

EAST NORRITON TOWNSHIP
ANNUAL FINANCIAL REPORT
Year Ended December 31, 2013



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

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EAST NORRITON TOWNSHIP
2501 Stanbridge Street
East Norriton, PA 19401-1616

To the Citizens of East Norriton Township:

State law requires that all general-purpose local governments publish a complete set of financial statements. Pursuant to that requirement, we hereby issue the annual financial report of East Norriton Township for the year ended December 31, 2013.

This report consists of management's representations concerning the finances of East Norriton Township. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of East Norriton Township has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of East Norriton Township's financial statements. Because the cost of internal controls should not outweigh their benefits, East Norriton Township's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

East Norriton Township's financial statements have been audited by Maillie LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of East Norriton Township for the year ended December 31, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that East Norriton Township's financial statements for the year ended December 31, 2013, are fairly presented in conformity with accounting principles generally accepted in the United States of America (GAAP). The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. East Norriton Township's MD&A can be found immediately following the report of the independent auditors.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which East Norriton Township operates.

To the Citizens of East Norriton Township

Acknowledgments

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Board of Supervisors for their unfailing support for maintaining the highest standards of professionalism in the management of East Norriton Township's finances.

Respectfully submitted,

Donald D. Delamater
Township Manager

Eric Traub
Finance Director

(Date)

(Date)

FINANCIAL SECTION

Independent Auditors' Report

To the Board of Supervisors
East Norriton Township
East Norriton, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of East Norriton Township as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise East Norriton Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

East Norriton Township's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Board of Supervisors
East Norriton Township
East Norriton, Pennsylvania

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of East Norriton Township as of December 31, 2013, 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 (GAAP).

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 7 through 15, budgetary comparison information on page 48, pension plan funding progress on pages 49 and 50, postemployment benefits other than pension funding progress on page 51 and trend data on infrastructure condition on page 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Information

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Maullie LLP

Oaks, Pennsylvania
March 11, 2014

EAST NORRITON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2013

This section of East Norriton Township's annual financial report presents its discussion and analysis of the Township's financial performance during the fiscal year ended December 31, 2013. Please read it in conjunction with the Township's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

East Norriton Township had positive financial results in 2013. The Township receives the majority of its operating revenues from Act 511 Taxes (Earned Income, Business Privilege, Local Services, and Real Estate Transfer Taxes) and Real Estate Taxes. Both Earned Income Taxes and Local Services Taxes had very strong performance in 2013 totaling over \$2.6 million, and \$400,000 respectively. The revenues exceeded projections by over \$685,000; although a portion of the 2013 collections were delayed payments from 2012 that will not recur. Real Estate Transfer Taxes doubled the budgeted projection, due to an unexpected number of commercial transactions that took place in 2013. Business Privilege Taxes were down slightly versus budgeted projections.

The Township continued to have a strong Real Estate Tax collection rate in excess of 98% in 2013. The Township collected nearly \$1.75 million in General Fund Real Estate Taxes and over \$2.7 million across all funds. In addition, the Township continued to collect a higher amount of Delinquent Real Estate Taxes since a new firm took over that responsibility in 2012. While the local economy has been improving, the Township did opt to defer capital expenditures in 2013 so that money could be transferred from the Capital Reserve Fund to the General Fund in order to balance the 2013 budget.

The Township consistently receives a significant amount of revenues each year in the form of Pennsylvania State grants. These annual revenues are Liquid Fuels Grant, Pension State Aid Grant, Recycling Performance Grant and the Fireman's Relief Fund Grant. Also in 2013, the Township continued to receive funding from the School Resource Officer Grant program and reached an agreement with the Norristown Area School District to share the program costs moving forward.

Under the regulations of Act 209, the Township continues to receive funds from the Traffic Impact Fees which are assessed to new developments in the Township. These funds are used to upgrade/improve the various intersections and roadways throughout the Township to accommodate the increasing volume of traffic which these new developments generate. Under the Township's Subdivision and Land Development Code, a Parks and Recreation Fee is required from developers. When a property goes through the development process, the developer is required to provide to the Township 10% of usable land for Parks and Recreation purposes. If the developer is not able to provide the land or the Township is agreeable to a fee in lieu of land, the Code requires that 10% of the raw value of the entire property be funded to the Township. These funds may only be used for Parks and Recreation capital purposes. Some projects in 2013 that utilized these funds include upgrades to Stanbridge Street Park, DeSage Park, and Barrington Park.

Also under the Township's Subdivision and Land Development Code, a Sanitary Sewer Connection Fee is required for all new connections to the Township's public sanitary sewer system. These funds are authorized by State legislation and may only be used for capital improvements to the sanitary sewer system. In order to maximize the value of these fees, the Township occasionally negotiates the payment of these fees in lieu of developers performing sanitary sewer projects for the Township.

EAST NORRITON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2013

The Township monitors its expenses closely throughout the year and aims to keep expenditures below budgeted levels if at all possible. In 2013 the Township kept General Fund expenses nearly \$450,000, or 5.9% below, what was budgeted. Similarly, Other Governmental Funds actual expenditures were over \$137,000 below budgeted levels and Capital Project Funds actual expenditures were \$36,000 below the final budgeted amounts.

East Norriton continues to provide health insurance coverage to our full-time employees through the Delaware Valley Health Insurance Trust (DVHIT). Township employees have a choice of coverage, which include an HMO or two different PPO health insurance plans. All employees who choose to be covered under the lower deductible PPO plan must pay the difference between the HMO and the lower deductible PPO premium rates. This is estimated to have saved the Township about \$202,000 in 2013. Also, the Township continued its program to reimburse in lieu of an employee and family being covered under the Township's health and dental insurance coverage. In 2013, the Township saved over \$166,000 (reimbursement costs vs. potential insurance premium costs).

East Norriton Township provided all non-uniformed employees with a 2.5% wage increase in 2013. As part of the police contract, all sworn police personnel also received a 2.5% increase in 2013. The police employee contributions to the Police Pension Plan were 5%, and the non-uniformed employees' contributions to the Employee Pension Plan were also 5%.

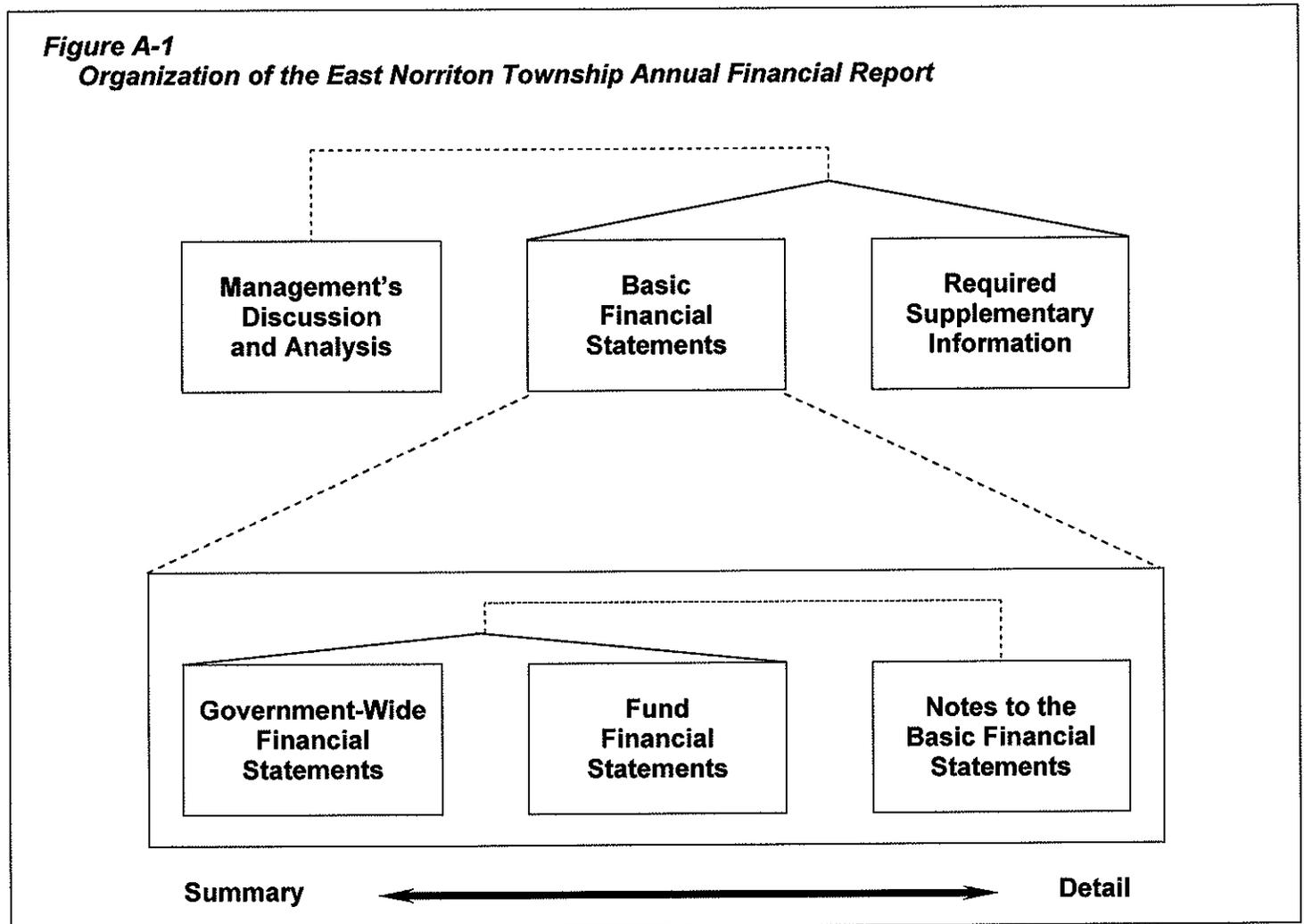
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township, reporting the Township's operations in more detail than the government-wide statements.
- The Governmental Funds statements tell how basic services, such as public safety and highways and streets, were financed in the short term as well as what remains for future spending.
- Proprietary Fund statements offer short- and long-term financial information about the activities the Township operates like businesses, such as sewer operations.
- Fiduciary Funds statements provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others.

EAST NORRITON TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2013

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Township's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



EAST NORRITON TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2013

Figure A-2 summarizes the major features of the Township's financial statements, including the portion of the Township's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2				
Major Features of the Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire Township (except Fiduciary Funds)	The activities of the Township that are not proprietary or fiduciary	Activities the Township operates similar to private businesses: Sewer Revenue Account	Instances in which the Township administers resources on behalf of someone else, such as pension plans
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

EAST NORRITON TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2013

Government-Wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net position and how it has changed. Net position--the difference between the Township's assets and liabilities--is one way to measure the Township's financial health or position.

- Over time, increases or decreases in the Township's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Township's overall health, you need to consider additional nonfinancial factors, such as changes in the Township's property tax base and the condition of highways and other infrastructures.

In the government-wide financial statements, the Township's activities are divided into two categories:

- **Governmental Activities:** Most of the Township's basic services are included here, such as general government, public safety and public services.
- **Business-Type Activities:** The Township charges fees to help it cover the costs of certain services it provides. The Township's Sewer Revenue Fund is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's funds, focusing on its most significant or "major" funds--not the Township as a whole. Funds are accounting devices the Township uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The Township establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The Township has three kinds of funds:

- **Governmental Funds:** Most of the Township's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the Governmental Funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information explains the relationship (or differences) between them.

EAST NORRITON TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2013

- **Proprietary Fund:** Services for which the Township charges a fee are generally reported in the Proprietary Fund. The Proprietary Fund is reported in the same way as the government-wide statements. The Township's Enterprise Fund (one type of Proprietary Fund) is the same as its business-type activities but provides more detail and additional information, such as cash flows.
- **Fiduciary Funds:** The Township is the trustee, or fiduciary, for assets that belong to others, such as the pension plans. The Township is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Township excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Over the past several years, the Township's assessed valuation has increased slightly annually. The increases in assessed valuation have helped keep Real Estate Tax revenues relatively stable. In addition, the Township achieved a Real Estate Tax collection rate in excess of 98% of its tax levy in 2013.

Figure A-3
Condensed Statements of Net Position (In Thousands of Dollars)

	Governmental Activities		Business-Type Activities		Total Township		Total Percentage Change
	2012	2013	2012	2013	2012	2013	2012 - 2013
Current and other assets	\$ 3,865	\$ 4,544	\$ 1,574	\$ 2,278	\$ 5,439	\$ 6,822	25.43%
Capital assets, net	10,616	10,409	1,694	1,692	12,310	12,101	-1.70%
TOTAL ASSETS	14,481	14,953	3,268	3,970	17,749	18,923	6.61%
Deferred charge on refunding	35	26	-	-	35	26	-25.71%
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	14,516	14,979	3,268	3,970	17,784	18,949	6.55%
Long-term debt outstanding	4,169	3,636	54	-	4,223	3,636	-13.90%
Other liabilities	468	368	49	7	517	375	-27.47%
TOTAL LIABILITIES	4,637	4,004	103	7	4,740	4,011	-15.38%
Net position							
Net investment in capital assets	6,555	6,974	1,640	1,692	8,195	8,666	5.75%
Restricted	800	1,170	-	-	800	1,170	46.25%
Unrestricted	2,524	2,831	1,525	2,271	4,049	5,102	26.01%
TOTAL NET POSITION	\$ 9,879	\$ 10,975	\$ 3,165	\$ 3,963	\$ 13,044	\$ 14,938	14.52%

EAST NORRITON TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2013

Figure A-4
Changes in Net Position from Operating Results (In Thousands of Dollars)

	Governmental Activities		Business-Type Activities		Total Township		Total Percentage Change 2012 - 2013
	2012	2013	2012	2013	2012	2013	
REVENUES							
Program revenues							
Charges for services	\$ 82	\$ 46	\$ 2,804	\$ 3,660	\$ 2,886	\$ 3,706	28.41%
Operating grants and contributions	298	428	-	-	298	428	43.62%
General revenues							
Taxes	6,100	7,007	-	-	6,100	7,007	14.87%
Other	1,602	1,847	6	13	1,608	1,860	15.67%
TOTAL REVENUES	<u>8,082</u>	<u>9,328</u>	<u>2,810</u>	<u>3,673</u>	<u>10,892</u>	<u>13,001</u>	19.36%
EXPENSES							
General government	1,325	1,255	-	-	1,325	1,255	-5.28%
Public safety	3,753	3,667	-	-	3,753	3,667	-2.29%
Highways and streets	1,047	1,072	-	-	1,047	1,072	2.39%
Culture and recreation	560	564	-	-	560	564	0.71%
Miscellaneous	2,037	2,387	-	-	2,037	2,387	17.18%
Interest expense	170	114	2	-	172	114	-33.72%
Depreciation	-	-	131	-	131	-	-100.00%
Operating expenses	-	-	2,669	2,049	2,669	2,049	-23.23%
Transfers	(769)	(827)	769	827	-	-	0.00%
	<u>8,123</u>	<u>8,232</u>	<u>3,571</u>	<u>2,876</u>	<u>11,694</u>	<u>11,108</u>	-5.01%
CHANGE IN NET POSITION	<u>\$ (41)</u>	<u>\$ 1,096</u>	<u>\$ (761)</u>	<u>\$ 797</u>	<u>\$ (802)</u>	<u>\$ 1,893</u>	-336.03%

Business-Type Activities

East Norriton Township continues to be the owner and operator of the sanitary sewer collection system. In 2010, the Township negotiated a Consent Order and Agreement with the Pennsylvania Department of Environmental Protection (PADEP). This agreement specified the methodology the Township will employ to repair the Germantown Pike force main and established milestone dates to complete the project. The Township completed the Germantown Pike force main project in 2013.

The Township also has an ongoing I&I program. The Township has been and will continue to inspect sewer laterals whenever a house is sold in the Township. The Township has also begun inspecting and televising the private sewer laterals for residential properties in other areas of the Township.

East Norriton Township continued its Road Improvement Program utilizing Liquid Fuels Grant revenues. In 2013, the Township resurfaced portions of Nottingham Road, Burnside Avenue, North Wales Road, and Keenwood Road. The Road Improvement Program will continue in the future, utilizing the annual Liquid Fuels funds from the Commonwealth of Pennsylvania. The recent passage of Pennsylvania Act 89 of 2013 is expected to generate additional Liquid Fuels funds the Township will use to invest in its infrastructure.

EAST NORRITON TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2013

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

At the completion of each calendar year, an audit is performed on the financial statements of the Township to provide reasonable assurance that the financial statements do not contain any material misstatements. East Norriton Township provides the appropriate funding within the annual budget for various projects. The Board of Supervisors, which is the legislative body of local government, approved the 2013 Budget on December 11, 2012. The Board of Supervisors reviewed the revenues and expenditures throughout the year and approved the Township's Statements of Expenditures and the Treasurer's Report at each monthly public meeting.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

East Norriton Township continued its Road Improvement Program utilizing Liquid Fuels Grant revenues.

Figure A-5
Capital Assets (Net of Depreciation, In Thousands of Dollars)

	Governmental Activities		Business-Type Activities		Total Township		Total Percentage Change
	2012	2013	2012	2013	2012	2013	2012 - 2013
Infrastructure	\$ 4,922	\$ 4,922	\$ -	\$ -	\$ 4,922	\$ 4,922	0.00%
Land and improvements	6,595	6,624	-	-	6,595	6,624	0.44%
Buildings and building improvements	2,436	2,436	206	206	2,642	2,642	0.00%
Equipment and machinery	2,323	2,456	7,995	8,082	10,318	10,538	2.13%
Automobiles and trucks	1,874	1,900	172	172	2,046	2,072	1.27%
Accumulated depreciation	(7,534)	(7,929)	(6,679)	(6,768)	(14,213)	(14,697)	-3.41%
TOTAL	\$ 10,616	\$ 10,409	\$ 1,694	\$ 1,692	\$ 12,310	\$ 12,101	-1.70%

Long-Term Debt

Real Estate Tax and sewer utility billing revenues are utilized for repayment of long-term debt. In 2010, East Norriton Township refinanced its 2004 Bond Issue and experienced a one-time savings in 2010 of about \$100,000. In addition to refinancing, the Township also added about \$1,000,000 of additional debt for funding the Germantown Pike force main project.

In 2005, the East Norriton-Plymouth-Whitpain Joint Sewer Authority issued an approximately \$15 million dollar bond issue for the upgrade and capital improvements of the Authority's treatment system. In 2013, the Joint Sewer Authority issued another \$23 million dollar bond issue for necessary capital upgrades to comply with environmental regulations and to restructure the 2005 debt. East Norriton Township is obligated to fund 1/3 of the annual bond payments to the Joint Sewer Authority, which is about \$470,000 annually.

EAST NORRITON TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2013

Figure A-6
Outstanding Long-Term Debt (In Thousands of Dollars)

	Total Township		Total
	2012	2013	Percentage Change 2012 - 2013
General obligation bonds/notes	\$ 3,558	\$ 3,025	-14.98%
Sewer revenue notes	54	-	-100.00%
Net OPEB obligation	20	118	490.00%
Capital leases	457	369	-19.26%
Compensated absences	88	83	-5.68%
	<u>\$ 4,177</u>	<u>\$ 3,595</u>	-13.93%

FACTORS BEARING ON THE TOWNSHIP'S FUTURE

As noted earlier, the Township relies mainly on the revenues generated by Act 511 and Real Estate Taxes to fund its general operations. While the local economy has shown signs of improvement, the growth of the Township's tax base has lagged behind fast rising expenditures such as pension and health care costs. The health and growth of the local economy and tax base moving forward will play a significant role in the future financial condition of the Township.

Also, in 2013, the Township continued to incur significant legal expenses as it defends a challenge from an entity that wants to install and operate large electronic billboards throughout the Township. At this time it is unknown how long or costly this litigation will be in future years, but the Township spent over \$222,000 over the past three years, based on the experience of other jurisdictions facing similar legal challenges, the Township is budgeting another \$75,000 in 2014 to fund these legal costs.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Township's citizens, taxpayers, customers and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department at 2501 Stanbridge Street, East Norriton, PA 19401-1616.

EAST NORRITON TOWNSHIP**STATEMENT OF NET POSITION***December 31, 2013*

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Cash and cash equivalents	\$ 3,318,025	\$ 759,002	\$ 4,077,027
Accounts receivable	2,472	1,537,659	1,540,131
Internal balances	18,442	(18,442)	-
Taxes receivable	35,773	-	35,773
Restricted assets	1,170,120	-	1,170,120
Capital assets			
Infrastructure (highways)	4,921,823	-	4,921,823
Land and improvements	6,623,762	-	6,623,762
Buildings and building improvements	2,435,703	205,826	2,641,529
Equipment and machinery	2,455,887	8,081,935	10,537,822
Automobiles and trucks	1,900,039	171,747	2,071,786
Accumulated depreciation	<u>(7,928,571)</u>	<u>(6,767,939)</u>	<u>(14,696,510)</u>
TOTAL ASSETS	14,953,475	3,969,788	18,923,263
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	<u>26,348</u>	<u>-</u>	<u>26,348</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 14,979,823</u>	<u>\$ 3,969,788</u>	<u>\$ 18,949,611</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Due to Joint Authority	\$ -	\$ 2,337	\$ 2,337
Accounts payable	36,426	-	36,426
Payroll and withholding taxes payable	116,662	5,041	121,703
Escrow deposits	215,104	-	215,104
Long-term obligations			
Portion due or payable within one year			
Bonds/notes payable	555,000	-	555,000
Capital leases	92,518	-	92,518
Portion due or payable after one year			
Bonds/notes payable	2,510,588	-	2,510,588
Capital leases	276,783	-	276,783
Compensated absences	83,193	-	83,193
Net OPEB obligation	118,206	-	118,206
TOTAL LIABILITIES	<u>4,004,480</u>	<u>7,378</u>	<u>4,011,858</u>
NET POSITION			
Net investment in capital assets	6,973,754	1,691,569	8,665,323
Restricted	1,170,120	-	1,170,120
Unrestricted	2,831,469	2,270,841	5,102,310
TOTAL NET POSITION	<u>10,975,343</u>	<u>3,962,410</u>	<u>14,937,753</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 14,979,823</u>	<u>\$ 3,969,788</u>	<u>\$ 18,949,611</u>

See accompanying notes to the basic financial statements.

EAST NORRITON TOWNSHIP**STATEMENT OF ACTIVITIES***Year Ended December 31, 2013*

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
GOVERNMENTAL ACTIVITIES			
General government	\$ 1,255,365	\$ 30,576	\$ 425,987
Public safety	3,666,762	15,489	-
Highways and streets	1,072,125	-	-
Culture and recreation	563,617	-	-
Payroll taxes, employee benefits, insurance and other	2,387,450	-	-
Interest on long-term debt	113,897	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>9,059,216</u>	<u>46,065</u>	<u>425,987</u>
BUSINESS-TYPE ACTIVITIES			
Sewer Revenue Account	<u>2,049,302</u>	<u>3,660,928</u>	<u>-</u>
TOTAL TOWNSHIP ACTIVITIES	<u>\$ 11,108,518</u>	<u>\$ 3,706,993</u>	<u>\$ 425,987</u>

GENERAL REVENUES

Property taxes, levied for general purposes

Other taxes

Investment earnings

Interest on long-term debt

Gain (loss) on disposal of capital assets

Miscellaneous

TRANSFERS**TOTAL GENERAL REVENUES AND TRANSFERS****CHANGE IN NET POSITION****NET POSITION AT BEGINNING OF YEAR****NET POSITION AT END OF YEAR***See accompanying notes to the basic financial statements.*

Net (Expense) Revenue and Changes in Net Position

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Totals</u>
\$ (798,802)	\$ -	\$ (798,802)
(3,651,273)	-	(3,651,273)
(1,072,125)	-	(1,072,125)
(563,617)	-	(563,617)
(2,387,450)	-	(2,387,450)
(113,897)	-	(113,897)
<u>(8,587,164)</u>	<u>-</u>	<u>(8,587,164)</u>
<u>-</u>	<u>1,611,626</u>	<u>1,611,626</u>
<u>(8,587,164)</u>	<u>1,611,626</u>	<u>(6,975,538)</u>
2,721,838	-	2,721,838
4,285,288	-	4,285,288
4,640	6,930	11,570
-	(444)	(444)
(2,143)	6,550	4,407
1,846,735	-	1,846,735
827,176	(827,176)	-
<u>9,683,534</u>	<u>(814,140)</u>	<u>8,869,394</u>
1,096,370	797,486	1,893,856
<u>9,878,973</u>	<u>3,164,924</u>	<u>13,043,897</u>
<u>\$ 10,975,343</u>	<u>\$ 3,962,410</u>	<u>\$ 14,937,753</u>

EAST NORRITON TOWNSHIP

BALANCE SHEET GOVERNMENTAL FUNDS

December 31, 2013

	General Fund	Debt Service Fund	Capital Project Funds	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,573,183	\$ -	\$ 146,815	\$ 598,027	\$ 3,318,025
Accounts receivable	1,122	-	1,350	-	2,472
Due from other funds	37,141	-	-	-	37,141
Taxes receivable	30,621	-	1,867	3,285	35,773
Restricted cash	189,380	-	980,740	-	1,170,120
TOTAL ASSETS	\$ 2,831,447	\$ -	\$ 1,130,772	\$ 601,312	\$ 4,563,531
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)					
LIABILITIES					
Accounts payable	\$ -	\$ 34,000	\$ 107	\$ 2,319	\$ 36,426
Due to other funds	-	-	1,575	17,124	18,699
Payroll and withholding taxes payable	112,035	-	-	4,627	116,662
Escrow deposits	215,104	-	-	-	215,104
TOTAL LIABILITIES	327,139	34,000	1,682	24,070	386,891
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue, property taxes	84,614	-	-	-	84,614
FUND BALANCES (DEFICIT)					
Restricted for					
Norris City Cemetery	9,874	-	-	-	9,874
Street lights	-	-	-	24,114	24,114
Fire protection	-	-	-	159,798	159,798
Parks and recreation	-	-	-	133,713	133,713
Liquid fuels	-	-	-	147,513	147,513
Parks and recreation capital	-	-	-	112,104	112,104
Committed for subsequent year's budget	900,000	-	-	-	900,000
Assigned for capital projects	-	-	1,129,090	-	1,129,090
Unassigned	1,509,820	(34,000)	-	-	1,475,820
TOTAL FUND BALANCES (DEFICIT)	2,419,694	(34,000)	1,129,090	577,242	4,092,026
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)	\$ 2,831,447	\$ -	\$ 1,130,772	\$ 601,312	\$ 4,563,531

See accompanying notes to the basic financial statements.

EAST NORRITON TOWNSHIP

**RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES**

December 31, 2013

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 4,092,026

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Infrastructure (highways)	4,921,823
Land and improvements	6,623,762
Buildings and building improvements	2,435,703
Equipment and machinery	2,455,887
Automobiles and trucks	1,900,039
Accumulated depreciation	<u>(7,928,571)</u>
TOTAL CAPITAL ASSETS	<u>10,408,643</u>

Some of the Township's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds.

84,614

Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net position. Balances at December 31, 2013, are:

Bonds/notes payable	(3,025,000)
Deferred charge on refunding	26,348
Bond issuance premium	(40,588)
Capital leases	(369,301)
Net OPEB obligation	(118,206)
Compensated absences	<u>(83,193)</u>
TOTAL LONG-TERM LIABILITIES	<u>(3,609,940)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 10,975,343

See accompanying notes to the basic financial statements.

EAST NORRITON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2013

	General Fund	Debt Service Fund	Capital Project Funds	Other Governmental Funds	Total Governmental Funds
REVENUES					
Real estate taxes	\$ 1,749,912	\$ -	\$ 350,949	\$ 620,952	\$ 2,721,813
Other taxes	4,285,288	-	-	-	4,285,288
Licenses and permits	420,696	-	-	-	420,696
Fines	88,305	-	-	-	88,305
Charges for services	52,256	-	-	-	52,256
Intergovernmental revenue	550,573	-	-	424,059	974,632
Interest income	1,088	-	566	2,986	4,640
Other	328,229	-	41,020	413,649	782,898
TOTAL REVENUES	7,476,347	-	392,535	1,461,646	9,330,528
EXPENDITURES					
General government	904,013	-	-	146,961	1,050,974
Public safety	3,493,108	-	139,685	230,690	3,863,483
Highways and streets	512,373	-	2,731	487,183	1,002,287
Culture and recreation	14,500	-	-	493,818	508,318
Miscellaneous					
Payroll taxes	367,837	-	-	-	367,837
Employee benefits	1,882,290	-	-	-	1,882,290
Insurance	43,880	-	-	-	43,880
Capital outlay	-	-	26,326	-	26,326
Principal	-	533,000	-	-	533,000
Interest	-	111,238	-	-	111,238
TOTAL EXPENDITURES	7,218,001	644,238	168,742	1,358,652	9,389,633
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	258,346	(644,238)	223,793	102,994	(59,105)
OTHER FINANCING SOURCES (USES)					
Transfers in	636,622	648,671	6,550	-	1,291,843
Transfers out	(264,168)	-	(150,000)	(50,499)	(464,667)
Sale of capital assets	-	-	11,456	-	11,456
TOTAL OTHER FINANCING SOURCES (USES)	372,454	648,671	(131,994)	(50,499)	838,632
NET CHANGE IN FUND BALANCES	630,800	4,433	91,799	52,495	779,527
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	1,788,894	(38,433)	1,037,291	524,747	3,312,499
FUND BALANCES (DEFICIT) AT END OF YEAR	\$ 2,419,694	\$ (34,000)	\$ 1,129,090	\$ 577,242	\$ 4,092,026

See accompanying notes to the basic financial statements.

EAST NORRITON TOWNSHIP

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2013

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 779,527

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental Funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$443,809) exceeds capital outlays (\$249,699) in the current period. (194,110)

The net effect of various miscellaneous transactions involving capital assets is to increase net position. (13,599)

Because some property taxes will not be collected for several months after the Township's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Unavailable revenues increased by this amount this year. 25

Bond proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balances. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the statement of net position.

Bond issuance premium	6,126
Deferred refunding	(8,785)
Principal repayments	533,000
Capital leases	87,629

The net change in the net OPEB obligation is reported in the government-wide statements but not in the Governmental Funds statements. (98,072)

In the statement of activities, certain operating expenses--compensated absences (vacations and sick leave)--are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). 4,629

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,096,370

See accompanying notes to the basic financial statements.

EAST NORRITON TOWNSHIP**STATEMENT OF NET POSITION****PROPRIETARY FUND***December 31, 2013*

	<u>Enterprise Fund Sewer Revenue Account</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 759,002
Accounts receivable	<u>1,537,659</u>
TOTAL CURRENT ASSETS	<u>2,296,661</u>
PROPERTY AND EQUIPMENT	
Accumulated depreciation	8,459,508
	<u>(6,767,939)</u>
	<u>1,691,569</u>
TOTAL ASSETS	<u><u>\$ 3,988,230</u></u>
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Due to Joint Authority	\$ 2,337
Accrued payroll	5,041
Due to other funds	<u>18,442</u>
TOTAL CURRENT LIABILITIES	<u>25,820</u>
NET POSITION	
Net investment in capital assets	1,691,569
Unrestricted	<u>2,270,841</u>
TOTAL NET POSITION	<u>3,962,410</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 3,988,230</u></u>

See accompanying notes to the basic financial statements.

EAST NORRITON TOWNSHIP**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended December 31, 2013**

	<u>Enterprise Fund Sewer Revenue Account</u>
OPERATING REVENUES	
Current use charges	\$ 3,592,272
Other	<u>68,656</u>
 TOTAL OPERATING REVENUES	<u>3,660,928</u>
OPERATING EXPENSES	
Personnel services	392,524
Contracted services	1,183,119
Repairs and maintenance	354,119
Depreciation and amortization	<u>119,540</u>
 TOTAL OPERATING EXPENSES	<u>2,049,302</u>
 OPERATING INCOME	<u>1,611,626</u>
NONOPERATING REVENUES (EXPENSES)	
Sale of capital assets	6,550
Investment income	6,930
Interest on long-term debt	<u>(444)</u>
 TOTAL NONOPERATING REVENUES (EXPENSES)	<u>13,036</u>
 INCOME BEFORE TRANSFERS	1,624,662
TRANSFERS OUT	<u>(827,176)</u>
 CHANGE IN NET POSITION	797,486
NET POSITION AT BEGINNING OF YEAR	<u>3,164,924</u>
 NET POSITION AT END OF YEAR	<u>\$ 3,962,410</u>

See accompanying notes to the basic financial statements.

EAST NORRITON TOWNSHIP**STATEMENT OF CASH FLOWS****PROPRIETARY FUND***Year Ended December 31, 2013*

	<u>Enterprise Fund Sewer Revenue Account</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 3,169,189
Payments to suppliers	(1,560,462)
Payments to employees	(392,054)
Other receipts	68,656
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,285,329</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Advances to other funds	<u>(827,176)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Facilities acquisition/construction/improvements	(117,475)
Proceeds from sale of capital assets	6,550
Principal payments on debt	(54,000)
Interest paid on debt	(444)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(165,369)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	<u>6,930</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	299,714
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>459,288</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 759,002</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 1,611,626
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	119,540
Increase in accounts receivable	(423,085)
Increase (decrease) in	
Accounts payable	(41,664)
Accrued payroll	470
Due to other funds	18,442
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,285,329</u>

See accompanying notes to the basic financial statements.

EAST NORRITON TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2013

	<u>Pension Trust Funds</u>	<u>Health Benefits Fund</u>
ASSETS		
Cash	\$ 496,025	\$ 785,471
Investments	<u>14,754,533</u>	<u>-</u>
TOTAL ASSETS	<u>15,250,558</u>	<u>785,471</u>
LIABILITIES		
Annuities payable	<u>52,932</u>	<u>-</u>
NET POSITION		
Held in trust for pension benefits and other purposes	<u>\$ 15,197,626</u>	<u>\$ 785,471</u>

See accompanying notes to the basic financial statements.

EAST NORRITON TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

Year Ended December 31, 2013

	<u>Pension Trust Funds</u>	<u>Health Benefits Fund</u>
ADDITIONS		
Contributions	\$ 900,965	\$ -
Investment income	<u>2,165,586</u>	<u>256</u>
TOTAL ADDITIONS	<u>3,066,551</u>	<u>256</u>
DEDUCTIONS		
Contracted services	49,166	-
Benefits	<u>659,579</u>	<u>25,945</u>
TOTAL DEDUCTIONS	<u>708,745</u>	<u>25,945</u>
CHANGE IN NET POSITION	2,357,806	(25,689)
NET POSITION AT BEGINNING OF YEAR	<u>12,839,820</u>	<u>811,160</u>
NET POSITION AT END OF YEAR	<u>\$ 15,197,626</u>	<u>\$ 785,471</u>

See accompanying notes to the basic financial statements.

EAST NORRITON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Scope of Reporting Entity

The financial statements of East Norriton Township (the "Township") include the departments and other organizational units over which the Board of Supervisors exercises oversight responsibility, including general government, police protection, parks and recreation, public works and the Norris City Cemetery.

In reviewing the criteria for inclusion in the financial statements, the Township considered the following:

- The fire department receives a contribution from the Township. However, the majority of revenues generated is through private fund-raisers under the direction of a separate independent board not appointed by the Supervisors. The departments are organized under a separate charter and, therefore, are not included in the financial statements.
- The East Norriton-Plymouth-Whitpain Joint Sewer Authority is not included in the financial statements, as this entity is operated independently of the Township.
- The tax collector is an elected officer who is responsible for the collection of real estate taxes in Montgomery County and the Township. The Township regards the tax collector's office as a separate entity and, therefore, does not account for its activity in the financial statements.

Basis of Presentation

Government-Wide Financial Statements - The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for Fiduciary Funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Township does not allocate indirect expenses to functions in the statement of activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

EAST NORRITON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Separate financial statements are provided for Governmental Funds, the Proprietary Fund and Fiduciary Funds, even though the latter are excluded from the government-wide financial statements. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions and (3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The Proprietary Fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of the Sewer Revenue Account are charges to customers for sales and services. Operating expenses for the Enterprise Fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements - Fund financial statements of the reporting entity are organized into individual funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues and expenditures/expenses.

Funds are organized as major funds or nonmajor funds within the governmental, proprietary and fiduciary statements. An emphasis is placed on major funds within the governmental and proprietary categories.

Governmental Funds - Governmental Funds are those funds through which most governmental functions of the Township are financed. The acquisition, use and balance of the Township's expendable financial resources are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial position rather than upon net income determination. The following are the Township's Governmental Funds:

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. The principal activities accounted for in the General Fund are general government, public safety and public services. Those activities are funded principally by property taxes, state shared taxes and grants from other governmental units.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. These funds account principally for the street lighting tax and fire protection tax activity and disposition of state liquid fuels highway aid funding. Included in these funds are the State Highway Aid, Street Lighting Tax, Fire Protection Tax and Park and Recreation Funds.

EAST NORRITON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Project Funds - Capital Project Funds include the accounts of the General Obligation Series of 2002 and 2010 Bond Funds, developer improvements and parks and recreation improvements.

Proprietary Fund - The focus of Proprietary Fund measurement is upon determination of net income and cash flows. The generally accepted accounting principles applicable are similar to those used by businesses in the private sector.

The Proprietary Fund includes the accounts of the Township's Sewer Revenue Account. The Township establishes sewer rates, collects sewer revenues, operates the sewer system, employs personnel to operate the sewer system and send sewer bills and handles fiscal management for the sewer system.

Fiduciary Funds - Fiduciary Funds include the Police and Non-Uniformed Pension Trust, along with the Police Post-Retirement Health Insurance Trust. The measurement focus of the Pension Trust Funds and the Police Post-Retirement Health Insurance Trust is similar to that of the Proprietary Fund.

Basis of Accounting

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The current financial resources measurement focus and the modified accrual basis of accounting are followed by the Governmental Funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources. Property taxes are recorded in the year levied as receivables and deferred revenues and recognized as revenues in the succeeding year when services financed by the levy are being provided.

EAST NORRITON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

The Township reports unavailable revenue on its statement of net position and its Governmental Funds balance sheet when applicable. For government-wide financial statements, unavailable revenue arises from taxes levied in the current year, which are for the subsequent year's operations. The statement of net position does not report any unavailable revenue for the year ended December 31, 2013. For Governmental Funds financial statements, unavailable revenue arises when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unavailable revenue also arises when resources are received before the Township has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Township has a legal claim to the resources, the liability for unavailable revenue is removed from the balance sheet and revenue is recognized.

The Proprietary Fund and the Fiduciary Funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned; expenses are recognized in the period incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Investments

The Township has adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. This statement requires the Township to record investments at fair value.

Real Estate Taxes

Real estate property taxes attach as an enforceable lien on property on January 1. Taxes are billed March 1 and payable under the following terms: a 2% discount March 1 through April 30; face amount May 1 through June 30; and a 10% penalty after July 1.

Budget Policy

The Board of Supervisors annually adopts the budget for the General, Capital Project and Special Revenue Funds of the Township. Budgetary control is legally maintained at the fund level. The Township's budget policy provides transfer authority to the Supervisors within and between categories as long as the total budget of the Township (net of interfund transfers) is not increased.

All budget amounts presented in the accompanying financial statements and required supplementary information have been adjusted for legally authorized revisions of the annual budgets during the year.

EAST NORRITON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Capital Assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in Governmental Fund operations or Proprietary Fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements - In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual cost is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation.

Prior to January 2000, Governmental Funds' capital assets were accounted for in the General Fixed Assets Account Group and were not recorded directly as a part of any individual fund's financial statements. Infrastructure of Governmental Funds was not previously capitalized. Upon implementing GASB Statement No. 34, governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	<u>Years</u>
Buildings	20-50
Improvements	10-50
Machinery and equipment	5-50

Infrastructure - The Township has adopted the modified approach for valuing its infrastructure, which consists of 50.04 miles of roads. The Township completes an annual assessment of pavement conditions and maintains all roads at an overall good or better condition level. As a result, infrastructure costs have been estimated for the entire roadway system. If the yearly assessment maintains this overall condition level, no depreciation will be recorded. Annual maintenance costs for the roads will be expensed.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide 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.

EAST NORRITON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
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In addition to liabilities, the statement of net 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Interfund Transactions

External transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

Net Position Flow Assumption

Sometimes the Township will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and Proprietary Fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the Township's policy to consider restricted net position to have been depleted before unrestricted net position.

Fund Balance Flow Assumption

Sometimes the Township will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the Governmental Funds financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

EAST NORRITON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Fund Balance Policies

The Township implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Township's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- ***Nonspendable Fund Balance*** includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints. Fund balance types of this category are prepaid expenses and inventories.
- ***Restricted Fund Balance*** includes fund balance amounts that can be spent only for specific purposes stipulated by external resource providers or through enabling legislation. Fund balance types of this category include amounts for debt service, street lights, fire protection, parks and recreation, capital reserve and liquid fuels.
- ***Committed Fund Balance*** includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Township through formal action of the East Norriton Board of Supervisors. To be reported as committed, amounts cannot be used for any other purpose unless the East Norriton Township Supervisors take the same highest level action to remove or change the constraint.
- ***Assigned Fund Balance*** includes fund balance amounts that are intended to be used for specific purposes that are considered neither restricted nor committed. Fund balances may be assigned by the Township Manager and/or Township Finance Director.
- ***Unassigned Fund Balance*** includes the residual classifications for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. These are funds to ensure the maintenance of services to the public due to emergency or unplanned expenditures or unanticipated revenue shortfalls in accordance with the Township's stated fund balance policy.

Deficit Fund Equity

The Debt Service Fund has deficit fund equity of \$34,000 as of December 31, 2013. The fund has incurred the deficit as a result of revenue falling short of budget. This deficit will be eliminated by expending less from that fund than the revenue that is received in subsequent years.

EAST NORRITON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE B DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. Under Act No. 72 of the 1971 Session of the Pennsylvania General Assembly, financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of federal depository insurance limits. Since the securities are not held in the name of participating governmental entities, custodial credit risk exists that the deposits may not be returned promptly in the event of bank failure. The Township also places funds with the Pennsylvania Local Government Investment Trust (PLGIT). Each member owns a pro rata share of the fund's underlying investments or deposits, which are held in the name of the applicable fund. In order to minimize interest rate risks, each fund strives to maintain investment maturities to keep the net asset values for participants at \$1.00 per share.

As of December 31, 2013, \$177,475 of the Township's \$6,682,389 bank balance is uninsured and collateralized with securities held by the pledging bank's trust department not in the Township's name. Of the Township's bank balance, \$6,254,914 is uninsured and uncollateralized.

Investments

Investments in the Fiduciary Funds are reported at fair value.

At December 31, 2013, the Township's Pension Trust Funds had the following investment portfolio:

	<u>Fair Value</u>
PENSION TRUST FUNDS	
Cash	\$ 51,279
Mutual funds	<u>14,703,254</u>
	<u>\$ 14,754,533</u>

Interest Rate Risk - The Township meets with its advisors on a regular basis 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 government funds as described in Note A. The Township's investment policy does not further limit its investment choices.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of December 31, 2013, \$14,754,533 is held by the investment's counterparties, not in the name of the Township.

EAST NORRITON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE C ACCOUNTS RECEIVABLE

Accounts receivable are comprised of the following:

	<u>Governmental Funds</u>		
	<u>General Fund</u>	<u>Capital Project Funds</u>	<u>Proprietary Fund</u>
Other taxes and fees	\$ 1,122	\$ -	\$ -
Sewer receivables	-	-	1,537,659
Other	-	1,350	-
	<u>\$ 1,122</u>	<u>\$ 1,350</u>	<u>\$ 1,537,659</u>

The Proprietary Fund has filed liens against homeowners on approximately \$357,065 of sewer receivables at December 31, 2013.

NOTE D RESTRICTED ASSETS

During 1990, proceeds of the Norris City Cemetery Trust were transferred to the Township. These monies are to be used solely for the maintenance, upkeep and repair of the Norris City Cemetery. As of December 31, 2013, General Fund assets of \$9,874 have been restricted for this purpose.

Capital Project Funds assets of \$980,740 have been designated for specific capital improvements.

NOTE E ESCROW DEPOSITS

The Township specifies building and land improvement requirements as a condition to the issuance of building permits. These escrows represent funds from independent builders that are returned upon the completion of required improvements to various properties within the Township. The escrow balance of \$179,506 is maintained in the cash accounts of the Township.

EAST NORRITON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE F CAPITAL ASSETS

Capital asset activity is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Infrastructure	\$ 4,921,823	\$ -	\$ -	\$ 4,921,823
Capital assets being depreciated				
Land and improvements	6,595,287	28,475	-	6,623,762
Buildings and building improvements	2,435,703	-	-	2,435,703
Equipment and machinery	2,323,320	132,567	-	2,455,887
Automobiles and trucks	1,874,202	88,657	(62,820)	1,900,039
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>13,228,512</u>	<u>249,699</u>	<u>(62,820)</u>	<u>13,415,391</u>
Accumulated depreciation				
Land and improvements	(2,468,667)	(125,203)	-	(2,593,870)
Buildings and building improvements	(1,892,508)	(55,416)	-	(1,947,924)
Equipment and machinery	(2,063,007)	(80,806)	-	(2,143,813)
Automobiles and trucks	(1,109,801)	(182,384)	49,221	(1,242,964)
TOTAL ACCUMULATED DEPRECIATION	<u>(7,533,983)</u>	<u>(443,809)</u>	<u>49,221</u>	<u>(7,928,571)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>5,694,529</u>	<u>(194,110)</u>	<u>(13,599)</u>	<u>5,486,820</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>\$ 10,616,352</u>	<u>\$ (194,110)</u>	<u>\$ (13,599)</u>	<u>\$ 10,408,643</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Plant costs financed by the East Norriton Township Municipal Authority	\$ 2,196,513	\$ -	\$ -	\$ 2,196,513
Sewer garage	52,106	-	-	52,106
Sewer systems	4,976,338	50,516	-	5,026,854
Municipal building improvements	153,720	-	-	153,720
Automobiles and trucks	171,747	-	-	171,747
Other property, plant and equipment	822,634	66,961	(31,027)	858,568
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>8,373,058</u>	<u>117,477</u>	<u>(31,027)</u>	<u>8,459,508</u>
Accumulated depreciation	(6,679,426)	(119,540)	31,027	(6,767,939)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	<u>\$ 1,693,632</u>	<u>\$ (2,063)</u>	<u>\$ -</u>	<u>\$ 1,691,569</u>

Depreciation for business-type activities is calculated using the straight-line method over the useful life (ranging from 3 to 31.5 years) of the asset.

Depreciation expense was charged to functions/programs for governmental activities as follows:

General government	\$ 208,966
Highways and streets	165,838
Culture and recreation	<u>69,005</u>
	<u>\$ 443,809</u>

EAST NORRITON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE G LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended December 31, 2013, are as follows:

	Balance January 1, 2013	Increases	Decreases	Balance December 31, 2013	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and notes payable					
General obligation bonds/notes	\$ 3,558,000	\$ -	\$ (533,000)	\$ 3,025,000	\$ 555,000
Bond issuance premium	46,714	-	(6,126)	40,588	-
TOTAL BONDS AND NOTES PAYABLE	3,604,714	-	(539,126)	3,065,588	555,000
Capital leases	456,930	-	(87,629)	369,301	92,518
Compensated absences	87,822	-	(4,629)	83,193	-
Net OPEB obligation	20,134	98,072	-	118,206	-
	<u>\$ 4,169,600</u>	<u>\$ 98,072</u>	<u>\$ (631,384)</u>	<u>\$ 3,636,288</u>	<u>\$ 647,518</u>
BUSINESS-TYPE ACTIVITIES					
Guaranteed Sewer Revenue Notes					
Series B of 2003	\$ 54,000	-	\$ (54,000)	-	-

The maturity schedules of the bonds and notes follow.

\$1,552,000 General Obligation Notes, Series of 2002

Year Ending December 31,	Interest Rate	Principal	Interest	Totals
2014	4.27%	\$ 210,000	\$ 5,231	\$ 215,231

\$4,240,000 General Obligation Bonds, Series of 2010

Year Ending December 31,	Interest Rate	Principal	Interest	Totals
2014	4.00%	\$ 345,000	\$ 90,281	\$ 435,281
2015	4.00%	570,000	76,481	646,481
2016	2.38%	595,000	53,681	648,681
2017	2.70%	335,000	39,550	374,550
2018 to 2020	3.00% to 3.30%	970,000	62,615	1,032,615
		<u>\$ 2,815,000</u>	<u>\$ 322,608</u>	<u>\$ 3,137,608</u>

EAST NORRITON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Aggregate maturities of long-term debt for governmental activities are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	\$ 555,000	\$ 95,512	\$ 650,512
2015	570,000	76,481	646,481
2016	595,000	53,681	648,681
2017	335,000	39,550	374,550
2018 to 2020	<u>970,000</u>	<u>62,615</u>	<u>1,032,615</u>
	<u>\$ 3,025,000</u>	<u>\$ 327,839</u>	<u>\$ 3,352,839</u>

Capital Leases

The Township leases certain equipment under capital lease arrangements. Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	
2014	\$ 113,186
2015	113,186
2016	113,186
2017	<u>80,299</u>
	419,857
Amount representing interest	<u>(50,556)</u>
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	<u>\$ 369,301</u>

Equipment under capital leases at December 31, 2013, is summarized as follows:

Vehicles	\$ 740,996
Accumulated depreciation	<u>(267,082)</u>
	<u>\$ 473,914</u>

NOTE H CONTRIBUTED CAPITAL

Contributed capital represents contributions by various developers restricted for capital improvements. Funds contributed for specific projects are restricted. Funds contributed for general improvements are unrestricted.

EAST NORRITON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE I OTHER TAXES

Other taxes by source are summarized as follows:

Earned income taxes	\$ 2,670,135
Business privilege taxes	792,370
Real estate transfer taxes	414,927
Local services taxes	<u>407,856</u>
	<u>\$ 4,285,288</u>

NOTE J INTERGOVERNMENTAL REVENUE AND GRANTS

Intergovernmental revenue and grants by source are summarized as follows:

	<u>Governmental Funds</u>		<u>Totals</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	
COMMONWEALTH OF PENNSYLVANIA			
Foreign Fire and Casualty Insurance Tax Grant	\$ -	\$ 132,471	\$ 132,471
Public Utility Realty	7,900	-	7,900
State Highway Aid Grant	-	268,348	268,348
School Resource Officer Grant	97,289	-	97,289
Norristown Area School District	27,297	-	27,297
General Municipal Pension State Aid	287,443	-	287,443
Recycling Performance Grant	86,214	-	86,214
Road Turnback Grant	-	23,240	23,240
FEMA Storm Emergency Grant	44,430	-	44,430
	<u>\$ 550,573</u>	<u>\$ 424,059</u>	<u>\$ 974,632</u>

Intergovernmental revenue accounts for approximately 10.45% of all Township receipts.

EAST NORRITON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE K PENSION PLANS

The Township sponsors a single-employer defined benefit police pension plan for police officers and a single-employer defined benefit non-uniformed pension plan for municipal employees of the Township. These plans are included in the Pension Trust Funds of East Norriton Township and are controlled by various ordinances adopted pursuant to Pennsylvania Act 205.

Police Pension Plan

The Township sponsors a Public Employee Retirement System (PERS) to provide pension benefits for police officers of the Township. The assets of the pension plan are administered in part by Conrad Siegel Investment Advisors. The normal retirement benefit of the police pension plan is equal to 50% of the average monthly compensation for the 36 months immediately preceding retirement date. Normal retirement is age 50 or completion of 25 years of service, whichever is later, with full vesting after 12 years of service.

Covered employees are required by statute to contribute up to 5% of their salary to the pension plan. If an employee leaves covered employment, accumulated employee contributions plus related investment earnings are refunded to the employee or designated beneficiary. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the plan. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

Funded Status and Funding Progress - As of January 1, 2013, the most recent actuarial valuation date, the plan was 68.8% funded. The actuarial liability for benefits was \$12,768,958 and the actuarial value of assets was \$8,780,624, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,988,334. The covered payroll (annual payroll of active employees covered by the plan) was \$2,295,702, and the ratio of the UAAL to the covered payroll was 173.7%.

Non-Uniformed Employee Pension Plan

The Township sponsors a Public Employee Retirement System (PERS) to provide pension benefits for non-uniformed employees of the Township. The assets of the pension plan are administered in part by Conrad Siegel Investment Advisors. The normal retirement benefit of the employees' pension plan is 1% of the final five-year average monthly pay (up to \$750) plus 1.5% of any excess of average monthly pay over \$750 multiplied by total credited service.

The normal retirement date of each participant shall be the earlier of the day on which the member satisfies the following requirements:

- The member attains age 58 and completes 10 years of vesting service, or
- The member attains age 55 and completes 25 years of vesting service.

Full vesting is attained upon the normal retirement date, notwithstanding the plan's vesting schedule.

EAST NORRITON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Covered employees are required to contribute 5% to the plan. The Township is required by statute, principally Pennsylvania Act 205, to contribute the amount necessary to finance the plan. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

Funded Status and Funding Progress - As of January 1, 2013, the most recent actuarial valuation date, the plan was 66.2% funded. The actuarial liability for benefits was \$6,200,881 and the actuarial value of assets was \$4,102,051, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,098,830. The covered payroll (annual payroll of active employees covered by the plan) was \$1,743,851, and the ratio of the UAAL to the covered payroll was 120.4%.

At January 1, 2013, the latest valuation date, the Township's pension plans' membership consisted of:

	<u>Police Pension</u>	<u>Non- Uniformed Employee Pension</u>
Retirees and beneficiaries currently receiving benefits	18	23
Terminated employees entitled to deferred benefits	<u>2</u>	<u>5</u>
TOTAL	20	28
Active employees	<u>23</u>	<u>28</u>
TOTAL MEMBERSHIP	<u><u>43</u></u>	<u><u>56</u></u>

Basis of Accounting

Pension plan financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Financial Reporting

A separate financial statement is not issued on the pension plans.

Method Used to Value Investments

Pension plan equity securities are reported at fair value. Investment income is recognized as earned.

EAST NORRITON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Contributions

Act 205 requires that annual contributions to the plans be based upon the plans' minimum municipal obligation (MMO). The MMO is based upon the plans' biennial actuarial valuation. In accordance with the plans' governing ordinances, employees are required to contribute to the plans (police - 5%; non-uniformed - 5%). The plans may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program, which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205.

Investment expenses, including investment manager and custodial services, are funded through investment earnings.

Administrative expenses, including actuarial and consultant services, are funded through investment earnings and contributions.

Concentration

Concentration of investments includes mutual funds, which do not require disclosure.

Schedule of Contributions from the Employer and Other Contributing Entities

Police Pension Plan

<u>Year</u>	<u>Annual Required Contribution</u>	<u>Contributions from Employer (1)</u>	<u>Percentage Contributed</u>
2011	\$ 354,772	\$ 354,772	100%
2012	354,475	354,475	100%
2013	519,812	519,812	100%

Non-Uniformed Employee Pension Plan

<u>Year</u>	<u>Annual Required Contribution</u>	<u>Contributions from Employer (1)</u>	<u>Percentage Contributed</u>
2011	\$ 169,669	\$ 169,669	100%
2012	137,467	137,467	100%
2013	227,365	227,365	100%

(1) Includes General Municipal Pension System State Aid

EAST NORRITON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

The information presented in the required supplementary information was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation date follows.

Police Pension Plan

Actuarial valuation date	January 1, 2013
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	18 years
Asset valuation method	Fair market value
Actuarial assumptions	
Investment rate of return*	7.5%
Projected salary increases*	5%

*Includes inflation based on long-term historical average rates

Non-Uniformed Employee Pension Plan

Actuarial valuation date	January 1, 2013
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	15 years
Asset valuation method	Fair market value
Actuarial assumptions	
Investment rate of return*	7.5%
Projected salary increases*	5%

*Includes inflation based on long-term historical average rates

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE L OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Township provides medical and dental insurance benefits to eligible retired employees, spouses and dependents through a single-employer defined benefit plan. The benefits, benefits level, employee contribution and employer contribution are administered by the Township Supervisors and can be amended by the Township through its personnel manual and union contracts. Currently, only employees covered by the police contract are entitled to other postemployment benefits. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a stand-alone financial report. The activity of the plan is reported in the Township's General Fund.

EAST NORRITON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Funding Policy

The Township negotiates the contribution percentage between the Township and employees through union contracts and personnel policy. The required contribution rates of the employer and the members vary depending on the applicable agreement. The Township currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the Township.

Annual OPEB Cost and Net OPEB Obligation

The Township's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The components of the Township's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Township's net OPEB obligation to the plan are as follows:

Normal cost	\$	42,599
Amortization of unfunded actuarial accrued liability		65,649
ANNUAL REQUIRED CONTRIBUTION (ARC)		<u>108,248</u>
Interest		27,939
Estimated adjustment to ARC		<u>(38,115)</u>
ANNUAL OPEB COST		98,072
Net OPEB contributions during the year		<u>-</u>
INCREASE IN NET OPEB OBLIGATION		98,072
Net OPEB obligation at beginning of year		<u>20,134</u>
NET OPEB OBLIGATION AT END OF YEAR	\$	<u><u>118,206</u></u>

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 262,378	0%	\$ (78,727)
2012	98,861	0%	20,134
2013	98,072	0%	118,206

EAST NORRITON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Funded Status and Funding Progress

As of January 1, 2011, the actuarial accrued liability for benefits was \$1,069,358 and the actuarial value of assets was \$0, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,404,010, and the ratio of the UAAL to the covered payroll was 44.48%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2011 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5.0% after six years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013, was 24 years.

EAST NORRITON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE M COMMITMENTS AND CONTINGENCIES

Compensated Absences

The Township provides vacation for all full-time employees. Personnel covered by the police contract can carry up to ten days of unused vacation time into the next year. Non-uniform personnel can also carry up to ten days of unused vacation time into the next year when requested in advance. All employees can be compensated for up to ten days of unused vacation provided the employee used at least five days of vacation.

Township employees are entitled to unlimited sick leave for justified illness. Non-uniform personnel with up to three sick days used are compensated for perfect attendance with the equivalent of up to four days of vacation time.

NOTE N OPERATING LEASES

The Township leases office equipment under noncancelable operating leases with terms ending from 2013 to 2018.

Future minimum lease payments for noncancelable operating leases will be as follows:

<u>Year Ending</u> <u>December 31,</u>	
2014	\$ 149,107
2015	145,770
2016	134,850
2017	100,337
2018	<u>7,136</u>
	<u>\$ 537,200</u>

NOTE O RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the Township to purchase commercial insurance for the risks of loss to which it is exposed, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

EAST NORRITON TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE P DERIVATIVE FINANCIAL INSTRUMENTS

The Township financed the Series of 2002 General Obligation Note and Series A and Series B Guaranteed Sewer Revenue Notes through the Delaware Valley Regional Finance Authority (DeVal). DeVal has, in turn, entered into interest rate swap agreements with various counterparties to provide fixed interest rates to borrowers. These agreements may be terminated under the following circumstances: (1) DeVal and the counterparty mutually consent to termination, (2) the borrower defaults on its loan, or (3) DeVal or the counterparty default or their financial conditions deteriorate to make a default imminent. Upon termination, DeVal would receive or make a payment depending on the market value of the related interest rate swap. If DeVal were obligated to make such a payment and sufficient funds were not available, DeVal could assess each borrower its allocable share of the termination payment.

As of December 31, 2013, DeVal would have received a payment of nearly \$116 million if all of the swap agreements were terminated. Therefore, no amounts are reflected in the Township's financial statements.

NOTE Q SUBSEQUENT EVENT

On December 5, 2013, the Township entered into a lease purchase agreement for a fire truck. The eight-year lease, beginning on December 5, 2014, has an annual payment of \$70,991 at an interest rate of 2.85%.

REQUIRED SUPPLEMENTARY INFORMATION

EAST NORRITON TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2013

	General Fund			
	Budgeted Amount		Actual	Over (Under) Budget
	Original	Final		
REVENUES				
Real estate taxes	\$ 1,608,000	\$ 1,608,000	\$ 1,749,912	\$ 141,912
Other taxes	3,640,000	3,640,000	4,285,288	645,288
Licenses and permits	378,750	378,750	420,696	41,946
Fines	96,000	96,000	88,305	(7,695)
Charges for services	24,000	24,000	52,256	28,256
Intergovernmental revenue	386,000	386,000	550,573	164,573
Interest income	200	200	1,088	888
Other	72,200	72,200	328,229	256,029
TOTAL REVENUES	6,205,150	6,205,150	7,476,347	1,271,197
EXPENDITURES				
General government	1,208,975	1,208,975	904,013	(304,962)
Public safety	3,577,031	3,577,031	3,493,108	(83,923)
Highways and streets	554,842	554,842	512,373	(42,469)
Culture and recreation	13,500	13,500	14,500	1,000
Miscellaneous				
Payroll taxes and employee benefits	2,269,352	2,269,352	2,250,127	(19,225)
Insurance	43,880	43,880	43,880	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	7,667,580	7,667,580	7,218,001	(449,579)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,462,430)	(1,462,430)	258,346	1,720,776
OTHER FINANCING SOURCES (USES)				
Transfers in	636,622	636,622	636,622	-
Transfers out	(263,692)	(263,692)	(264,168)	(476)
Cash carry over	1,089,500	1,089,500	-	(1,089,500)
Sale of capital assets	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,462,430	1,462,430	372,454	(1,089,976)
NET CHANGE IN FUND BALANCES	\$ -	\$ -	630,800	\$ 630,800
FUND BALANCES AT BEGINNING OF YEAR			1,788,894	
FUND BALANCES AT END OF YEAR			\$ 2,419,694	

Other Governmental Funds				Capital Project Funds			
Budgeted Amount		Actual	Over (Under) Budget	Budgeted Amount		Actual	Over (Under) Budget
Original	Final			Original	Final		
\$ 571,750	\$ 571,750	\$ 620,952	\$ 49,202	\$ 330,750	\$ 330,750	\$ 350,949	\$ 20,199
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
409,388	409,388	424,059	14,671	-	-	-	-
-	-	2,986	2,986	-	-	566	566
257,794	257,794	413,649	155,855	10,000	10,000	41,020	31,020
<u>1,238,932</u>	<u>1,238,932</u>	<u>1,461,646</u>	<u>222,714</u>	<u>340,750</u>	<u>340,750</u>	<u>392,535</u>	<u>51,785</u>
175,834	175,834	146,961	(28,873)	56,800	56,800	-	(56,800)
299,166	299,166	230,690	(68,476)	107,600	107,600	139,685	32,085
436,887	436,887	487,183	50,296	20,000	20,000	2,731	(17,269)
584,182	584,182	493,818	(90,364)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	21,000	21,000	26,326	5,326
<u>1,496,069</u>	<u>1,496,069</u>	<u>1,358,652</u>	<u>(137,417)</u>	<u>205,400</u>	<u>205,400</u>	<u>168,742</u>	<u>(36,658)</u>
<u>(257,137)</u>	<u>(257,137)</u>	<u>102,994</u>	<u>360,131</u>	<u>135,350</u>	<u>135,350</u>	<u>223,793</u>	<u>88,443</u>
-	-	-	-	-	-	6,550	6,550
(24,494)	(24,494)	(50,499)	(26,005)	(150,000)	(150,000)	(150,000)	-
281,631	281,631	-	(281,631)	14,650	14,650	-	(14,650)
-	-	-	-	-	-	11,456	11,456
<u>257,137</u>	<u>257,137</u>	<u>(50,499)</u>	<u>(307,636)</u>	<u>(135,350)</u>	<u>(135,350)</u>	<u>(131,994)</u>	<u>3,356</u>
<u>\$ -</u>	<u>\$ -</u>	52,495	<u>\$ 52,495</u>	<u>\$ -</u>	<u>\$ -</u>	91,799	<u>\$ 91,799</u>
		<u>524,747</u>				<u>1,037,291</u>	
		<u>\$ 577,242</u>				<u>\$ 1,129,090</u>	

EAST NORRITON TOWNSHIP
PENSION PLAN FUNDING PROGRESS
Year Ended December 31, 2013

FUNDING STATUS AND PROGRESS

Historical trend information about the plans is presented herewith as required supplementary information. It is intended to help users assess the plans' funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due and make comparisons with other state and local government retirement systems.

The actuarial information is required by Act 205 biennially, except for distressed pension plans, which require annual reporting.

Schedule of Funding Progress

Police Pension Plan

<u>Actuarial Valuation Date January 1,</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Accrued Liability (AAL) Entry Age</u>	<u>(c) Unfunded (Assets in Excess of) Actuarial Accrued Liability (b)-(a)</u>	<u>(d) Funded Ratio (a)/(b)</u>	<u>(e) Covered Payroll</u>	<u>(f) Unfunded (Assets in Excess of) Actuarial Accrued Liability as a Percentage of Payroll (c)/(e)</u>
2009	\$ 7,690,868	\$ 9,648,978	\$ 1,958,110	79.7%	\$ 2,267,943	86.3%
2011	8,059,398	11,109,974	3,050,576	72.5%	2,404,010	126.9%
2013	8,780,624	12,768,958	3,988,334	68.8%	2,295,702	173.7%

Non-Uniformed Employee Pension Plan

<u>Actuarial Valuation Date January 1,</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Accrued Liability (AAL) Entry Age</u>	<u>(c) Unfunded (Assets in Excess of) Actuarial Accrued Liability (b)-(a)</u>	<u>(d) Funded Ratio (a)/(b)</u>	<u>(e) Covered Payroll</u>	<u>(f) Unfunded (Assets in Excess of) Actuarial Accrued Liability as a Percentage of Payroll (c)/(e)</u>
2009	\$ 4,308,786	\$ 5,224,547	\$ 915,761	82.5%	\$ 1,672,191	54.8%
2011	4,158,958	5,751,179	1,592,221	72.3%	1,740,017	91.5%
2013	4,102,051	6,200,881	2,098,830	66.2%	1,743,851	120.4%

EAST NORRITON TOWNSHIP
PENSION PLAN FUNDING PROGRESS
Year Ended December 31, 2013

TREND INFORMATION

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the actuarial accrued liability as a factor.

Analysis of the dollar amount of the actuarial value of assets, actuarial accrued liability and unfunded (assets in excess of) actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability (column d) provides one indication of the plan's funding status on a going-concern basis. Analysis of this percentage, over time, indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan.

Trends in unfunded (assets in excess of) actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded (assets in excess of) actuarial accrued liability as a percentage of annual covered payroll (column f) approximately adjusts for the effects of inflation and aids analysis of the plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, where there is an unfunded actuarial accrued liability, the smaller this percentage, the stronger the plan. However, when assets are in excess of the actuarial accrued liability, the higher the bracketed percentage, the stronger the plan.

EAST NORRITON TOWNSHIP
POSTEMPLOYMENT BENEFITS OTHER THAN
PENSION FUNDING PROGRESS
Year Ended December 31, 2013

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date January 1,</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Entry Age Actuarial Accrued Liability (AAL)</u>	<u>(c) Unfunded AAL (UAAL) (b)-(a)</u>	<u>(d) Funded Ratio (a)/(b)</u>	<u>(e) Covered Payroll</u>	<u>(f) UAAL as a Percentage of Covered Payroll (c)/(e)</u>
2008	\$ -	\$ 2,258,834	\$ 2,258,834	0%	\$ 2,151,919	104.97%
2011	-	1,069,358	1,069,358	0%	2,404,010	44.48%

SCHEDULE OF EMPLOYER AND OTHER ENTITY CONTRIBUTIONS

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Contributions</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 262,378	\$ -	0%	\$ (78,727)
2012	98,861	-	0%	20,134
2013	98,072	-	0%	118,206

EAST NORRITON TOWNSHIP
TREND DATA ON INFRASTRUCTURE CONDITION
Year Ended December 31, 2013

The Township has elected to use the modified approach to account for maintenance of its street system. The Township annually inspects its streets and roads and gives an assessment of the maintenance of good or better condition level. The assessment of condition is made by visual test designed to reveal any condition that would reduce highway-user benefits below the level of service. The average condition for this year was good.

The budgeted expenditures and amounts actually expensed for maintenance and preservation for the past five years are as follows:

	<u>Original Budget</u>	<u>Actual</u>
2013	\$ 209,001	\$ 183,755
2012	176,353	194,558
2011	161,500	81,906
2010	170,000	42,378
2009	257,500	195,305