$3,500 per month and escalates by 2.5%, on January 1st 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.

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>
2025	<u>\$ 43,625</u>	<u>\$ 501</u>	<u>\$ 44,126</u>

NOTE 8. 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.

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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Salaries and benefits	\$ 1,208,793	\$ 1,227,213
Depreciation and amortization	1,252,372	990,076
Maintenance and repairs	191,759	194,530
Professional fees	172,408	207,573
Chemicals and laboratory fees	275,102	305,022
Utilities	346,914	272,031
Sewer plant costs	828,458	508,025
Sanitary sewer costs	-	5,908
Insurance	102,256	84,737
General and administrative	253,608	210,186
Miscellaneous	144	27,991
Total Operating and Administrative Expenses	<u>\$ 4,631,814</u>	<u>\$ 4,033,292</u>