

ANNUAL
REPORT
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NORTH WALES WATER AUTHORITY

BOARD
OF
DIRECTORS

EXECUTIVE
TEAM



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ASST. SECRETARY/
TREASURER

OUR MISSION

To be a recognized community leader by creating customer solutions, adding value to our services, and maintaining competitive rates through the implementation of sound business practices. North Wales Water Authority ensures the highest product quality by protecting water resources, educating and training our workforce, and investing in new technologies, ideas and human resources.

OUR VISION

The North Wales Water Authority commits itself to providing a quality product and value-added services to the consumer. We will utilize advanced technologies, a well-trained, professional workforce and strategic alliances to become a recognized leader in meeting the needs and choices of the consumer. We will become the service provider of choice in a competitive market.

CHAIRS MESSAGE | 2017 ANNUAL REPORT

The State of Public Water

CONTRARY TO RECENT MEDIA REPORTS ABOUT WATER PROBLEMS in places like Flint, Michigan, or even in a few nearby communities struggling with water quality issues, there is plenty of proof that public water systems, such as the NWWA system, continue to provide the best option for consumers seeking a safe, clean, cost-effective, and reliable water supply.

In fact, according to a February, 2016 report by Food and Water Watch, a nationally recognized consumer advocacy organization, over the past decade communities are increasingly moving away from water privatization, most likely due to its record of expensive and unreliable service, instead opting for publicly-owned water systems.

In addition to the superior quality of water provided by public water systems, the cost of water service is an important consideration for many families. And once again, public water systems have proven to be the best option. This was most recently evidenced by a 2016 survey of rates being charged by hundreds of water systems across the country. The survey reported that the for-profit, privately-owned water systems charge an astounding 59 percent more than comparably sized and publicly-owned systems!

There are other good reasons for the trend towards increased public ownership. One reason is that local ownership and operation of public water systems allows critical decisions impacting water quality to be made most quickly - unlike "for-profit" corporate ownership, typically managed by anonymous faces in faraway places.

In addition, public ownership ensures that your water supply is managed by the same people who live in the community being served. This means that their families are drinking and using the same water that is delivered to their neighbors. Public ownership clearly provides the most responsive management, and it ensures that the people making operational decisions have every reason to ensure that we always provide only safe and clean water for their families, and to all of their neighbors.

You may rest assured that the water we deliver to your home or business is always of the highest quality, safe to drink, and provided at the most efficient and cost effective basis possible – by local people.

It is the intent of our Board and staff to always continue in providing excellent service to all customers.

Sincerely,

North Wales Water Authority
Board of Directors

Joan H. Nagel, Esq.
Chair

ADDITIONAL
INFORMATION ABOUT
OUR WATER IS ALWAYS
AVAILABLE ON OUR
WEBSITE AT
WWW.NWWATER.COM

The Power of Public Ownership

SINCE 1951 NORTH WALES WATER AUTHORITY has operated as a municipal, or community-owned, water authority. Community-owned utilities came about when private businesses became unable or willing to provide the water, wastewater, electric and gas needs for their communities. Publicly-owned utilities represent the long-held American ideal of local people coming together to meet local needs and their benefits are many.



COMMUNITY OWNERSHIP

NWWA exists to provide water service to our customers in our dedicated service area. We report only to these municipalities and not to “shareholders,” who may or may not be concerned about the quality and price of the water we provide.

LOCAL REGULATION

The rates and regulations of municipal authorities are set by their locally-appointed governing boards. The members of the NWWA Board of Directors are local residents who are also customers of the Authority, and are thoroughly familiar with our services and operations.

LOCAL PRESENCE

Because we are local, we are readily available to all we serve. There is no need to contact a state agency or a remote corporate headquarters when questions and concerns arise. A problem can be directly addressed by a simple phone call or visit with one of our employees, who are also local residents.

RELIABILITY

Our customers benefit from quick and effective responses to emergencies and outages since we are located in the local community.

DOLLARS KEPT LOCALLY

Community ownership means utility dollars stay in the community, creating jobs and supporting the local economy. We serve as an engine of economic development. A plentiful, high-quality water supply is essential to attracting business development and residential expansion in a community. Municipal authorities also have access to tax-exempt financing for capital improvement projects. Finally, our rates are highly competitive with those of other water utilities. Lower rates for our customers means more dollars are available to spend on goods and services, thereby boosting the local economy.

Focused On Our Mission

We continually strive to be an industry leader through the investment in new technologies and ideas, implementation of strategic partnerships, and development of our workforce. We made strides in many departments in 2017.

CUSTOMER SERVICE

Our Customer Service Department implemented several initiatives targeted at improving internal efficiencies, customer experiences and money savings for the Authority. We no longer process customer bills internally. Outsourcing this activity has resulted in cash savings since we have eliminated equipment lease payments necessary to do the in-house printing. Postage savings have also been realized as a result of outsourcing bill mailings. Customer service staff that used to be tied-up on these processes has been freed up for other customer-focused activities.

Customer payment processing was also improved in 2017. Instead of manually processing bill payments in our office as they are received in the mail, NWWA implemented central payment processing with our bank. This allows for payments to be logged into our accounts in a more timely and accurate fashion, minimizing the chances for human error.

A new customer billing system was selected to replace our outdated, legacy system. Implementation will begin in 2018 and will provide a much more robust solution, not only in terms of customer access to account information, but internally in terms of complete system-wide data integration.

Finally, the Customer Service team was reorganized with the goal of focusing on efficiently meeting customer needs, rather than focusing on internal processes. The position of Customer Service/Operations Liaison was created and staffed with someone able to handle technical, operations-related calls as well as general customer questions. This person is also able to easily identify where to transfer complex customer calls. A Customer Service Team Lead position was also created as back up for the Customer Service Manager and to provide support in resolving complex customer issues.

“

... **exceeded**
all state and
federal Safe
Drinking Water
Act requirements
with no violations
from our water
monitoring.

”

WATER QUALITY

2017 was the 22ND consecutive year the Authority exceeded all state and federal Safe Drinking Water Act requirements with no violations from our water monitoring.

The position of Assistant Water Quality Manager was created as part of the Authority's Succession Planning Program. Because this department has traditionally been staffed by only one person, this new position allows for continuity and back up for the Water Quality Manager.

To further enhance water quality, the water treatment process was changed for the wells serving customers in the Olde Colonial Greene development.

Plans were developed for an expansion of the Forest Park Water Treatment Facility. Additional higher-efficiency membranes will be added to the advanced microfiltration stage of the treatment process. This will allow for an increase in water capacity from the plant with only a small increase in its footprint.

OPERATIONS

The Authority's annual infrastructure maintenance program is a massive one and includes all of our assets, such as water pipelines, water storage tanks, groundwater wells, pumping stations, pipeline valves, water service lines, meters, hydrants, vehicles and well houses. Each year we budget approximately \$2,000,000 for this critical part of our business.

In the case of water main replacements, we partner with communities we serve and state agencies whenever possible to minimize disruptions to residents and traffic. In 2017 we partnered with the State of Pennsylvania when doing water pipeline work on projects on the 202 Parkway, Route 309 and County Line Road. In

addition, we coordinated with Upper Dublin Township to replace aging water mains at the same time they replaced three bridges. The Authority used directional drilling technology for the first time with these replacements. This type of installation results in limited traffic and landscape disruption and makes a project less vulnerable to weather-related interruptions.

Ground storage tanks in Blue Bell and Fort Washington were repainted. Water tank repainting is necessary to maintain water quality and prolong the life of the tank. These repainted tanks will not require this type of maintenance for another 20 years.

For a summary of other water system installation and maintenance work completed in 2017, please refer to the Service Statistics page at the end of this report.

INFORMATION TECHNOLOGY

Enhancing overall computer network security was the Information Technology Department's top priority in 2017. This is an on-going effort, which continually monitors and looks to identify any vulnerabilities in our computing systems.

In addition, to accommodate the demands of new software installations, such as the previously referenced new customer service billing software, servers and related hardware were upgraded.

In collaboration with our Human Resources Department, an electronic learning management system was implemented. In addition to offering online coursework, this new software tracks all employee training to ensure compliance with requirements for maintaining licenses and certificates.



Financial Statements

STATEMENT OF NET POSITION | OCTOBER 31, 2017

ASSETS

CURRENT ASSETS	
Cash and cash equivalents – unrestricted	\$3,402,280
Cash and cash equivalents – restricted	7,330,265
Accounts receivable	
Billed water and sewer charges	997,713
Unbilled water and sewer charges	1,842,758
Other	517,982
Inventory	601,939
Prepaid insurance and other expenses	87,190
TOTAL CURRENT ASSETS	14,780,127
RESTRICTED ASSETS	
Investments – restricted – market value	42,298,693
Interest receivable – restricted	103,500
TOTAL RESTRICTED ASSETS	42,402,193
INVESTMENT IN FOREST PARK PROJECT, NET	
Forest Park Water	65,761,764
Point Pleasant pumping station	14,168,031
PECO energy contract	2,889,573
Total Investment in Forest Park Project	82,819,368
Less accumulated depreciation	(44,441,598)
NET INVESTMENT IN FOREST PARK PROJECT	38,377,770
CAPITAL ASSETS, NET	
Property, plant and equipment	162,509,700
Less accumulated depreciation	(51,140,073)
Net capital assets	111,369,627
TOTAL ASSETS	206,929,717
DEFERRED OUTFLOWS OF RESOURCES	
Unamortized deferred charge on bond refunding	1,831,222

LIABILITIES

CURRENT LIABILITIES	
Accounts payable and FPW requisition payable	\$1,564,276
Current maturities of bonds payable	10,875,000
Current maturities of debt service FDA	49,890
Accrued compensated absences	168,123
Accrued interest payable on bonds	1,008,461
Developer, consumers, and other deposits	634,020
Unearned service connection fees	168,766
TOTAL CURRENT LIABILITIES	14,468,536
LONG-TERM LIABILITIES	
Debt service FDA – net of current maturities	111,901
Bonds payable – net of current maturities	43,756,751
Unamortized bond premium, net	1,602,594
Total long-term liabilities	45,471,246
TOTAL LIABILITIES	59,939,782
NET POSITION	
Net investment in capital assets	95,115,646
Restricted for capital activity and debt service	49,732,458
Unrestricted	3,973,053
TOTAL NET POSITION	\$148,821,157

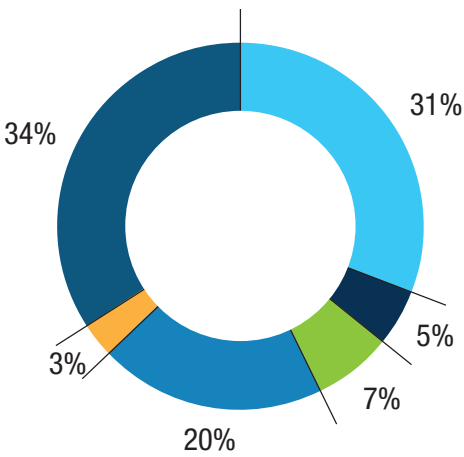
STATEMENT OF ACTIVITIES | YEAR ENDED OCTOBER 31, 2017

OPERATING REVENUES	
Metered sales	\$14,919,798
Unmetered sales	644,325
Other operating revenues	7,949,718
TOTAL OPERATING REVENUES	23,513,841
OPERATING EXPENSES	
General operations	624,525
Water collection system	7,429,648
Pumping system	371,420
Distribution system	961,631
Vehicles and equipment	183,712
Facilities maintenance	254,330
Metering, billing, and customer service	715,602
PA one call	115,969
Water quality	242,149
Wastewater collection and treatment	412,072
General and administrative	3,542,372
TOTAL OPERATING EXPENSES, before depreciation and amortization expense	14,853,430

OPERATING INCOME, before depreciation and amortization expense	8,660,411
DEPRECIATION AND AMORTIZATION EXPENSE	
North Wales Water Authority	2,810,119
Forest Park Water	1,354,536
Point Pleasant pumping station – PECO energy contract	1,041,812
TOTAL DEPRECIATION AND AMORTIZATION EXPENSE	5,206,467
OPERATING INCOME	3,453,944
NON-OPERATING REVENUES (EXPENSES)	
Interest income	263,083
Rental income	501,630
Unrealized loss on investments	(217,228)
Loss on disposal of capital assets	(15,614)
Interest expense on revenue bonds	(1,801,831)
TOTAL NON-OPERATING INCOME (EXPENSES)	(1,269,960)
CAPITAL GRANTS AND CONTRIBUTIONS	332,175
CHANGE IN NET POSITION	2,516,159
Net Position – November 1, 2016	146,304,998
Net Position – October 31, 2017	\$148,821,157

2016/2017 ACTUAL SALES

- Domestic
- Commercial
- Industrial / Public
- Utility
- Unmetered
- Other Operating Revenue



STATEMENT OF CASH FLOWS |
YEAR ENDED OCTOBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$38,291,265	
Cash paid to suppliers for goods and services	(10,603,574)	
Cash paid to employees for services and related expenses	(3,591,885)	
NET CASH PROVIDED BY OPERATING ACTIVITIES	24,095,806	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from rental of capital assets	501,630	
Proceeds from Water and Sewer Revenue Bonds, sSeries 2017	3,620,384	
Capital grants and contributions	332,175	
Debt principal reduction	(4,720,000)	
Interest paid on revenue bonds	(1,801,831)	
Additions to investment in Forest Park Project	(795,775)	
Repayment of note payable	(76,819)	
Acquisition and construction of capital assets	(4,538,080)	
NET CASH (USED) IN CAPITAL AND RELATED FINANCING ACTIVITIES	(7,478,316)	

CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	263,083
Purchase of investments	(158,029,385)
Proceeds from sales and maturities of investments	144,171,644
NET CASH PROVIDED BY INVESTING ACTIVITIES	(13,594,658)

NET INCREASE IN CASH AND CASH EQUIVALENTS	3,022,832
Cash and cash equivalents – November 1, 2016	7,709,713
Cash and cash equivalents – October 31, 2017	\$10,732,545

RECONCILIATION OF OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION EXPENSE TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income, before depreciation and amortization expense	\$8,660,411
Adjustments to reconcile operating income, before depreciation and amortization expense, to net cash provided by operating activities	
(Increase) decrease in	
Accounts receivable	14,777,424
Accrued interest receivable	(55,745)
Inventory	40,897
Prepaid insurance and other expenses	195,093
Increase (decrease) in	
Accounts payable and FPW requisition payable	348,566
Developer, consumers and other deposits	196,807
Accrued interest payable on bonds	(75,445)
Accrued compensated absences	6,955
Unearned service connection fees	843
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$24,095,806

Service Statistics

INCLUDES ALL SYSTEMS

Water Main Installations and Replacements for 2017

The Authority maintains over 2.3 million feet of water main in the system, that’s over **437 miles of pipe**.
Water main in the water system varies in the size from **4** inches to **42** inches.

In 2017 the Authority installed a total of **2320** feet and replaced a total of **2138** feet.

	NEW WATER MAIN INSTALLATION	WATER MAIN REPLACEMENTS
4 inch	680 feet	20 feet
6 inch	220 feet	58 feet
8 inch	1420 feet	1900 feet
12 inch		160 feet
10 inch		

New and Replaced Services, Meters and Fire Hydrants	
New Services Installed:	53
Renewed Services:	25
New Meters Installed:	232
New Fire Hydrants Installed:	2
Replaced Fire Hydrants:	23

Total Domestic Meters in the System	
Residential	24,175
Commercial	1305
Industrial	345
Other	237

Water Produced in Gallons	
Gallons Pumped	4,791,138,643
Gallons Accounted For	4,282,860,906
Unmetered Water	1.4 MGD
Average Daily Demand	13.13 MGD

The NWWA service area encompasses approximately 50 square miles. We provide water to customers in the Borough of North Wales, Doylestown, Horsham, Lower Gwynedd, Montgomery, New Britain, Upper Dublin, Upper Gwynedd, Warminster, Warrington, Warwick and Whitpain Townships.

FOR MORE INFORMATION CONTACT :



North Wales Water Authority
200 West Walnut Street
P.O. Box 1339
North Wales, PA 19454-0339

215-699-4836
wizard@nwwater.com
www.nwwater.com

