



EAST NORRITON TOWNSHIP
BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

EAST NORRITON TOWNSHIP
EAST NORRITON, PENNSYLVANIA

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EAST NORRITON, PENNSYLVANIA

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INDEPENDENT AUDITOR'S REPORT

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April 27, 2015

Board of Township Supervisors
East Norriton Township
East Norriton, Pennsylvania

Report on the Financial Statements

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, East Norriton, Pennsylvania, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township'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 Township'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.

Board of Township Supervisors
East Norriton Township

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

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, East Norriton, Pennsylvania, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2014, the Township adopted new accounting guidance, GASB Statement No. 67, "Financial Reporting for Pension Plans." Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 and pension funds schedule of changes in the net pension liability and related ratios, and schedule of contributions on pages 50 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Norriton Township's basic financial statements. The budgetary comparison statements for the other governmental funds and capital projects fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such

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East Norriton Township

information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2015 on our consideration of East Norriton Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Norriton Township's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

EAST NORRITON TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2014

This section of East Norriton Township's annual financial report presents discussion and analysis of the Township's financial performance during the fiscal year ended December 31, 2014. 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 2014 resulting from an improving local economy. The Township's General Fund finished 2014 with a surplus of \$433,497 and increased its unassigned fund balance. East Norriton 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. Act 511 Taxes all had very strong performance in 2014. Earned Income Taxes totaled a record at nearly \$2.76 million, while Business Privilege Taxes generated nearly \$946,000; and Local Services Taxes over \$431,000. These revenue sources exceeded budgeted projections by over \$810,000. Real Estate Transfer Taxes also had a strong year generating over \$487,000, due to unexpected commercial transactions that took place in 2014. The Township continued to have a strong Real Estate Tax collection rate of 98 percent in 2014. The Township collected nearly \$1.66 million in General Fund Real Estate Taxes and over \$2.6 million across all funds.

The Township monitors its expenditures closely throughout the year and aims to keep expenditures below budgeted levels if at all possible. In 2014, the Township kept General Fund expenditures over \$331,000 or 4.1 percent below 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. Liquid Fuels revenues increased over eight percent versus 2013; 2014 was the first year in a series of annual increases in Liquid Fuels revenues to municipalities under Act 89. Also in 2014, the Township continued to receive funding for the School Resource Officer Grant program from the Commonwealth of Pennsylvania and the Norristown Area School District.

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 percent 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 percent 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 2014 that utilized these funds include upgrades to Stanbridge Street Park and Old Arch Road Park.

EAST NORRITON TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
YEAR ENDED DECEMBER 31, 2014

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 continues to provide health insurance coverage to full-time employees through the Delaware Valley Health Trust ("DVHT"). Township employees have a choice of coverage, which include HMO or PPO health insurance plans. Non-uniformed employees who choose to be covered under the lower deductible PPO plan or the lower co-pay HMO plan must pay the difference between their chosen plan premium and Township's standard HMO plan. 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 2014, the Township saved over \$166,000 (reimbursement costs vs. potential insurance premium costs).

East Norriton Township provided all non-uniformed employees with a 1.0 percent wage increase in 2014. In accordance with the police contract, all sworn police personnel also received a 3.0 percent increase in 2014. The police employee contributions to the Police Pension Plan were five percent, and the non-uniformed employees' contributions to the Employee Pension Plan were also five percent.

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) - CONT'D
YEAR ENDED DECEMBER 31, 2014

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 includes pension and OPEB data and other 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.

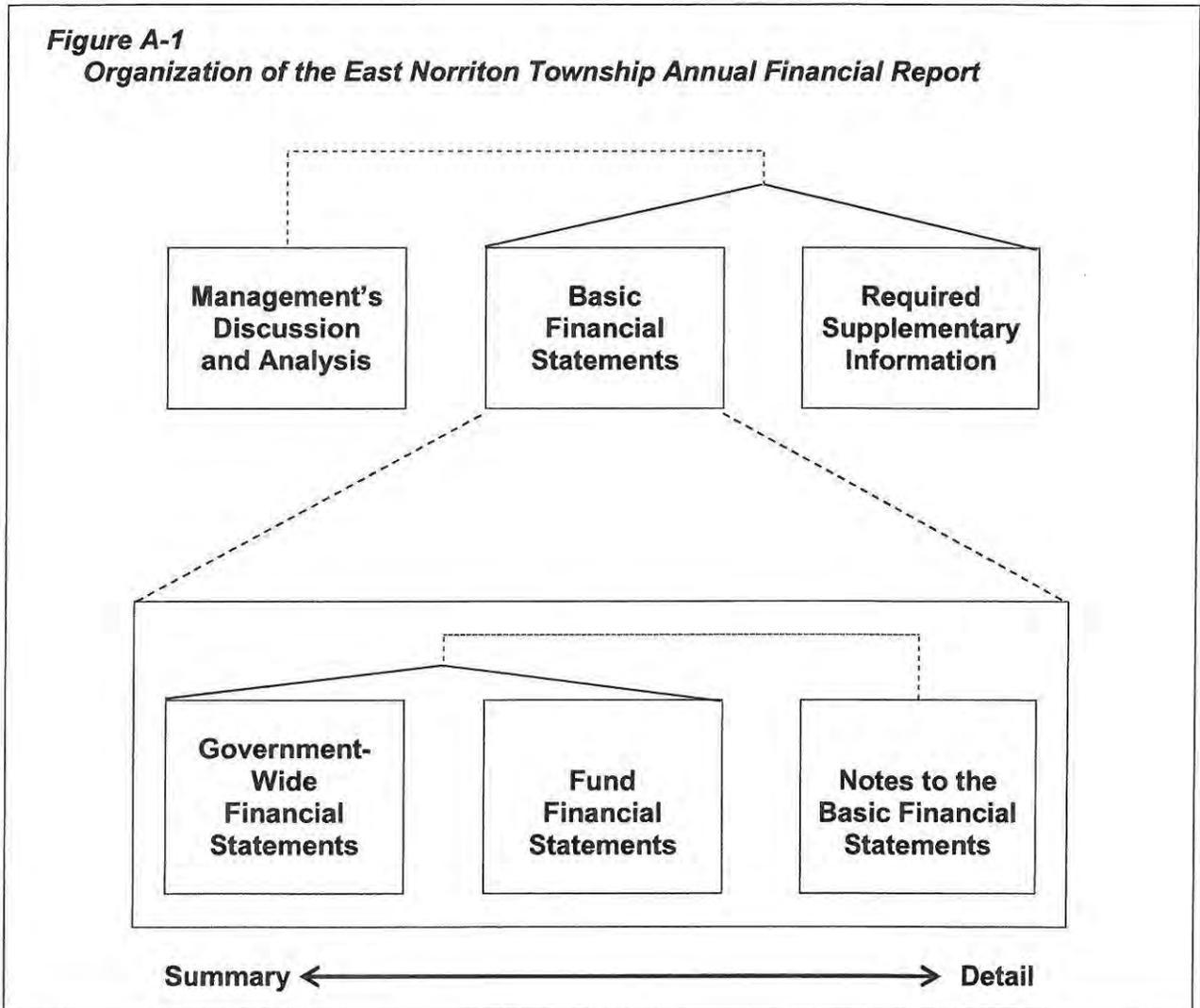


Figure A-2 summarizes the major features of the Township's financial statements, including the portion of the Township's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

EAST NORRITON TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
YEAR ENDED DECEMBER 31, 2014

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 (Deficit) 	<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 there-after; 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) - CONT'D
YEAR ENDED DECEMBER 31, 2014

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, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 deferred outflows of resources, and liabilities and deferred inflows of resources—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) - CONT'D
YEAR ENDED DECEMBER 31, 2014

- **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 of 98 percent of its tax levy in 2014.

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

	Governmental Activities		Business-type Activities		Total Township		Total Percentage
	2014	2013	2014	2013	2014	2013	Change
Current and other assets	\$ 5,001	\$ 4,544	\$ 2,072	\$ 2,278	\$ 7,073	\$ 6,822	3.68%
Capital assets, net	10,853	10,409	1,683	1,692	12,536	12,101	3.60%
Total Assets	15,854	14,953	3,755	3,970	19,609	18,923	3.63%
Deferred charge on refunding	18	26	-	-	18	26	(30.76)%
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	15,872	14,979	-	3,970	19,627	18,949	3.58%
Long-term debt outstanding	3,592	3,636	-	-	3,592	3,636	(1.21)%
Other liabilities	350	368	28	7	378	375	.80%
TOTAL LIABILITIES	3,942	4,004	28	7	3,970	4,011	(1.02)%
Net investment in capital							
Assets	8,851	6,974	1,683	1,692	10,534	8,666	21.55%
Restricted	552	1,170	-	-	552	1,170	(52.82)%
Unrestricted	2,527	2,831	2,044	2,271	4,571	5,102	(10.41)%
TOTAL NET POSITION	\$ 11,930	\$ 10,975	\$ 3,727	\$ 3,963	\$ 15,657	\$ 14,938	4.81%

EAST NORRITON TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
YEAR ENDED DECEMBER 31, 2014

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

	Governmental Activities		Business-type Activities		Total Township		Total Percentage Change
	2014	2013	2014	2013	2014	2013	2013-2014
REVENUES							
Program revenues:							
Charges for services	\$ 694	\$ 46	\$ 3,041	\$ 3,660	\$ 3,735	\$ 3,706	.78%
Operating grants and contributions	796	428	-	-	796	428	.86%
General revenues:							
Taxes	7,339	7,007	-	-	7,339	7,007	4.74%
Other	811	1,847	13	13	824	1,860	(55.70)%
TOTAL REVENUES	9,640	9,328	3,057	3,673	12,694	13,001	(2.37)%
EXPENSES							
General government	1,600	1,255	-	-	1,600	1,255	27.50%
Public safety	5,574	3,667	-	-	5,574	3,667	52.00%
Highways and streets	1,494	1,072	-	-	1,494	1,072	39.37%
Culture and recreation	689	564	-	-	689	564	22.16%
Miscellaneous	-	2,387	-	-	-	2,387	(100.00)%
Interest expense	125	114	-	-	125	114	9.65%
Sewer operations	-	-	2,493	2,049	2,493	2,049	26.67%
Transfers	(797)	(827)	797	827	-	-	0.00%
TOTAL EXPENSES	8,685	8,232	3,290	2,876	11,975	11,108	7.81%
CHANGES IN NET POSITION	\$ 995	\$ 1,096	\$ (236)	\$ 797	\$ 719	\$ 1,893	(62.02)%

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 also has an ongoing inspection 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 2014, the Township resurfaced existing roadways including Old Arch Road, Lisa Road, Baldwin Avenue, and Mark Lane. The Road Improvement Program will continue in the future, utilizing the annual Liquid Fuels funds from the Commonwealth of Pennsylvania. As noted earlier, Pennsylvania Act 89 has started, and is expected to continue to generate additional Liquid Fuels funds the Township will use to invest in its infrastructure.

EAST NORRITON TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
YEAR ENDED DECEMBER 31, 2014

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 2014 budget on December 10, 2013. As part of the annual budget process, the Board of Supervisors review multi-year financial projections of the Township's General Fund.

The Board of Supervisors reviewed the revenues and expenditures throughout the year including the approval of the Township's Statements of Expenditures and the Treasurer's Report at each monthly public meeting. In addition, Township staff provides the Board of Supervisors with quarterly financial updates including any amendments to the adopted budget.

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
	2014	2013	2014	2013	2014	2013	2013-2014
Infrastructure	\$ 4,922	\$ 4,922	\$ -	\$ -	\$ 4,922	\$ 4,922	0.00%
Land and improvements	6,648	6,624	-	-	6,648	6,624	(5.63)%
Buildings and building improvements	2,457	2,436	206	206	2,663	2,642	.80%
Equipment and machinery	2,526	2,456	8,193	8,082	10,719	10,538	1.72%
Automobiles and trucks	2,602	1,900	172	172	2,774	2,072	33.88%
Accumulated depreciation	(8,302)	(7,929)	(6,888)	(6,668)	(15,190)	(14,697)	1.86%
TOTAL	\$ 10,853	\$ 10,409	\$ 1,683	\$ 1,692	\$ 12,536	\$ 12,101	3.63%

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 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.

EAST NORRITON TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
YEAR ENDED DECEMBER 31, 2014

In 2005, the East Norriton-Plymouth-Whitpain Joint Sewer Authority issued an approximately \$15 million bond issue for the upgrade and capital improvements of the Authority's treatment system. In 2013, the Joint Sewer Authority issued another \$23 million 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 totaled nearly \$470,000 in 2014.

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

	Total Township		Total Percentage Change
	2014	2013	2013 - 2014
General obligation bonds	\$ 2,470	\$ 3,025	(18.35)%
Net OPEB Obligation	216	118	83.05%
Capital leases	780	369	111.38%
Compensated absences	92	83	10.84%
	<u>\$ 3,558</u>	<u>\$ 3,595</u>	(1.03)%

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 in the past 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 2014 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 \$319,000 over the past four years. Based on the experience of other jurisdictions facing similar legal challenges, the Township is budgeting another \$75,000 in 2015 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, 2014**

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 3,736,264	\$ 793,456	\$ 4,529,720
Cash - restricted	1,105,766	-	1,105,766
Internal balances	24,794	(24,794)	-
Taxes receivable	133,228	-	133,228
Sewer rents receivable	-	1,302,916	1,302,916
Other receivables	1,225	-	1,225
Total Current Assets	5,001,277	2,071,578	7,072,855
Noncurrent Assets:			
Infrastructure (highways)	4,921,823	-	4,921,823
Land	1,479,105	-	1,479,105
Site improvements	5,169,214	-	5,169,214
Sewer systems	-	5,108,126	5,108,126
Buildings and building improvements	2,457,354	2,402,339	4,859,693
Equipment and machinery	2,525,810	888,226	3,414,036
Vehicles	2,602,381	171,747	2,774,128
Accumulated depreciation	(8,302,338)	(6,887,535)	(15,189,873)
Total Noncurrent Assets	10,853,349	1,682,903	12,536,252
TOTAL ASSETS	15,854,626	3,754,481	19,609,107
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts on bond refunding	17,563	-	17,563
TOTAL DEFERRED OUTFLOWS OF RESOURCES	17,563	-	17,563
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 15,872,189	\$ 3,754,481	\$ 19,626,670
LIABILITIES AND NET POSITION			
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 86,114	\$ 14,657	\$ 100,771
Accrued interest	26,680	-	26,680
Payroll and withholding taxes payable	137,012	13,058	150,070
Escrow deposits	100,408	-	100,408
Capital lease payable	172,839	-	172,839
Bonds payable, net of premium	576,244	-	576,244
Total Current Liabilities	1,099,297	27,715	1,127,012
Noncurrent Liabilities:			
Compensated absences	92,184	-	92,184
Capital lease payable	606,924	-	606,924
Bonds payable, net of premium	1,928,100	-	1,928,100
Other post-employment benefits obligation	215,618	-	215,618
Total Noncurrent Liabilities	2,842,826	-	2,842,826
TOTAL LIABILITIES	3,942,123	27,715	3,969,838
NET POSITION			
Net investment in capital assets	8,851,213	1,682,903	10,534,116
Restricted	552,456	-	552,456
Unrestricted	2,526,397	2,043,863	4,570,260
Total Net Position	11,930,066	3,726,766	15,656,832
TOTAL LIABILITIES AND NET POSITION	\$ 15,872,189	\$ 3,754,481	\$ 19,626,670

The accompanying notes are an integral part of these financial statements.

**EAST NORRITON TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES					
General government	\$ 1,600,321	\$ 8,704	\$ (1,548,089)	-	\$ (1,548,089)
Public safety	5,573,756	125,694	(4,984,035)	-	(4,984,035)
Public works - highways and streets	1,493,588	528,923	(964,665)	-	(964,665)
Culture and recreation	688,645	132,471	(369,473)	-	(369,473)
Interest on long-term debt	125,223	-	(125,223)	-	(125,223)
TOTAL GOVERNMENTAL ACTIVITIES	9,481,533	795,792	(7,991,485)	-	(7,991,485)
BUSINESS-TYPE ACTIVITIES					
Sewer operations	3,040,791	-	-	548,341	548,341
TOTAL BUSINESS-TYPE ACTIVITIES	3,040,791	-	-	548,341	548,341
TOTAL PRIMARY GOVERNMENT	\$ 11,973,983	\$ 795,792	(7,991,485)	548,341	(7,443,144)
GENERAL REVENUES					
Taxes:					
Real estate taxes			2,604,440	-	2,604,440
Real estate transfer taxes			487,659	-	487,659
Earned income taxes			2,758,572	-	2,758,572
Local services tax			431,126	-	431,126
Business privilege			945,853	-	945,853
Other			110,926	-	110,926
Street light assessment			90,416	-	90,416
Franchise fees			411,881	-	411,881
Fines and forfeits			81,653	-	81,653
Investment earnings			3,813	13,029	16,842
Miscellaneous			222,855	-	222,855
TOTAL GENERAL REVENUES			8,149,194	13,029	8,162,223
CHANGE IN NET POSITION BEFORE TRANSFERS			157,709	561,370	719,079
Transfers			797,014	(797,014)	-
CHANGE IN NET POSITION			954,723	(235,644)	719,079
NET POSITION, BEGINNING OF YEAR			10,975,343	3,962,410	14,937,753
NET POSITION, END OF YEAR			\$ 11,930,066	\$ 3,726,766	\$ 15,656,832

The accompanying notes are an integral part of these financial statements.

**EAST NORRITON TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 2,871,842	-	\$ 308,185	\$ 556,237	\$ 3,736,264
Due from other funds	35,938	-	3,450	-	39,388
Taxes receivable	133,228	-	-	-	133,228
Accounts receivable	-	-	375	850	1,225
Restricted cash	124,593	-	981,173	-	1,105,766
TOTAL ASSETS	\$ 3,165,601	\$ -	\$ 1,293,183	\$ 557,087	\$ 5,015,871
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 78,542	-	\$ 107	\$ 7,465	\$ 86,114
Due to other funds	3,450	-	11,105	39	14,594
Accrued payroll	130,010	-	-	7,002	137,012
Escrow deposits	100,408	-	-	-	100,408
Total Liabilities	312,410	-	11,212	14,506	338,128
FUND BALANCES:					
Restricted	9,875	-	-	542,581	552,456
Committed to subsequent year's budget	1,019,239	-	-	-	1,019,239
Assigned	-	-	1,281,971	-	1,281,971
Unassigned	1,824,077	-	-	-	1,824,077
Total Fund Balances	2,853,191	-	1,281,971	542,581	4,677,743
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,165,601	\$ -	\$ 1,293,183	\$ 557,087	\$ 5,015,871

The accompanying notes are an integral part of these financial statements.

**EAST NORRITON TOWNSHIP
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
DECEMBER 31, 2014**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 4,677,743

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 10,853,349

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Capital lease	\$ (779,763)	
Accrued interest	(26,680)	
Compensated absences	(92,184)	
Other post-employment benefits obligation	(215,618)	
Bonds payable, net	<u>(2,504,344)</u>	(3,618,589)

Refunded and new debt resulted in deferred charges which will be amortized over the life of the new debt but do not represent current rights. 17,563

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 11,930,066

The accompanying notes are an integral part of these financial statements.

**EAST NORRITON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General Fund	Debt Service Fund	Capital Projects Funds	Nonmajor Governmental Funds	Total
REVENUES:					
Taxes	\$ 6,393,280	-	\$ 342,544	\$ 602,752	\$ 7,338,576
Street light assessment	-	-	-	90,416	90,416
Licenses and permits	872,958	-	-	-	872,958
Fines, forfeits, and permits	81,653	-	-	-	81,653
Interest, dividends, and rents	1,453	-	478	1,882	3,813
Intergovernmental revenues	356,770	-	-	439,022	795,792
Charges for service/fees	43,528	-	-	189,651	233,179
Miscellaneous revenue/other	190,777	-	21,218	10,859	222,854
TOTAL REVENUES	<u>7,940,419</u>	<u>-</u>	<u>364,240</u>	<u>1,334,582</u>	<u>9,639,241</u>
EXPENDITURES:					
General government	1,091,137	-	31,496	-	1,122,633
Public safety	3,696,814	-	79,351	287,769	4,063,934
Highways and streets	766,673	-	43,413	313,462	1,123,548
Culture and recreation	15,000	-	-	480,691	495,691
Payroll taxes and employee benefits	2,030,106	-	-	125,694	2,155,800
Insurance	44,787	-	-	12,824	57,611
Debt service:					
Principal	-	555,000	-	-	555,000
Interest	-	96,002	-	-	96,002
Capital outlay	-	-	63,821	753,833	817,654
TOTAL EXPENDITURES	<u>7,644,517</u>	<u>651,002</u>	<u>218,081</u>	<u>1,974,273</u>	<u>10,487,873</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>295,902</u>	<u>(651,002)</u>	<u>146,159</u>	<u>(639,691)</u>	<u>(848,632)</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from long-term financing	-	-	-	576,030	576,030
Refund of prior year expenditures	-	34,000	6,722	20,583	61,305
Interfund transfer out	(349,027)	-	-	(52,583)	(401,610)
Interfund transfer in	486,622	651,002	-	61,000	1,198,624
TOTAL OTHER FINANCING SOURCES	<u>137,595</u>	<u>685,002</u>	<u>6,722</u>	<u>605,030</u>	<u>1,434,349</u>
NET CHANGE IN FUND BALANCES	433,497	34,000	152,881	(34,661)	585,717
FUND BALANCES, BEGINNING OF YEAR	<u>2,419,694</u>	<u>(34,000)</u>	<u>1,129,090</u>	<u>577,242</u>	<u>4,092,026</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,853,191</u>	<u>\$ -</u>	<u>\$ 1,281,971</u>	<u>\$ 542,581</u>	<u>\$ 4,677,743</u>

The accompanying notes are an integral part of these financial statements.

**EAST NORRITON TOWNSHIP
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 585,717

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the effect of these differences:

Capital outlays	\$ 890,109	
Loss on disposal	(18,568)	
Depreciation expense	<u>(426,835)</u>	444,706

Capital lease proceeds are reported as financing sources in the governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, incurrence of a capital lease 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. This is the amount by which capital lease proceeds of \$576,030 exceeded capital lease repayments of \$165,568. (410,462)

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. Deferred inflows of resources decreased by this amount this year. (84,614)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and, thus, requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (26,680)

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	6,244	
Deferred refunding	(8,785)	
Principal repayments	<u>555,000</u>	552,459

In the statement of activities, certain operating expenses—compensated absences (vacations and sick leave) and special termination benefits (early retirement)—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). This is the amount by which current period amounts earned exceeded current period compensated absences paid.

Compensated absences	(8,991)	
Other post-employment benefits	<u>(97,412)</u>	<u>(106,403)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 954,723

The accompanying notes are an integral part of these financial statements.

**EAST NORRITON TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes:				
Real estate	\$1,672,000	\$1,672,000	\$ 1,659,144	\$ (12,856)
Real estate - transfer	250,000	370,750	487,659	116,909
Earned income	2,175,000	2,175,000	2,758,572	583,572
Business privilege tax	800,000	800,000	945,853	145,853
Local services tax	350,000	350,000	431,126	81,126
Other	-	-	110,926	110,926
Licenses and permits	673,250	673,250	872,958	199,708
Fines, forfeits, and permits	81,000	81,000	81,653	653
Interest, dividends, and rents	450	450	1,453	1,003
Intergovernmental revenues	439,442	439,442	356,770	(82,672)
Charges for service/fees	45,000	46,600	43,528	(3,072)
Miscellaneous revenue/other	83,700	96,700	190,777	94,077
TOTAL REVENUES	<u>6,569,842</u>	<u>6,705,192</u>	<u>7,940,419</u>	<u>1,235,227</u>
EXPENDITURES				
General government	1,144,959	1,229,209	1,091,137	138,072
Public safety	3,692,633	3,705,633	3,696,814	8,819
Highways and streets	557,701	595,801	766,673	(170,872)
Culture and recreation	15,000	15,000	15,000	-
Miscellaneous:				-
Payroll taxes and employee benefits	2,385,135	2,385,135	2,030,106	355,029
Insurance	44,787	44,787	44,787	-
TOTAL EXPENDITURES	<u>7,840,215</u>	<u>7,975,565</u>	<u>7,644,517</u>	<u>331,048</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,270,373)</u>	<u>(1,270,373)</u>	<u>295,902</u>	<u>1,566,275</u>
OTHER FINANCING SOURCES (USES)				
Cash carry over	1,132,422	1,132,422	-	(1,132,422)
Interfund transfer out	(348,671)	(348,671)	(349,027)	(356)
Interfund transfer in	486,622	486,622	486,622	-
TOTAL OTHER FINANCING SOURCES	<u>1,270,373</u>	<u>1,270,373</u>	<u>137,595</u>	<u>(1,132,778)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	433,497	<u>\$ 433,497</u>
FUND BALANCE, BEGINNING OF YEAR			<u>2,419,694</u>	
FUND BALANCE, END OF YEAR			<u>\$2,853,191</u>	

**EAST NORRITON TOWNSHIP
STATEMENT OF NET POSITION - PROPRIETARY FUND
DECEMBER 31, 2014**

	Sewer Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 793,456
Sewer rents receivable	1,302,916
Total Current Assets	2,096,372
Noncurrent Assets:	
Depreciable capital assets, net	1,682,903
Total Noncurrent Assets	1,682,903
TOTAL ASSETS	\$ 3,779,275
LIABILITIES AND NET POSITION	
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 14,657
Accrued payroll	13,058
Due to other funds	24,794
Total Current Liabilities	52,509
Total Liabilities	52,509
NET POSITION	
Net investment in capital assets	1,682,903
Unrestricted	2,043,863
Total Net Position	3,726,766
TOTAL LIABILITIES AND NET POSITION	\$ 3,779,275

The accompanying notes are an integral part of these financial statements.

**EAST NORRITON TOWNSHIP
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Sewer Fund</u>
OPERATING REVENUES:	
Fees	\$ 3,040,791
Total Operating Revenues	<u>3,040,791</u>
OPERATING EXPENSES:	
Administration	136,377
Contracted services	1,582,397
Depreciation	119,596
Repairs and maintenance	93,936
Salaries and wages	328,809
Supplies	28,850
Utilities	202,485
Total Operating Expenses	<u>2,492,450</u>
OPERATING INCOME	<u>548,341</u>
NONOPERATING REVENUE:	
Interest income	<u>13,029</u>
INCOME BEFORE TRANSFERS	<u>561,370</u>
TRANSFERS	
Transfers out	<u>(797,014)</u>
CHANGE IN NET POSITION	(235,644)
NET POSITION, BEGINNING OF YEAR	<u>3,962,410</u>
NET POSITION, END OF YEAR	<u><u>\$ 3,726,766</u></u>

The accompanying notes are an integral part of these financial statements.

**EAST NORRITON TOWNSHIP
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 3,275,534
Cash payments to suppliers for goods and services	(2,017,356)
Cash payments to employees for services	(328,809)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>929,369</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers out	(797,014)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(797,014)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of capital assets	(110,930)
Interest received	13,029
NET CASH USED BY INVESTING ACTIVITIES	<u>(97,901)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	34,454
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>759,002</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 793,456</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 548,341
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	119,596
Decrease in sewer rents receivable	234,743
Increase in due to other funds	6,352
Increase in accounts payable	20,337
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 929,369</u>

The accompanying notes are an integral part of these financial statements.

**EAST NORRITON TOWNSHIP
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2014**

	<u>Pension Trust Funds</u>	<u>Health Benefits Fund</u>
ASSETS		
Cash and cash equivalents	\$ 563,718	\$ 753,042
Investments	<u>15,424,132</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 15,987,850</u></u>	<u><u>\$ 753,042</u></u>
 LIABILITIES AND NET POSITION		
Annuities payable	\$ 52,932	\$ -
 NET POSITION		
Held in trust for pension benefits and other purposes	<u>15,934,918</u>	<u>753,042</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 15,987,850</u></u>	<u><u>\$ 753,042</u></u>

The accompanying notes are an integral part of these financial statements.

**EAST NORRITON TOWNSHIP
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Pension Trust Funds	Health Benefits Fund
ADDITIONS		
Contributions - Employee	\$ 531,593	\$ -
Contributions - State	274,960	-
Contributions - Employer	208,697	-
Investment Income	781,781	171
TOTAL ADDITIONS	1,797,031	171
DEDUCTIONS		
Benefits paid	1,021,213	29,100
Administrative expenses	38,526	3,500
TOTAL DEDUCTIONS	1,059,739	32,600
CHANGE IN PLAN NET POSITION	737,292	(32,429)
NET POSITION, BEGINNING OF YEAR	15,197,626	785,471
NET POSITION, END OF YEAR	\$ 15,934,918	\$ 753,042

The accompanying notes are an integral part of these financial statements.

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of East Norriton complies with generally accepted accounting principles ("GAAP"). GAAP includes all relevant Governmental Accounting Standards Board ("GASB") pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Reporting Entity

Financial accountability is defined in GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 61. The Township is financially accountable for legally separate organizations if it appoints a voting majority of the organization's board and (1) it is able to impose its will on that organization; or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township. The Township also may be financially accountable if an organization is fiscally dependent on the Township regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

The Township has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the Township's financial statements. In addition, the Township is not aware of any entity which would exercise such oversight which would result in the Township being considered a component unit of the entity.

Basis of Presentation

Entity-wide Financial Statements

The statement of net position and the statement of activities display information about the Township as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. These statements exclude fiduciary activities such as pension funds.

The entity-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the entity-wide statements and the statements of governmental funds.

The entity-wide statement of activities presents a comparison between expenses and program revenues for each different identifiable activity of the business-type activities of the Township and for each governmental program. Expenses are those that are specifically associated with a service or program and, therefore, are clearly identifiable to a particular function. Program revenues

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

include charges paid by the recipients of the goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the Township.

Internal activity is limited to interfund transfers which are eliminated to avoid "doubling up" revenues and expenses. Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes results from special revenue and capital projects funds and the restrictions on their net position use.

Fund Financial Statements

Fund financial statements report detailed information about the Township. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The two major governmental funds are each presented in a single column on the governmental fund financial statements. The nonmajor governmental funds are presented in a single column on the governmental fund financial statements. Fiduciary fund financial statements are represented by fund type.

The Township reports the following major governmental funds:

- The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Capital Projects Fund** accounts for the resources accumulated for future capital projects.
- The **Debt Service Fund** is used to account for resources accumulated to pay for debt service expenditures of the Township.

The **Nonmajor Governmental Funds** are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. Included in these funds are the State Highway Aid, Street Lighting Tax, Fire Protection Tax, and Park and Recreation Funds.

The Township reports the following major proprietary fund:

- The **Sewer Fund** accounts for operations related to the collection of wastewater and the operation of sewage pumping stations. The sewage is transported to a sewer treatment plant not owned by the Township.

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenues for state and federally funded projects are recognized at the time all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Township must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis.

Other revenues, including certain other charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Further, as provided in GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements," certain governmental fund liabilities and expenditures, such as for compensated absences, are recognized to the extent the liabilities mature (come due for payment) each period. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The Township's only proprietary fund is an enterprise fund.

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Township's enterprise funds are user fees. Operating expenses for the Township's enterprise fund includes sewer disposal, salaries, supplies and administrative costs, and depreciation. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

Trust Funds - Trust Funds are used to account for assets held by the Township in a trustee capacity. These include the Pension Trust Funds and the Health Benefits Fund. The Pension Trust Funds account for the activities of the Police Pension Fund and the Non-Uniformed Pension Fund. Pension Trust Funds and the Health Benefits Fund are accounted for in essentially the same manner as proprietary funds since the measurement of the economic resources is critical.

Budgets

The Board of Supervisors annually adopts the budget for the General, Capital Projects, and Nonmajor Governmental (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 supplementary information have been adjusted for legally authorized revisions of the annual budgets during the year. All budgets lapse at year end.

Cash and Cash Equivalents

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Implementation of GASB Statement

During the current year, the Township implemented the provisions of GASB Statement No. 67, "Financial Reporting for Pension Plans." The objective of this statement is to improve financial reporting by state and local governmental pension plans. The effects of implementing this standard is reflected in the footnote disclosures and required supplementary information for the Police and Non-Uniformed Pension Plans of the Township.

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investments

Investments consist of mutual funds (pensions) and are recorded at fair value.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the entity-wide financial statements as "internal balances."

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide financial statements as well as in the proprietary fund financial statements. The Township capitalizes assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant, and equipment (net of salvage value) of the Township are depreciated using the straight-line method over the following estimated useful lives:

Buildings	20 - 50 years
Improvements	10 - 50 years
Machinery and equipment	5 - 50 years

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.

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred Inflows/Outflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and, therefore, will not be recognized as an inflow of resources (revenue) until that time.

Deferred outflows of resources represent 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. In the entity-wide financial statements, deferred outflows of resources consist of a deferred charge on a bond refunding. These amounts are deferred and amortized over the shorter of the life of the refund of refunding debt.

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-Uniformed 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 illnesses. Non-Uniformed personnel with up to three sick days used are compensated for perfect attendance with the equivalent of up to four days of vacation time.

Long-term Obligations

In the entity-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds and reported net of outstanding debt. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received and discounts paid on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, generally are reported as debt service expenditures, except for refundings paid from proceeds which are reported as other financing uses.

Fund Balances

As of December 31, 2014, fund balances of the governmental funds are classified, if applicable, as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by formal action of the Board of Township Supervisors. The Board is the highest level of decision-making authority for the Township. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Board has designated the Township Manager the authority to assign amounts for specific purposes.

Unassigned – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Township considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Township considers amounts to have been spent first out of committed funds, then assigned funds and, finally, unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Use of Estimates in the Preparation of Financial Statements

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

NOTE 2 TAXES

For 2014, the following tax was levied on assessed value of real estate:

- .1447 mills for general purposes
- .0270 mills for debt purposes
- .0326 mills for parks and recreational purposes
- .0030 mills for street light purposes
- .0288 mills for fire purposes
- .0366 mills for capital project purposes

The taxable assessed valuation of property as of December 31, 2014 was \$970,705,373.

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 2 TAXES (cont'd)

The real estate tax collection calendar is as follows:

Initial billing	-	March 1
Discount period	-	March 1 - April 30
Face period	-	May 1 - June 30
Penalty period	-	July 1 and thereafter
Lien date	-	January 1

Other taxes levied in 2014:

Real estate transfer	-	.5% of sale price
Earned income tax	-	.5% of gross income
Local services tax	-	\$52 per person
Business privilege tax	-	.001 - .0015% of gross receipts

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The Township is required by statute to deposit funds in depositories that are either banks, banking institutions, or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States of America, the Commonwealth of Pennsylvania, or any political subdivision of the Commonwealth. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit.

At December 31, 2014, the carrying amount of the Township's deposits was \$5,635,486, and the bank balance was \$5,679,474 (exclusive of the fiduciary funds). Of the bank balance, \$250,000 was covered by federal depository insurance, and \$251,009 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the Township's name.

The remaining deposits of \$5,178,465 were with the Pennsylvania Local Government Investment Trust ("PLGIT"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit. As of December 31, 2014, PLGIT was rated as AAAM by a nationally recognized statistical rating organization.

See Notes 8, 9, and 10 for the fiduciary fund deposit disclosures.

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 4 INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2014 is as follows:

<u>Receivable To:</u>	<u>Amount</u>	<u>Payable From:</u>	<u>Amount</u>
General Fund	\$ 35,938	General Fund	\$ 3,450
Capital Projects Fund	<u>3,450</u>	Nonmajor Governmental Fund	39
		Capital Projects Fund	11,105
		Sewer Fund	<u>24,794</u>
	<u>\$ 39,388</u>		<u>\$ 39,388</u>

Interfund balances represent temporary borrowings between funds and are typically liquidated soon after year end.

Interfund transfers for the year ended December 31, 2014 are as follows:

<u>Transfers In:</u>		<u>Transfers Out:</u>	
General Fund	\$ 486,622	General Fund	\$ 349,027
Special Revenue Fund	61,000	Special Revenue Fund	52,583
Debt Service Fund	<u>651,002</u>	Sewer Fund	<u>797,014</u>
	<u>\$ 1,198,624</u>		<u>\$ 1,198,624</u>

Transfers represent funds set aside for the anticipation of future capital needs and to fund current debt service.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

	<u>Balance 01/01/14</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/14</u>
Governmental Activities:				
Capital assets not being depreciated:				
Infrastructure	\$ 4,921,823	\$ -	\$ -	\$ 4,921,823
Land	<u>1,479,105</u>	-	-	<u>1,479,105</u>
Total capital assets not being depreciated	<u>6,400,928</u>	-	-	<u>6,400,928</u>
Capital assets being depreciated:				
Site improvements	5,144,657	24,557	-	5,169,214
Building and improvements	2,435,703	21,651	-	2,457,354
Machinery and equipment	2,455,887	95,139	25,216	2,525,810
Vehicles	<u>1,900,039</u>	<u>748,762</u>	<u>46,420</u>	<u>2,602,381</u>
Total capital assets being depreciated	<u>11,936,286</u>	<u>890,109</u>	<u>71,636</u>	<u>12,754,759</u>

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

	<u>Balance</u> 01/01/14	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> 12/31/14
Less accumulated depreciation for:				
Site improvements	2,593,870	119,414	-	2,713,284
Building and improvements	1,947,924	55,777	-	2,003,701
Machinery and equipment	2,143,813	72,553	25,216	2,191,150
Vehicles	1,242,964	179,091	27,852	1,394,203
Total accumulated depreciation	<u>7,928,571</u>	<u>426,835</u>	<u>53,068</u>	<u>8,302,338</u>
Total capital assets being depreciated, net	<u>4,007,715</u>	<u>463,274</u>	<u>18,568</u>	<u>4,452,421</u>
Governmental Activities, Net	<u>\$10,408,643</u>	<u>\$ 463,274</u>	<u>\$ 18,568</u>	<u>\$10,853,349</u>
Business-type Activities:				
Capital assets being depreciated:				
Plant costs financed by East Norriton				
Township Municipal Authority	\$ 2,196,513	\$ -	\$ -	\$ 2,196,513
Sewer garage	52,106	-	-	52,106
Sewer systems	5,026,854	81,272	-	5,108,126
Municipal Building improvements	153,720	-	-	153,720
Vehicles	171,747	-	-	171,747
Equipment and machinery	858,568	29,658	-	888,226
Total capital assets being depreciated	<u>8,459,508</u>	<u>110,930</u>	<u>-</u>	<u>8,570,438</u>
Total accumulated depreciation	<u>6,767,939</u>	<u>119,596</u>	<u>-</u>	<u>6,887,535</u>
Total capital assets being depreciated, net	<u>1,691,569</u>	<u>(8,666)</u>	<u>-</u>	<u>1,682,903</u>
Business-type Activities, Net	<u>\$ 1,691,569</u>	<u>\$ (8,666)</u>	<u>\$ -</u>	<u>\$ 1,682,903</u>

Depreciation expense was charged to the following functions:

Governmental Activities:	
General government	\$ 70,815
Public safety	254,875
Public works - highways and streets	70,465
Culture and recreation	<u>30,680</u>
Total Governmental Activities	<u>\$ 426,835</u>
Business-type Activities:	
Sewer	<u>\$ 119,596</u>
Total Business-type Activities	<u>\$ 119,596</u>

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 6 CAPITAL LEASES - LESSEE

The Township entered into lease agreements as lessee for financing the acquisition of various equipment and vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the net present value of future minimum lease payments as of the inception date.

Equipment and vehicles acquired through capital leases	\$ 1,327,666
Less: accumulated depreciation	<u>(372,234)</u>
TOTAL	<u>\$ 955,432</u>

Future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2014 are as follows:

<u>Year Ending December 31,</u>		
2015	\$	202,540
2016		202,540
2017		169,654
2018		83,233
2019		70,991
Thereafter		<u>141,982</u>
Total minimum lease payments		870,940
Less: amount representing interest		<u>(91,177)</u>
Net present value of minimum lease payments	\$	<u>779,763</u>

Amortization of leased equipment and vehicles under capital assets is included with depreciation expense.

NOTE 7 LONG-TERM DEBT

The Township has issued General Obligation Bonds for its governmental activities as follows:

General Obligation Bond, Series of 2010, issued in the original amount of \$4,240,000. Interest rates range from 2.0% to 4.0% with interest payable semi-annually and principal payable annually from August 2010 through August 2020.

\$ 2,470,000

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 7 LONG-TERM DEBT (cont'd)

An analysis of debt service requirements including sinking fund requirements to maturity on these obligations is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 570,000	\$ 76,481
2016	595,000	53,681
2017	335,000	39,550
2018	315,000	30,505
2019	320,000	21,055
2020	<u>335,000</u>	<u>11,055</u>
TOTAL	<u>\$ 2,470,000</u>	<u>\$ 232,327</u>

A schedule of changes in long-term liabilities is as follows:

	<u>Outstanding 01/01/14</u>	<u>Increases</u>	<u>Decreases</u>	<u>Outstanding 12/31/14</u>	<u>Amounts Due in One Year</u>
Governmental Activities:					
General obligation bonds	\$ 3,025,000	\$ -	\$ 555,000	\$ 2,470,000	\$ 570,000
Plus: Bond premium	40,588	-	6,244	34,344	6,244
Subtotal	<u>3,065,588</u>	<u>-</u>	<u>561,244</u>	<u>2,504,344</u>	<u>576,244</u>
Capital leases	369,301	576,030	165,568	779,763	172,839
Compensated absences	83,193	8,991	-	92,184	-
Other post-employment benefits	<u>118,206</u>	<u>97,412</u>	<u>-</u>	<u>215,618</u>	<u>-</u>
Total Governmental Activities	<u>\$ 3,636,288</u>	<u>\$ 682,433</u>	<u>\$ 726,812</u>	<u>\$ 3,591,909</u>	<u>\$ 749,083</u>

For the year ended December 31, 2014, interest expense on long-term debt was \$125,223.

NOTE 8 POLICE PENSION FUND

Plan description and provisions:

The Police Pension Fund is a single-employer defined benefit pension plan. The plan is governed by the Township Board of Supervisors, which may amend plan provisions and is responsible for the management of plan assets. The Board of Supervisors has delegated the authority to manage certain plan assets to Conrad Siegel Investment Advisors.

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION FUND (cont'd)

Plan Membership

As of December 31, 2014, pension plan membership consisted of the following:

Active employees	25
Retirees and beneficiaries currently receiving benefits	19
Vested terminated members	<u>1</u>
Total	<u>45</u>

Eligibility Requirements and Benefit Provisions

Actuarial valuation report Form 205, filed with the Public Employee Retirement Study Commission and dated as of January 1, 2013, disclosed that the pension plan benefit provisions are as follows:

All full-time members of the Police Force join the plan upon employment. Members who retire at or after age 50 with 25 years of continuous service are eligible for normal retirement and are entitled to 50 percent of the average total monthly compensation during the last 36 months of employment.

If a member continues to work after the normal retirement date, the pension benefit does not start until the employee actually retires. The monthly postponed retirement pension benefit is the same as the normal retirement benefit amount.

An active member is eligible for a disability benefit if the member is totally and permanently disabled in the line of duty. The disability retirement benefit is equal to 50 percent of the member's monthly salary at the time of disability and shall be reduced by any benefits payable under the federal social security laws. If a disabled participant dies before he has received disability benefits in an amount equal to the total contributions made by him to the pension fund, then the unpaid balance shall be paid in a lump sum to his designated beneficiary.

A member becomes 100 percent vested in the benefit accrued after 12 or more years of continued service. Payments continue after the member's death to the surviving spouse, or eligible child, equal to 50 percent of the monthly pension payable to the member at the time of death.

If a member dies before becoming 100 percent vested, then the surviving spouse or eligible child is entitled to receive repayment of all the contributions made by that member into the plan plus interest or other increases to the value of the member's interest in the pension fund.

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION FUND (cont'd)

Deferred Retirement Option Program ("DROP")

An active member who has met the eligibility requirements for normal retirement may elect to participate in the deferred retirement option program for a period of not less than 12 months nor more than 36 months. The monthly pension shall be calculated as of the date of participation in the program and shall be accumulated with 4.5 percent annual interest and distributed in a lump sum at retirement. At December 31, 2014, the pension plan held \$52,932 in accumulated DROP payments payable.

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2014, the carrying amount of the Police Pension Fund's deposits was \$305,294 and is in the form of a money market mutual fund and not subject to custodial credit risk.

Investments

The investment objective of the Police Pension Fund is to maintain a balanced portfolio comprised of equity and fixed-income securities and, as such, is intended to be structured less aggressively than equity-oriented portfolios. All investment balances are maintained in mutual funds, which do not have a maturity date.

As of December 31, 2014, the Township Police Pension Fund had the following investments:

	<u>Fair Value</u>
Domestic equity mutual funds	\$ 6,446,133
International equity mutual funds	1,099,767
Fixed income mutual funds	2,725,392
Real estate mutual funds	<u>302,216</u>
TOTAL	<u>\$ 10,573,508</u>

Investments in external investment pools, such as those in mutual funds, are disclosed but not subject to interest rate, custodial, credit, or concentration risks because they are not evidenced by securities that exist in physical or book entry form. At December 31, 2014, there were no investments in individual funds which exceeded five percent of net position.

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION FUND (cont'd)

Administrative Costs

Administrative costs, including the investment manager, custodial trustee, and actuarial services, are charged to the plan and paid from pension funds.

Contributions

Act 205 requires that annual contributions be based upon the minimum municipal obligation ("MMO"). The MMO is based upon the plan's biennial actuarial valuation. Employees were required to contribute five percent of eligible compensation into the plan during the first nine months of 2014 and zero percent thereafter. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds the state contribution must be funded by the employer in accordance with Act 205.

Net Pension Liability

The net pension liability was measured as of December 31, 2014, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2013. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

Total pension liability	\$ 14,287,592
Plan fiduciary net position	(10,882,944)
Township's net pension liability	<u>\$ 3,404,648</u>
Plan fiduciary net position as a percentage of total pension liability	76.17%

Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
1/1/2013	\$8,780,624	\$12,768,958	\$3,988,334	68.8%	\$2,295,702	173.7%

The schedule of funding progress presented as required supplementary information ("RSI") immediately 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 AAL for benefits.

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION FUND (cont'd)

Actuarial Methods and Assumptions

In the January 1, 2013 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a seven and one-half percent investment rate of return and a five percent annual salary increase. The UAAL is being amortized based on the level dollar, 30-year closed period. The remaining amortization period at December 31, 2014 was 13 years. Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates by the target asset allocation percentage and then adding expected inflation. The target allocation is in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	42.0%	7.0%
International Equity	15.0%	6.0%
Fixed Income	40.0%	2.5%
Real Estate	03.0%	7.0%

Discount Rate Determination

The discount rate used to measure the total pension liability was 7.5 percent. The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The Township has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Township, calculated using the discount rate of 7.5 percent, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate:

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION FUND (cont'd)

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Police Pension net pension liability	\$ 5,114,029	\$ 3,404,648	\$ 1,970,823

Money Weighted Rate of Return

For the year ended December 31, 2014, the annual money weighted rate of return on the police pension fund investments, net of investment expense was 5.36 percent. The money weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension investments by the proportion of time available to earn a return during that period.

NOTE 9 NON-UNIFORMED PENSION FUND

Plan descriptions and provisions:

The Non-Uniformed Pension Fund is a single-employer defined benefit pension plan. The plan is governed by the Township Board of Supervisors, which may amend plan provisions and is responsible for the management of plan assets. The Board of Supervisors has delegated the authority to manage certain plan assets to Conrad Siegel Investment Advisors.

Plan Membership

As of December 31, 2014, the pension plan membership consisted of the following:

Active employees	23
Retirees and beneficiaries currently receiving benefits	26
Vested terminated members	<u>4</u>
Total	<u>53</u>

Eligibility Requirements and Benefit Provisions

Actuarial valuation report Form 205, filed with the Public Employee Retirement Study Commission and dated as of January 1, 2013, disclosed that the pension plan benefit provisions are as follows:

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 9 NON-UNIFORMED PENSION FUND (cont'd)

Non-Uniformed Employees

All full-time employees (other than police officers) join the plan upon employment. Employees are eligible for normal retirement at or after age 58 with 10 years of continuous service and entitled to 1.0 percent of average monthly compensation up to \$750, plus 1.5 percent of average monthly compensation in excess of \$750, multiplied by the number of years and months of benefit service completed.

If a member continues to work after the normal retirement date, the pension benefit does not start until the employee actually retires. The monthly postponed retirement pension benefit is the same as the normal retirement benefit amount.

Members are eligible for early retirement at age 55 with 10 years of service. The monthly early retirement pension benefit is equal to the actuarial equivalent of the accrued benefit amount multiplied by the percentage specified in the plan.

An active member is eligible for a disability benefit if the member is totally and permanently disabled in accordance with the Federal Social Security Act. The disability retirement benefit is equal to the accrued retirement benefit amount and shall commence at the normal retirement date.

A member becomes 100 percent vested in the benefit accrued after 10 or more years of continued service.

If a member dies prior to retirement, the member's designated beneficiary will receive a monthly pension equal to 50 percent of the member's accrued pension at the time of his death, payable immediately.

Deferred Retirement Option Program ("DROP")

For employees hired before August 1, 2014, an active member who has met the eligibility requirements for normal retirement may elect to participate in the deferred retirement option program for a period of not less than one year nor more than five years. For employees hired on or after August 1, 2014, an active member who has met the eligibility requirements for normal retirement may elect to participate in the deferred retirement option program for a period of not less than one year nor more than three years. His monthly pension shall be calculated as of his date of participation in the program and shall be accumulated with 4.5 percent annual interest and distributed in a lump sum at retirement.

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 9 NON-UNIFORMED PENSION FUND (cont'd)

Deposits and Investments

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2014, the carrying amount of the Non-Uniformed Pension Funds' deposits was \$258,424 and is in the form of a money market mutual fund and not subject to custodial credit risk.

Investments

The investment objective of the Non-Uniformed Pension Fund is to maintain a balanced portfolio comprised of equity and fixed-income securities and, as such, is intended to be structured less aggressively than equity-oriented portfolios. All investment balances are maintained in mutual funds, which do not have a maturity date.

As of December 31, 2014, the Non-Uniformed Pension Fund had the following investments:

	<u>Fair Value</u>
Domestic equity mutual funds	\$ 2,957,185
International equity mutual funds	504,513
Fixed income mutual funds	1,250,283
Real estate mutual funds	<u>138,643</u>
TOTAL	<u>\$ 4,850,624</u>

Investments in external investment pools, such as those in mutual funds, are disclosed but not subject to interest rate, custodial, credit, or concentration risks because they are not evidenced by securities that exist in physical or book entry form. At December 31, 2014, there were not investments in individual funds which exceeded five percent of net position.

Administrative Costs

Administrative costs, including the investment manager, custodial trustee, and actuarial services, are charged to the plan and paid from pension plan funds.

Contributions

Act 205 requires that annual contributions be based upon the minimum municipal obligation ("MMO"). The MMO is based upon the plan's biennial actuarial valuation. Non-Uniformed employees were required to contribute two percent and five percent, respectively, to the plan during 2014. The state provides an allocation of funds which must be used for pension funding.

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 9 NON-UNIFORMED PENSION FUND (cont'd)

Any financial requirement established by the MMO which exceeds the state and employee contributions must be funded by the employer in accordance with Act 205.

Net Pension Liability

The net pension liability was measured as of December 31, 2014, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2013. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

Total pension liability	\$ 6,923,517
Plan fiduciary net position	(5,109,048)
Township's net pension liability	<u>\$ 1,814,469</u>
Plan fiduciary net position as a percentage of total pension liability	73.8%

Funded Status and Funding Progress

The funded status of the plans as of the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
1/1/2013	\$4,102,051	\$6,200,881	\$2,098,830	66.15%	\$1,743,851	120.4%

The schedule of funding progress presented as required supplementary information ("RSI") immediately 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 AAL for benefits.

Actuarial Methods and Assumptions

In the January 1, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included an eight percent investment rate of return. The UAAL is being amortized based on the level dollar, 30-year closed period. The remaining amortization period at December 31, 2014 was 14 years.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 9 NON-UNIFORMED PENSION FUND (cont'd)

combined to produce the long-term expected rate of return by weighing the expected future real rates by the target asset allocation percentage and then adding expected inflation. The target allocation is in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	42.0%	7.0%
International Equity	15.0%	6.0%
Fixed Income	40.0%	2.5%
Real Estate	03.0%	7.0%

Discount Rate Determination

The discount rate used to measure the total pension liability was 7.5 percent. The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The Township has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Township, calculated using the discount rate of 7.5 percent, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Non-Uniformed Pension net pension liability	\$ 2,524,170	\$ 1,814,469	\$ 1,211,796

Money Weighted Rate of Return

For the year ended December 31, 2014, the annual money weighted rate of return on the police pension fund investments, net of investment expense was 5.30 percent. The money weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension investments by the proportion of time available to earn a return during that period.

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 10 POST-EMPLOYMENT HEALTHCARE PLAN

Plan Description

The Township's post-employment healthcare plan is a single-employer defined benefit healthcare plan. The plan provides medical and dental insurance benefits to eligible retirees, spouses, and dependents. The Board of Supervisors assigns the authority to establish and amend benefit provisions. The plan does not issue any financial report.

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 post-employment benefit 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 costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Township's OPEB cost for the year, the amount actually contributed to the plan, and changes in the Township's net OPEB obligation to the plan.

Annual required contribution	\$ 108,248
Interest on net OPEB obligation	29,749
Adjustment to annual required contribution	<u>(40,585)</u>
Annual OPEB cost (expense)	97,412
Contributions made	<u>-</u>
Increase in net OPEB obligation	97,412
Net OPEB obligation - beginning of year	<u>118,206</u>
Net OPEB obligation - end of year	<u>\$ 215,618</u>

Funded Status and Funding Progress

The schedule of funding progress of OPEB is as follows:

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 10 POST-EMPLOYMENT HEALTHCARE PLAN (cont'd)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
1/1/2014	\$ -	\$1,202,412	\$1,202,412	0.00%	\$2,759,746	43.57%
1/1/2011	\$ -	\$1,069,358	\$1,069,358	0.00%	\$2,404,010	44.48%
1/1/2008	\$ -	\$2,258,834	\$2,258,834	0.00%	\$2,151,919	104.97%

Actuarial valuations of an ongoing plan involve 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 healthcare cost trends. 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.

Actuarial 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 actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial 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 actuarial cost method was used. The actuarial assumptions included a 4.50 percent investment rate of return and an annual healthcare cost trend rate of 8 percent, reduced by decrements to an ultimate rate of 5 percent after six years. The UAAL is being amortized based on the level dollar, 30-year open period. The remaining amortization period at December 31, 2014 was 23 years.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2014, the carrying amount of the post-employment benefit plan deposits was \$753,042 and is in the form of a money market mutual fund and not subject to custodial credit risk.

NOTE 11 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, 2014, General Fund assets of \$9,875 have been restricted for this purpose.

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 11 RESTRICTED ASSETS (cont'd)

Capital Projects Funds assets of \$981,173 have been assigned for specific capital improvements.

NOTE 12 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 \$114,718 is maintained in the cash accounts of the Township.

NOTE 13 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The General Fund incurred an expenditure in excess of appropriations in the following amount for the year ended December 31, 2014:

Highways and streets	\$ 170,872
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The excess expenditure was covered by actual revenues exceeding budgeted revenues.

NOTE 14 FUND BALANCES

As of December 31, 2014, fund balances are composed of the following:

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Restricted:				
Norris City Cemetery	\$ 9,875	\$ -	\$ -	\$ 9,875
Street lights	-	-	30,425	30,425
Fire protection	-	-	151,957	151,957
Parks and recreation	-	-	262,616	262,616
Liquid fuels	-	-	97,583	97,583
Committed to subsequent year's budget	1,019,239	-	-	1,019,239
Assigned:				
Capital projects	-	1,281,971	-	1,281,971
Unassigned	1,824,077	-	-	1,824,077
 Total Fund Balances	 \$ 2,853,191	 \$ 1,281,971	 \$ 542,581	 \$ 4,677,743

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 15 OPERATING LEASES - LESSEE

The Township leases office equipment under noncancelable operating leases with terms ending from 2015 to 2019.

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

Year Ending December 31,

2015	\$ 21,958
2016	11,039
2017	9,132
2018	6,797
2019	<u>1,482</u>
Total	<u>\$ 50,408</u>

Total expense for the year ended December 31, 2014 was \$23,735.

NOTE 16 RISK MANAGEMENT

The Township is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. There were no significant reductions in insurance coverages for the 2014 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 17 SUBSEQUENT EVENTS

The Township has evaluated all subsequent events through April 27, 2015, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

EAST NORRITON TOWNSHIP
PENSION FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE TOWNSHIP'S NET PENSION LIABILITY AND RELATED RATIOS

	Police Pension	Non-Uniformed Pension
<u>TOTAL PENSION LIABILITY</u>		
Service cost	\$ 361,775	\$ 144,642
Interest cost	1,010,772	483,969
Benefit payments	(763,405)	(256,992)
NET CHANGE IN TOTAL PENSION LIABILITY	609,142	371,619
TOTAL PENSION LIABILITY, BEGINNING OF YEAR	13,678,450	6,551,898
TOTAL PENSION LIABILITY, END OF YEAR	\$ 14,287,592	\$ 6,923,517
 <u>PLAN FIDUCIARY NET POSITION</u>		
Contributions		
Employer	\$ 532,716	\$ 225,902
Employee	126,445	77,446
Donations	750	-
Net investment income	509,313	238,284
Benefit payments	(763,405)	(256,992)
Administrative expenses	(3,800)	(4,000)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	402,019	280,640
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	10,480,925	4,828,408
PLAN FIDUCIARY NET POSITION, END OF YEAR	\$ 10,882,944	\$ 5,109,048
 TOWNSHIP'S NET PENSION LIABILITY	 \$ 3,404,648	 \$ 1,814,469
Plan fiduciary net position as a percentage of total pension liability	76.17%	73.79%
Covered Employee Payroll	2,549,836	1,531,039
Township's net pension liability as a percentage of covered payroll	133.52%	118.51%
Annual money-weighted rate of return, net of investment expense	5.36%	5.30%

Ten year activity will be reported in future years as information becomes available.

**EAST NORRITON TOWNSHIP
PENSION FUNDS**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF TOWNSHIP CONTRIBUTIONS

Year		Actuarial Determined Contribution	Contributions from Employer	Contribution Deficiency (Excess	Covered Employee Payroll	Contributions as a Percentage of Payroll
2005	Police	\$ 245,848	\$ 245,848	\$ -	\$ -	-
	Non-Uniformed	139,029	139,029			
2006	Police	215,195	215,195	-	*	*
	Non-Uniformed	133,757	133,757			
2007	Police	183,019	183,019	-		-
	Non-Uniformed	132,012	132,012			
2008	Police	198,579	198,579	-	*	*
	Non-Uniformed	138,690	138,690			
2009	Police	269,029	269,029	-	2,267,943	11.86%
	Non-Uniformed	155,818	155,818		1,672,191	9.32%
2010	Police	270,911	270,911	-	*	*
	Non-Uniformed	136,204	136,204			
2011	Police	354,772	354,772	-	2,404,010	14.76%
	Non-Uniformed	169,669	169,669		1,740,017	9.75%
2012	Police	354,474	354,475	(1)	*	*
	Non-Uniformed	137,467	137,467			
2013	Police	519,812	519,812	-	2,295,702	22.64%
	Non-Uniformed	227,365	227,365		1,743,851	13.04%
2014	Police	532,716	532,716	-	2,549,836	20.89%
	Non-Uniformed	225,902	225,902		1,531,039	14.75%

* Not available due to biennially required Act 205 report.

Notes to schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar closed
Remaining amortization period	13 years
Asset valuation method	Market value of assets as determined by the trustee
Inflation	3.00%
Salary increases	5.00%
Investment rate of return	7.50%
Retirement age	Normal retirement age
Mortality	RP2000 table. This table does not include projected mortality improvement.

Other information:

There have been no changes in benefit terms since January 1, 2013.

SUPPLEMENTARY INFORMATION

EAST NORRITON TOWNSHIP
BUDGETARY COMPARISON STATEMENT - OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes:				
Real estate	\$ 597,250	\$ 597,250	\$ 602,752	\$ 5,502
Street light assessment	86,000	86,000	90,416	4,416
Licenses and permits	4,000	4,000	-	(4,000)
Interest, dividends, and rents	-	-	1,882	1,882
Intergovernmental revenues	406,740	416,015	439,022	23,007
Charges for service/fees	176,200	179,200	189,651	10,451
Miscellaneous revenue/other	1,000	1,000	10,859	9,859
TOTAL REVENUES	<u>1,271,190</u>	<u>1,283,465</u>	<u>1,334,582</u>	<u>51,117</u>
EXPENDITURES				
Public safety	376,166	376,166	287,769	88,397
Highways and streets	344,240	345,515	313,462	32,053
Culture and recreation	564,613	567,613	480,691	86,922
Miscellaneous:				
Payroll taxes and employee benefits	145,834	145,834	125,694	20,140
Insurance	30,000	30,000	12,824	17,176
Debt service:				
Capital outlay	135,000	178,000	753,833	(575,833)
TOTAL EXPENDITURES	<u>1,595,853</u>	<u>1,643,128</u>	<u>1,974,273</u>	<u>(331,145)</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(324,663)</u>	<u>(359,663)</u>	<u>(639,691)</u>	<u>(280,028)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term financing	-	-	576,030	576,030
Sale of capital assets	-	-	-	-
Cash carry over	290,388	325,388	-	(325,388)
Refund of prior year expenditures	-	-	20,583	20,583
Interfold transfer out	(26,725)	(26,725)	(52,583)	(25,858)
Interfold transfer in	61,000	61,000	61,000	-
TOTAL OTHER FINANCING SOURCES	<u>324,663</u>	<u>359,663</u>	<u>605,030</u>	<u>245,367</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(34,661)</u>	<u>\$ (34,661)</u>
FUND BALANCE, BEGINNING OF YEAR			<u>577,242</u>	
FUND BALANCE, END OF YEAR			<u>\$ 542,581</u>	

**EAST NORRITON TOWNSHIP
BUDGETARY COMPARISON STATEMENT - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes:				
Real estate	\$ 340,750	\$ 340,750	\$ 342,544	\$ 1,794
Interest, dividends, and rents	250	250	478	228
Miscellaneous revenue/other	10,000	10,000	21,218	11,218
TOTAL REVENUES	<u>351,000</u>	<u>351,000</u>	<u>364,240</u>	<u>13,240</u>
EXPENDITURES				
General government	15,000	15,000	31,496	(16,496)
Public safety	260,950	260,950	79,351	181,599
Highways and streets	998,550	998,550	43,413	955,137
Capital outlay	51,500	51,500	63,821	(12,321)
TOTAL EXPENDITURES	<u>1,326,000</u>	<u>1,326,000</u>	<u>218,081</u>	<u>1,107,919</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(975,000)</u>	<u>(975,000)</u>	<u>146,159</u>	<u>1,121,159</u>
OTHER FINANCING SOURCES (USES)				
Cash carry over	975,000	975,000	-	(975,000)
Refund of prior year expenditures	-	-	6,722	6,722
TOTAL OTHER FINANCING SOURCES	<u>975,000</u>	<u>975,000</u>	<u>6,722</u>	<u>(968,278)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	152,881	<u>\$ 152,881</u>
FUND BALANCE, BEGINNING OF YEAR			<u>1,129,090</u>	
FUND BALANCE, END OF YEAR			<u>\$ 1,281,971</u>	

OTHER REPORT

INDEPENDENT AUDITOR'S
REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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April 27, 2015

Board of Supervisors
East Norriton Township
East Norriton, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of East Norriton Township, East Norriton, Pennsylvania, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise East Norriton Township's basic financial statements, and have issued our report thereon dated April 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered East Norriton Township's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of East Norriton Township's internal control. Accordingly, we do not express an opinion on the effectiveness of East Norriton Township's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Supervisors
East Norriton Township

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Norriton Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP