

EAST NORRITON TOWNSHIP
BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

EAST NORRITON TOWNSHIP
EAST NORRITON, PENNSYLVANIA

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 15
BASIC FINANCIAL STATEMENTS	
Entity-wide Financial Statements:	
- Statement of Net Position	16
- Statement of Activities	17
Fund Financial Statements:	
- Balance Sheet - Governmental Funds	18
- Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Position	19
- Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
- Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to Statement of Activities	21
- Budgetary Comparison Statement - General Fund	22
- Statement of Net Position - Proprietary Fund	23
- Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	24
- Statement of Cash Flows - Proprietary Fund	25
- Statement of Net Position - Fiduciary Funds	26
- Statement of Changes in Net Position - Fiduciary Funds	27
Notes to Financial Statements	28 - 54

EAST NORRITON TOWNSHIP
EAST NORRITON, PENNSYLVANIA

TABLE OF CONTENTS

	<u>PAGE</u>
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in the Township's Net Pension Liability, Investment Returns, and Related Ratios	55
Schedule of Township Contributions	56
SUPPLEMENTARY INFORMATION	
Budgetary Comparison Statement - Other Governmental Funds	57
Budgetary Comparison Statement - Capital Projects Fund	58
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 <i>Government Auditing Standards</i>	59 - 60

INDEPENDENT AUDITOR'S REPORT

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April 27, 2016

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, 2015, 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, 2015, 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 discussed in Notes 1 and 16 to the financial statements, the Township has adopted the requirements of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68." These statements modify the accounting for the Township's pensions. 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 15 and pension funds schedule of changes in the Township's net pension liability, investment returns, and related ratios and schedule of Township contributions on pages 55 through 56 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.

Board of Township Supervisors
East Norriton Township

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 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, 2016 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)

December 31, 2015

The Management's Discussion and Analysis document offers readers of these financial statements a narrative overview and analysis of the financial activities of East Norriton Township, East Norriton, Pennsylvania for the fiscal year ended December 31, 2015. Readers are encouraged to consider the information here in conjunction with the Township's financial statements, which immediately follow this section.

The Management's Discussion and Analysis is an element of the reporting model adopted by the Governmental Accounting Standards Board ("GASB") in their Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in this section.

Financial Highlights of 2015

- The assets and deferred outflows of resources of the Township exceeded its liabilities at the close of the fiscal year by \$11,248,298.
- Real Estate and Act 511 taxes, which account for 63 percent of revenue, had a solid performance in 2015 and exceeded budget projections by \$247,099, or 4.3 percent.
- Real Estate Tax collection rates remained high at over 101.5 percent of projected budget. The Township collected over \$2.6 million government-wide.
- Other taxes (commonly referred to as Act 511 taxes) performed extremely well, exceeding budget projections by \$216,145.
- Controlled spending across all departments resulted in general fund expenditures at 6.61 percent below budget projections.
- The combination of strong revenue and controlled expenditures negated the anticipated use of fund balance in the general fund for 2015.
- The general fund's unassigned fund balance ended the year at \$1,757,948, or 20.3 percent of total general fund budgeted expenditures for the fiscal year.
- The Township's proprietary fund change in net position improved 42 percent in 2015 (\$99,599) over 2014 (\$235,644) due to increased collections and controlled spending efforts.
- The Township's total debt (including bonds, leases, OPEB, and compensated absences) decreased 15.53 percent, or \$558,000, as of December 31, 2015.

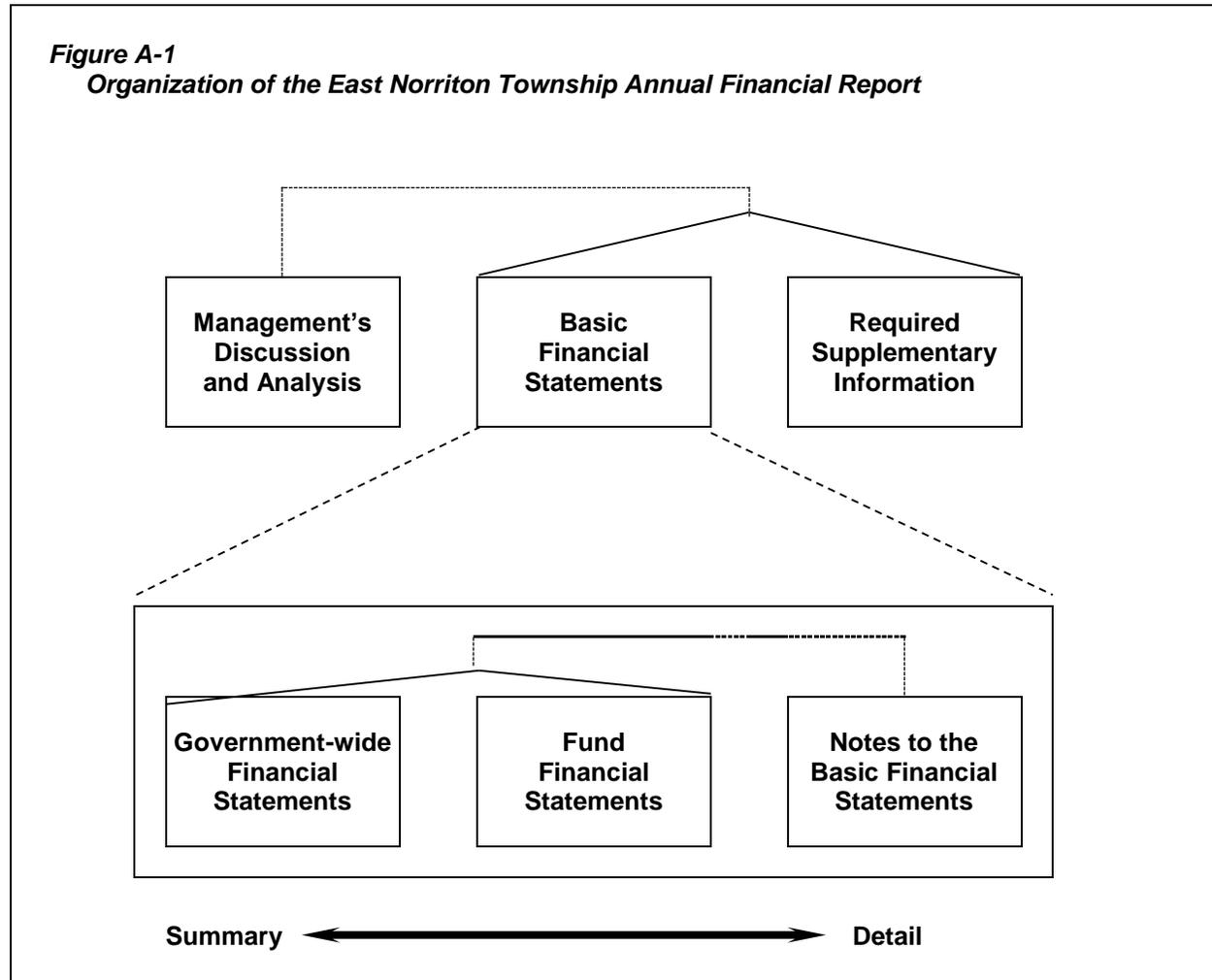
Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to East Norriton Township's basic financial statements. The statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes and other required supplementary information. The basic financial statements presents two different views of the Township through the use of government-wide statements and fund financial statements. In addition, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of East Norriton Township.

EAST NORRITON TOWNSHIP

Management's Discussion and Analysis (Unaudited) - Cont'd
December 31, 2015

Figure A-1 shows how the various parts of this annual report are arranged and relate to each other.



BASIC FINANCIAL STATEMENTS. The basic financial statements are comprised of three segments – government-wide financial statements, fund financial statements, and notes to the basic financial statements. Each of these segments is explained in the following section.

GOVERNMENT-WIDE FINANCIAL STATEMENTS. The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. Reports provided include 1) the statement of net position and 2) changes in net position from operating results.

EAST NORRITON TOWNSHIP

Management's Discussion and Analysis (Unaudited) - Cont'd
December 31, 2015

The statement of net position reports information on all the Township's assets and deferred outflow of resources and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may be a useful indicator of whether the financial position of the Township is improving or deteriorating. To assess the Township's overall financial health, you need to consider additional non-financial factors such as changes in the Township's property tax base and the condition of highways and other infrastructures.

The changes in net position from operating results presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as soon as events occur, regardless of the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. tax receivables, compensated absences, and accrued payroll).

In the government-wide financial statements, the Township's activities are divided into two categories – governmental activities and business-type activities. The governmental activities of the Township include general government, public safety, public works, parks and recreation, zoning and code enforcement, and other public services and are principally supported by taxes and intergovernmental revenue. The business-type activities of the Township include the sewer revenue fund and are supported entirely or in a large part through user fees and charges.

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. East Norriton Township, like other local governments, use fund accounting to track specific sources of funding and spending on particular programs as may be required by state law or bond covenants, or 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). All the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 be readily converted to cash, flow in and out and 2) the balances available at the end of the fiscal year. 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 maintains nine individual governmental funds.

Proprietary Funds. Services for which the Township charges a fee are generally reported in the proprietary fund statements. Proprietary funds provide the same type of information as the government-wide statements, only in more detail. The Township's sewer enterprise fund is the same as its business-type activities but provides more detail and additional information, such as cash flows.

EAST NORRITON TOWNSHIP

Management's Discussion and Analysis (Unaudited) - Cont'd December 31, 2015

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. Fiduciary fund reporting focuses on net position and changes in net position. The Township's two fiduciary funds are pension trust funds for the police and non-uniformed personnel.

NOTES, REQUIRED SUPPLEMENTARY INFORMATION, AND SUPPLEMENTARY INFORMATION. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The notes are followed by a section of required supplementary information that further explains and supports the pension funds of the Township and by other supplementary information that further explains and supports the financial statements with a comparison of certain budgeted funds of the Township.

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.

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

EAST NORRITON TOWNSHIP

Management's Discussion and Analysis (Unaudited) - Cont'd
December 31, 2015

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
Type of asset/liability information	All assets and deferred outflows of resources and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and deferred outflows of resources and liabilities, both financial and capital, 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

IMPLEMENTATION OF GASB STATEMENTS NO. 68 AND 71. During the year, the Township implemented Government Accounting Standards Board ("GASB") Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68." The purpose of these statements is to improve the transparency, consistency, and comparability of the pension information reported by state and local governments.

The adoption of GASB Statements No. 68 and No. 71 have had, and will continue to have, a profound effect on the financial statements and net position of governments not only in Pennsylvania, but across the nation. By recognizing the impact of any unfunded liability faced by defined benefit pension plans, plan administrators (at the direction of elected officials) and participants will be required to evaluate the cost of providing these benefits as compared to the benefit to be derived through providing for certain retirement benefits to the work force.

The net pension liability is the difference between the market value of pension fund assets and the actuarial present value of projected benefit payments at the measurement date. Included in the calculation are projected employer and employee contributions as well as the expectation that the assets will grow at the long-term assumed rate of return on plan investments.

EAST NORRITON TOWNSHIP

Management's Discussion and Analysis (Unaudited) - Cont'd
December 31, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS

At the end of the fiscal year, the Township is able to report positive balances of net position, both for the government as a whole, as well as for its separate governmental and business-type activities (there are no restricted assets in the Township's business-type activities). As indicated in Figure A-3, the assets and deferred outflows of resources for East Norriton Township exceeded its liabilities at the end of the year by \$11,248,298.

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

	Governmental Activities		Business-type Activities		Total Township		Total Percentage Change 2014-2015
	2015	2014	2015	2014	2015	2014	
Current and other assets	\$ 4,992	\$ 5,001	\$ 2,145	\$ 2,072	\$ 7,137	\$ 7,073	
Capital assets, net	11,051	10,853	1,600	1,683	12,651	12,536	
Total Assets	16,043	15,854	3,745	3,755	19,788	19,609	0.90%
Deferred pension	1,153	-	24	-	1,177	-	
Deferred charge on bond refunding	9	18	-	-	9	18	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	17,205	15,872	3,769	3,755	20,974	19,627	6.86%
Long-term debt outstanding	3,034	3,592	-	-	3,034	3,592	
Net pension liability	5,608	5,103	125	115	5,733	5,218	
Other liabilities	359	350	123	28	482	378	
Total Liabilities	9,001	9,045	248	143	9,249	9,188	0.66%
Deferred pension	468	-	9	-	477	-	
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	9,469	-	257	-	9,726	-	
Net Investment in capital assets	8,359	8,851	1,600	1,683	9,959	10,534	
Restricted	538	552	-	-	538	552	
Unrestricted (Deficit)	(1,161)	(2,576)	1,912	1,929	751	(647)	
TOTAL NET POSITION	\$ 7,736	\$ 6,827	\$ 3,512	\$ 3,612	\$ 11,248	\$ 10,439	7.75%

The Township has implemented GASB Statement No. 68 and GASB Statement No. 71 to record the net pension liability for the two Township pension plans – non-uniformed employees and police. The impact of the deferred pension charge and net pension liability is illustrated in Figure A-3.

EAST NORRITON TOWNSHIP

Management's Discussion and Analysis (Unaudited) - Cont'd December 31, 2015

Additionally, the Township has restated its December 31, 2014 net position in its governmental activities to record the net pension liability at December 31, 2014 in accordance with the requirements of GASB Statement No. 68 and GASB Statement No. 71, as discussed in Note 1 of the financial statements. The net result of this change is a decrease of \$5,103,821 in governmental activities net position and a decrease of \$115,296 in sewer fund net position.

Several particular aspects of the Township's financial operations positively influenced the net position numbers for the year including:

- Continued diligence in the collection of real estate taxes by maintaining a tax collection percentage of 98.5 percent.
- Expansion of the Township's business privilege tax audit program to ensure proper business reporting and tax collection. In 2015, the audit program resulted in onetime collections of over \$260,000 and an increase in annually recurring revenue.
- Enhancement of the Township's sewer collections procedures to improve customer communications, encourage use of the Township's automatic payment programs, and enhance the number of onetime payments.
- Expanded internal use of technology to increase operational efficiencies, enhance tax payers' experiences, and control expenses.

Governmental Activities. East Norriton Township receives the majority of its operating revenues from taxes commonly referred to as Act 511 Taxes (Earned Income, Business Privilege, Local Services, and Real Estate Transfer Taxes) and Real Estate Taxes. Act 511 Taxes overall had a solid performance in 2015, exceeding budget projections by \$216,145. Earned Income Taxes totaled \$2.73 million, while Business Privilege Taxes generated \$848,000, and Local Services Taxes over \$423,000. Real Estate Transfer Taxes also had a strong year, generating over \$334,000 due to a number of large commercial transactions that took place in 2015. The Township continued to have an exceedingly strong Real Estate Tax collection rate in 2015. The Township collected nearly \$1.68 million in General Fund Real Estate Taxes (this amount includes debt service fund collections) and over \$2.6 million across all funds.

The Township consistently receives a significant amount of revenues each year in the form of Pennsylvania State grants. These annual revenues are the Liquid Fuels Grant, Pension State Aid Grant, Recycling Performance Grant, and Fireman's Relief Fund Grant. Liquid Fuels revenues increased over 2014 - we are now in year two of a series of annual increases in Liquid Fuels revenues to municipalities under Act 89. Also in 2015, the Township continued to receive funding for the School Resource Officer Grant program from the Commonwealth of Pennsylvania and the Norristown Area School District.

East Norriton Township operates a substantial parks and recreation program throughout the Township. The Township provides its residents an extensive offering of recreation programs. Participation in these programs reached a high in 2015 and is funded through user fees. Additionally, under the Township's Subdivision and Land Development Code, a parks and recreation fee is required from developers.

EAST NORRITON TOWNSHIP

Management's Discussion and Analysis (Unaudited) - Cont'd
December 31, 2015

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.

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 2015, the Township saved over \$179,000 (reimbursement costs vs. potential insurance premium costs).

The Township monitors its expenses closely throughout the year and aims to keep expenditures below budgeted levels if at all possible. In 2015, general fund expenditures were \$8,101,497; this is \$573,621, or 6.61 percent, below the budgeted expenditures of \$8,675,118. The combination of lower than budgeted expenses along with strong revenue enabled the Township to incur a modest general fund surplus of \$5,142 for the year.

Business-type Activities. East Norriton Township continues to be the owner and operator of the sanitary sewer collection system which provides service to almost 90 percent of Township properties. The Township is also a member of the East Norriton-Plymouth-Whitpain Joint Sewer Authority ("JSA"), which provides sewer treatment services for the collection system.

According to 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 are used for capital improvements to the sanitary sewer system.

The Township also has an ongoing inflow and infiltration program. The Township inspects sewer laterals whenever a house is sold in the Township, as well as inspects and televises the private sewer laterals for residential properties in other areas of the Township.

While 2015 was an improvement over 2014, increased debt payments and treatment costs charged by the JSA – charges previously absorbed within annual operating budgets – continue to place a strain on financial performance. Accordingly, in 2015, the Board of Supervisors, the governing body of the Township, approved a 15 percent increase in sewer rates effective the first quarter billing of 2016 to address the issue of the increased costs and stabilize this fund.

Figure A-4 details the changes in net position for the Township's governmental and business-type activities, as well as the change in net position for total Township operations. The change in net position for the Township as a whole improved 12.66 percent, including a 57.63 percent improvement in business-type activities (sewer operations).

EAST NORRITON TOWNSHIP

Management's Discussion and Analysis (Unaudited) - Cont'd
December 31, 2015

Figure A-4

Changes in Net Position from Operating Results (In Thousands of Dollars)

	Governmental Activities		Business-type Activities		Total Township		Total Percentage Change
	2015	2014	2015	2014	2015	2014	2014-2015
REVENUES							
Program revenues:							
Charges for services	\$ 761	\$ 694	\$ 2,920	\$ 3,041	\$ 3,681	\$ 3,735	(1.45)%
Operating grants and contributions	884	796	-	-	884	796	11.05%
General revenues:							
Taxes	7,235	7,339	-	-	7,235	7,339	(1.41)%
Other	724	811	42	13	766	824	(7.04)%
TOTAL REVENUES	9,604	9,640	2,962	3,057	12,566	12,694	(1.01)%
EXPENSES							
General government	1,727	1,600	-	-	1,727	1,600	7.94%
Public safety	5,736	5,574	-	-	5,736	5,574	2.91%
Highways and streets	1,311	1,494	-	-	1,311	1,494	(12.25)%
Culture and recreation	716	698	-	-	716	689	3.91%
Interest expense	72	125	-	-	72	125	(42.4)%
Sewer operations	-	-	2,194	2,493	2,194	2,493	(12.00)%
Transfers	(868)	(797)	868	797	-	-	0.00%
TOTAL EXPENSES	8,694	8,685	3,062	3,290	11,756	11,975	(1.83)%
CHANGES IN NET POSITION	\$ 910	\$ 995	\$ (100)	\$ (236)	\$ 810	\$ 719	12.66%

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.

The Township's general fund is the main operating fund of the Township. At the end of this fiscal year, the total fund balance for the general fund was \$2,858,333. The Township's policy goal is to maintain an available fund balance of 16.7 percent of general fund expenditures. As of December 31, 2015, the available fund balance (assigned and unassigned) was \$1,757,948, or 21.6 percent of expenditures. The total fund balance of governmental funds as a whole as of December 31, 2015 was \$4,653,548.

The Board of Supervisors annually approves budgets for all Township funds and authorizes the associated funding sources. As part of the annual budget process for 2015, the Board of Supervisors reviewed multi-year financial projections of the Township's general fund.

EAST NORRITON TOWNSHIP

Management's Discussion and Analysis (Unaudited) - Cont'd
December 31, 2015

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's investment in capital assets for its governmental and business-type activities totaled \$12,650,585 (net of accumulated depreciation) as of December 31, 2015. The Township's capital assets include buildings, roads, sewer system, land improvements, machinery and equipment, and vehicles.

Capital assets are generally acquired through the capital projects fund which has a dedicated funding source via real estate taxes. Additionally, assets are acquired through the use of funds received from the Commonwealth of Pennsylvania through its annual allocation of liquid fuels monies. Pennsylvania Act 89 of 2013 restructured the funding source for this program and the Township expects increased funding through fiscal year 2018. Figure A-5 summarizes the Township's capital assets as of December 31, 2015.

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

	Governmental Activities		Business-type Activities		Total Township		Total Percentage
	2015	2014	2015	2014	2015	2014	Change 2014-2015
Infrastructure	\$ 5,091	\$ 4,922	\$ -	\$ -	\$ 5,091	\$ 4,922	3.43%
Land and improvements	6,648	6,648	-	-	6,648	6,648	0.00%
Buildings and building improvements	2,469	2,457	206	206	2,675	2,663	0.41%
Equipment and machinery	2,698	2,526	8,218	8,193	10,916	10,719	1.83%
Automobiles and trucks	2,793	2,602	104	172	2,897	2,774	4.43%
Accumulated depreciation	(8,648)	(8,302)	(6,928)	(6,888)	(15,576)	(15,190)	2.54%
TOTAL	\$ 11,051	\$ 10,853	\$ 1,600	\$ 1,683	\$ 12,651	\$ 12,536	0.90%

Long-term Debt. Total long-term debt for the Township equaled \$3,033,681 at the end of 2015. Real Estate Tax income, along with sewer utility billing revenues, are utilized for long-term debt repayment. The largest portion of long-term debt, general obligation bonds/notes, consists of two components: 1) bonds issued by the Township and 2) bonds issued by a joint operating authority in which the Township participates.

EAST NORRITON TOWNSHIP

Management's Discussion and Analysis (Unaudited) - Cont'd
December 31, 2015

East Norriton Township originally issued a general obligation bond in 2004. In 2010, the Township refinanced the 2004 bond issue and experienced a onetime savings in 2010 of about \$100,000. This general obligation bond continues through 2020.

The Township participates in the East Norriton-Plymouth-Whitpain Joint Sewer Authority ("JSA"). In 2005, the JSA issued an approximately \$15 million dollar bond issue for the upgrade and capital improvements of the Authority's treatment system. In 2013, the JSA issued another \$23 million dollar bond issue for necessary capital upgrades to comply with environmental regulations and to restructure the 2005 debt. East Norriton Township is obligated to fund one-third of the annual bond payments to the JSA, which totaled nearly \$470,000 in 2015.

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

	Total Township		Total Percentage Change
	2015	2014	2014 - 2015
General obligation bonds	\$ 1,928	\$ 2,504	(23.00)%
Net OPEB Obligation	271	216	25.46%
Capital leases	763	780	(2.18)%
Compensated absences	72	92	(11.74)%
	<u>\$ 3,034</u>	<u>\$ 3,592</u>	(15.53)%

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 healthcare 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. A component unit of the Township, the East Norriton Township Industrial Development Authority, acts as a conduit for low-interest loans between lenders and existing and prospective Township businesses and plays a role in the Township's economic development.

As noted in prior sections, in prior years the Township's business-type activities (sewer collection system) absorbed external operating increases solely within its annual budget. As part of the annual budget process for 2016, the Board of Supervisors approved a rate increase in 2016 to fund for those increases. Additionally, the Board of Supervisors authorized management to explore the sale of the sewer system.

EAST NORRITON TOWNSHIP

Management's Discussion and Analysis (Unaudited) - Cont'd
December 31, 2015

Prior to 2015, the Township incurred significant legal expenses as it defended a challenge from an entity that wants to install and operate large electronic billboards throughout the Township. Legal costs in 2015 associated with this case were minor; however, it is unknown how long or costly this litigation will be in future years. The Township spent over \$319,000 over the past four years and, based on the experience of other jurisdictions facing similar legal challenges, the Township is budgeting another \$50,000 in 2016 to fund these legal costs.

A collective bargaining agreement between the Township and the police bargaining unit was approved for fiscal years 2016 - 2019. Changes in health insurance plans, along with lowered starting salaries and lengthening of the time to reach maximum pay, are expected to achieve short and long-term savings for the Township.

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. Questions concerning this report or requests for additional information should be directed to the Director of Finance, East Norriton Township, 2501 Stanbridge Street, East Norriton, PA 19401-1616.

**EAST NORRITON TOWNSHIP
STATEMENT OF NET POSITION
DECEMBER 31, 2015**

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 3,887,384	\$ 867,418	\$ 4,754,802
Cash - restricted	1,053,905	-	1,053,905
Internal balances	(26,000)	26,000	-
Taxes receivable	69,430	-	69,430
Sewer rents receivable	-	1,251,794	1,251,794
Other receivables	7,735	-	7,735
Total Current Assets	4,992,454	2,145,212	7,137,666
Noncurrent Assets:			
Infrastructure (highways)	5,090,699	-	5,090,699
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	2,468,475	2,402,339	4,870,814
Equipment and machinery	2,698,381	913,833	3,612,214
Vehicles	2,793,246	104,157	2,897,403
Accumulated depreciation	(8,648,458)	(6,928,532)	(15,576,990)
Total Noncurrent Assets	11,050,662	1,599,923	12,650,585
TOTAL ASSETS	16,043,116	3,745,135	19,788,251
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension	1,152,586	24,032	1,176,618
Deferred amounts on bond refunding	8,778	-	8,778
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,161,364	24,032	1,185,396
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 17,204,480	\$ 3,769,167	\$ 20,973,647
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Current Liabilities:			
Accounts payable	\$ 150,811	\$ 114,569	\$ 265,380
Accrued interest	20,130	-	20,130
Payroll and withholding taxes payable	128,093	8,748	136,841
Escrow deposits	60,002	-	60,002
Capital lease payable	211,107	-	211,107
Bonds payable, net of premium	601,244	-	601,244
Total Current Liabilities	1,171,387	123,317	1,294,704
Noncurrent Liabilities:			
Compensated absences	71,532	-	71,532
Capital lease payable	551,871	-	551,871
Bonds payable, net of premium	1,326,856	-	1,326,856
Other post-employment benefits obligation	271,071	-	271,071
Net pension liability	5,607,916	124,905	5,732,821
Total Noncurrent Liabilities	7,829,246	124,905	7,954,151
TOTAL LIABILITIES	9,000,633	248,222	9,248,855
DEFERRED INFLOWS OF RESOURCES			
Deferred pension	467,420	9,074	476,494
TOTAL DEFERRED INFLOWS OF RESOURCES	467,420	9,074	476,494
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	9,468,053	257,296	9,725,349
NET POSITION			
Net investment in capital assets	8,359,584	1,599,923	9,959,507
Restricted	538,319	-	538,319
Unrestricted (deficit)	(1,161,476)	1,911,948	750,472
Total Net Position	7,736,427	3,511,871	11,248,298
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 17,204,480	\$ 3,769,167	\$ 20,973,647

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

**EAST NORRITON TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities
GOVERNMENTAL ACTIVITIES				
General government	\$ 1,727,348	\$ 9,381	\$ (1,690,709)	\$ (1,690,709)
Public safety	5,735,667	401,145	(4,802,878)	(4,802,878)
Public works - highways and streets	1,311,162	341,749	(969,413)	(969,413)
Culture and recreation	715,678	131,666	(381,904)	(381,904)
Interest on long-term debt	72,472	-	(72,472)	(72,472)
TOTAL GOVERNMENTAL ACTIVITIES	9,562,327	883,941	(7,917,376)	(7,917,376)
BUSINESS-TYPE ACTIVITIES				
Sewer operations	2,193,996	-	-	726,616
TOTAL BUSINESS-TYPE ACTIVITIES	2,193,996	-	-	726,616
TOTAL PRIMARY GOVERNMENT	\$ 11,756,323	\$ 883,941	(7,917,376)	(7,190,760)
GENERAL REVENUES				
Taxes:				
Real estate taxes			2,630,012	2,630,012
Real estate transfer taxes			334,402	334,402
Earned income taxes			2,736,391	2,736,391
Local services tax			423,373	423,373
Business privilege			848,203	848,203
Other			263,245	263,245
Street light assessment			86,939	86,939
Franchise fees			344,833	344,833
Fines and forfeits			86,379	86,379
Investment earnings			5,561	5,561
Gain on sale of asset			18,994	18,994
Miscellaneous			22,580	22,580
TOTAL GENERAL REVENUES			7,959,769	8,001,343
CHANGE IN NET POSITION BEFORE TRANSFERS			42,393	810,583
Transfers			867,789	(867,789)
CHANGE IN NET POSITION			910,182	810,583
NET POSITION, BEGINNING OF YEAR (RESTATED)			6,826,245	10,437,715
NET POSITION, END OF YEAR			\$ 7,736,427	\$ 11,248,298

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

**EAST NORRITON TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 3,038,468	\$ -	\$ 276,258	\$ 572,658	\$ 3,887,384
Due from other funds	-	-	4,550	1,369	5,919
Taxes receivable	69,430	-	-	-	69,430
Accounts receivable	6,810	-	375	550	7,735
Restricted cash	63,496	-	990,409	-	1,053,905
TOTAL ASSETS	\$ 3,178,204	\$ -	\$ 1,271,592	\$ 574,577	\$ 5,024,373
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 102,000	\$ -	\$ 4,817	\$ 43,994	\$ 150,811
Due to other funds	31,919	-	-	-	31,919
Accrued payroll	125,950	-	-	2,143	128,093
Escrow deposits	60,002	-	-	-	60,002
Total Liabilities	319,871	-	4,817	46,137	370,825
FUND BALANCES:					
Restricted	9,879	-	-	528,440	538,319
Committed to subsequent year's budget	1,090,506	-	-	-	1,090,506
Assigned	-	-	1,266,775	-	1,266,775
Unassigned	1,757,948	-	-	-	1,757,948
Total Fund Balances	2,858,333	-	1,266,775	528,440	4,653,548
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,178,204	\$ -	\$ 1,271,592	\$ 574,577	\$ 5,024,373

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, 2015**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 4,653,548

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. 11,050,662

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

Capital lease	\$ (762,978)	
Accrued interest	(20,130)	
Compensated absences	(71,532)	
Other post-employment benefits obligation	(271,071)	
Bonds payable, net	(1,928,100)	
Net pension liability	<u>(5,607,916)</u>	(8,661,727)

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. 8,778

Deferred outflows and deferred inflows related to the Township's net pension liability are based on the differences between actuarially determined actual and expected investment returns and differences between actuarial expected and actual experience. These amounts will be amortized over the estimated remaining average service life of the employees. 1,152,586

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 8,203,847

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, 2015**

	General Fund	Debt Service Fund	Capital Projects Funds	Nonmajor Governmental Funds	Total
REVENUES:					
Taxes	\$ 6,036,707	\$ 252,861	\$ 342,812	\$ 603,246	\$ 7,235,626
Street light assessment	-	-	-	86,939	86,939
Licenses and permits	874,527	-	-	-	874,527
Fines, forfeits, and permits	86,379	-	-	-	86,379
Interest, dividends, and rents	3,517	-	850	1,194	5,561
Intergovernmental revenues	423,347	-	-	460,594	883,941
Charges for service/fees	27,258	-	-	204,058	231,316
Miscellaneous revenue/other	146,950	-	13,942	39,539	200,431
TOTAL REVENUES	<u>7,598,685</u>	<u>252,861</u>	<u>357,604</u>	<u>1,395,570</u>	<u>9,604,720</u>
EXPENDITURES:					
General government	1,251,132	-	31,584	-	1,282,716
Public safety	3,726,191	-	165,862	277,708	4,169,761
Highways and streets	574,805	-	81,249	377,199	1,033,253
Culture and recreation	14,500	-	-	494,781	509,281
Payroll taxes and employee benefits	2,485,161	-	-	118,845	2,604,006
Insurance	49,708	-	-	9,834	59,542
Debt service:					
Principal	-	570,000	-	-	570,000
Interest	-	76,481	-	-	76,481
Capital outlay	-	-	131,128	-	131,128
TOTAL EXPENDITURES	<u>8,101,497</u>	<u>646,481</u>	<u>409,823</u>	<u>1,558,768</u>	<u>10,716,569</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(502,812)</u>	<u>(393,620)</u>	<u>(52,219)</u>	<u>(163,198)</u>	<u>(1,111,849)</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from long-term financing	-	-	36,674	151,477	188,151
Proceeds from sale of capital asset	-	-	4,000	18,090	22,090
Refund of prior year revenues	(17,131)	-	(3,651)	(3,173)	(23,955)
Refund of prior year expenditures	-	-	-	33,579	33,579
Interfund transfer out	(20,030)	-	-	(50,916)	(70,946)
Interfund transfer in	545,115	393,620	-	-	938,735
TOTAL OTHER FINANCING SOURCES	<u>507,954</u>	<u>393,620</u>	<u>37,023</u>	<u>149,057</u>	<u>1,087,654</u>
NET CHANGE IN FUND BALANCES	5,142	-	(15,196)	(14,141)	(24,195)
FUND BALANCES, BEGINNING OF YEAR	2,853,191	-	1,281,971	542,581	4,677,743
FUND BALANCES, END OF YEAR	<u>\$ 2,858,333</u>	<u>\$ -</u>	<u>\$ 1,266,775</u>	<u>\$ 528,440</u>	<u>\$ 4,653,548</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, 2015**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (24,195)

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	\$ 577,085	
Loss on disposal of assets	(6,709)	
Depreciation expense	<u>(373,063)</u>	197,313

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 the governmental funds but reduces the liability in the statement of net position. This is the amount by which capital lease repayments of \$204,936 exceeded capital lease capital lease proceeds of \$188,151. 16,785

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. 6,550

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>570,000</u>	567,459

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	20,652	
Other post-employment benefits	<u>(55,453)</u>	(34,801)

Pension expenses in the statement of activities differ from the amount reported in the governmental funds because pension expenses are recognized on the statement of activities based on the Township's actuarial determined contribution, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists. 181,071

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 910,182

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, 2015**

	<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	\$1,653,000	\$1,653,000	\$ 1,431,093	\$ (221,907)
Real estate - transfer	250,000	338,755	334,402	(4,353)
Earned income	2,500,000	2,502,469	2,736,391	233,922
Business privilege tax	900,000	900,000	848,203	(51,797)
Local services tax	385,000	385,000	423,373	38,373
Other	-	-	263,245	263,245
Licenses and permits	707,750	725,837	874,527	148,690
Fines, forfeits, and permits	81,000	81,000	86,379	5,379
Interest, dividends, and rents	1,925	1,925	3,517	1,592
Intergovernmental revenues	450,860	458,201	423,347	(34,854)
Charges for service/fees	20,400	20,400	27,258	6,858
Miscellaneous revenue/other	293,500	297,040	146,950	(150,090)
TOTAL REVENUES	<u>7,243,435</u>	<u>7,363,627</u>	<u>7,598,685</u>	<u>235,058</u>
EXPENDITURES				
General government	1,231,518	1,260,011	1,251,132	8,879
Public safety	3,817,690	3,886,100	3,726,191	159,909
Highways and streets	621,302	637,250	574,805	62,445
Culture and recreation	15,000	15,000	14,500	500
Miscellaneous:				
Payroll taxes and employee benefits	2,809,416	2,816,757	2,485,161	331,596
Insurance	60,000	60,000	49,708	10,292
TOTAL EXPENDITURES	<u>8,554,926</u>	<u>8,675,118</u>	<u>8,101,497</u>	<u>573,621</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,311,491)</u>	<u>(1,311,491)</u>	<u>(502,812)</u>	<u>808,679</u>
OTHER FINANCING SOURCES (USES)				
Cash carry over	1,019,239	1,019,239	-	(1,019,239)
Refund of prior year revenues	-	-	(17,131)	(17,131)
Interfund transfer out	(195,498)	(195,498)	(20,030)	175,468
Interfund transfer in	487,750	487,750	545,115	57,365
TOTAL OTHER FINANCING SOURCES	<u>1,311,491</u>	<u>1,311,491</u>	<u>507,954</u>	<u>(803,537)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	5,142	<u>\$ 5,142</u>
FUND BALANCE, BEGINNING OF YEAR			<u>2,853,191</u>	
FUND BALANCE, END OF YEAR			<u>\$2,858,333</u>	

**EAST NORRITON TOWNSHIP
STATEMENT OF NET POSITION - PROPRIETARY FUND
DECEMBER 31, 2015**

	<u>Sewer Fund</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current Assets:	
Cash and cash equivalents	\$ 867,418
Sewer rents receivable	1,251,794
Due from other funds	26,000
Total Current Assets	<u>2,145,212</u>
Noncurrent Assets:	
Depreciable capital assets, net	<u>1,599,923</u>
Total Noncurrent Assets	<u>1,599,923</u>
TOTAL ASSETS	<u><u>3,745,135</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension	<u>24,032</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 3,769,167</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 114,569
Accrued payroll	8,748
Long-term Liabilities:	
Net pension liability	<u>124,905</u>
Total Liabilities	<u>248,222</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred pension	<u>9,074</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>9,074</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>257,296</u>
NET POSITION	
Net investment in capital assets	1,599,923
Unrestricted	<u>1,911,948</u>
Total Net Position	<u>3,511,871</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u><u>\$ 3,769,167</u></u>

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, 2015**

	<u>Sewer Fund</u>
OPERATING REVENUES:	
Fees	\$ 2,920,612
Total Operating Revenues	<u>2,920,612</u>
OPERATING EXPENSES:	
Administration	229,094
Contracted services	1,233,290
Depreciation	116,707
Repairs and maintenance	89,004
Salaries and wages	336,439
Supplies	17,515
Utilities	171,947
Total Operating Expenses	<u>2,193,996</u>
OPERATING INCOME	<u>726,616</u>
NONOPERATING REVENUE:	
Interest income	18,994
Gain on sale of asset	22,580
Total Nonoperating Revenue	<u>41,574</u>
INCOME BEFORE TRANSFERS	768,190
TRANSFERS	
Transfers out	<u>(867,789)</u>
CHANGE IN NET POSITION	(99,599)
NET POSITION, BEGINNING OF YEAR (RESTATED)	<u>3,611,470</u>
NET POSITION, END OF YEAR	<u><u>\$ 3,511,871</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, 2015**

	<u>Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 2,971,734
Cash payments to suppliers for goods and services	(1,696,042)
Cash payments to employees for services	<u>(350,862)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>924,830</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers out	<u>(867,789)</u>
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(867,789)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sale of capital asset	30,700
Purchase of capital assets	(41,847)
Interest received	18,994
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>7,847</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 64,888
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>793,456</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u><u>\$ 858,344</u></u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 726,616
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	116,707
Decrease in sewer rents receivable	51,122
Increase in due from other funds	(26,000)
Increase in deferred outflow pension	(24,032)
Increase in deferred inflow pension	9,074
Decrease in due to other funds	(24,794)
Increase in accounts payable	95,602
Increase in net pension liability	9,609
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 933,904</u></u>

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

**EAST NORRITON TOWNSHIP
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2015**

	<u>Pension Trust Funds</u>	<u>Health Benefits Fund</u>
ASSETS		
Cash and cash equivalents	\$ 32,407	\$ 719,024
Investments	<u>15,946,601</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 15,979,008</u></u>	<u><u>\$ 719,024</u></u>
 LIABILITIES AND NET POSITION		
Annuities payable	\$ -	\$ -
 NET POSITION		
Held in trust for pension benefits and other purposes	<u>15,979,008</u>	<u>719,024</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 15,979,008</u></u>	<u><u>\$ 719,024</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, 2015**

	<u>Pension Trust Funds</u>	<u>Health Benefits Fund</u>
ADDITIONS		
Contributions - employee	\$ 216,218	\$ -
Contributions - state	282,300	-
Contributions - employer	760,615	-
Investment (loss) income	<u>(230,758)</u>	<u>432</u>
TOTAL ADDITIONS	<u>1,028,375</u>	<u>432</u>
DEDUCTIONS		
Benefits paid	935,025	34,450
Administrative expenses	<u>49,260</u>	<u>-</u>
TOTAL DEDUCTIONS	<u>984,285</u>	<u>34,450</u>
CHANGE IN PLAN NET POSITION	44,090	(34,018)
NET POSITION, BEGINNING OF YEAR	<u>15,934,918</u>	<u>753,042</u>
NET POSITION, END OF YEAR	<u><u>\$ 15,979,008</u></u>	<u><u>\$ 719,024</u></u>

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

East Norriton Township 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.

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

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

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.

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. The 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.

Investments

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

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

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

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.

Deferred Inflows/Outflows of Resources

In addition to assets and liabilities, the statement of net position and balance sheet - governmental funds will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

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

that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense/expenditure) until that time. The Township currently has two items that qualify for reporting in this category. Certain changes to the net pension liability are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred outflows and inflows of resources on the entity-wide and proprietary fund statements of net position. In the entity-wide financial statements, the Township has a deferred outflow of resources related to a deferred charge on a bond refunding. This amount is deferred and amortized over the shorter of the life of the refund or 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, 2015, 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.

Implementation of GASB Statements

During the year ended December 31, 2015, the Township implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." GASB Statement No. 68 replaces the requirements of GASB Statement No. 27, with the objective of improving the accounting and financial reporting of state and local governments for pensions. It requires that state and local governments recognize and record the actuarially determined net pension liability.

GASB Statement No. 71 amends GASB Statement No. 68 and addresses an issue regarding application of the transition provisions in the year of implementation. It requires that in the year of implementation, the state or local government recognize a beginning deferred outflow of contributions for its pension contributions made after the date of measurement.

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.

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 2 TAXES

For 2015, 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, 2015 was \$966,652,413.

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 2015:

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.

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

At December 31, 2015, the carrying amount of the Township's deposits was \$5,808,707, and the bank balance was \$5,858,861 (exclusive of the fiduciary funds). Of the bank balance, \$250,000 was covered by federal depository insurance, and \$131,872 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 \$5,476,989 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, 2015, PLGIT was rated as AAAM by a nationally recognized statistical rating organization.

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

NOTE 4 INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2015 is as follows:

<u>Receivable To:</u>	<u>Amount</u>	<u>Payable From:</u>	<u>Amount</u>
Nonmajor Governmental Fund	\$ 1,369	General Fund	\$ 31,919
Capital Projects Fund	4,550		
Sewer Fund	<u>26,000</u>		
	<u>\$ 31,919</u>		<u>\$ 31,919</u>

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

Interfund transfers for the year ended December 31, 2015 are as follows:

<u>Transfers In:</u>		<u>Transfers Out:</u>	
General Fund	\$ 545,115	General Fund	\$ 20,030
Debt Service Fund	<u>393,620</u>	Nonmajor Governmental Fund	50,916
		Sewer Fund	<u>867,789</u>
	<u>\$ 938,735</u>		<u>\$ 938,735</u>

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

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

	<u>Balance 01/01/15</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/15</u>
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Infrastructure	\$ 4,921,823	\$ 168,876	\$ -	\$ 5,090,699
Land	<u>1,479,105</u>	<u>-</u>	<u>-</u>	<u>1,479,105</u>
Total capital assets not being depreciated	<u>6,400,928</u>	<u>168,876</u>	<u>-</u>	<u>6,569,804</u>
Capital assets being depreciated:				
Site improvements	5,169,214	-	-	5,169,214
Building and improvements	2,457,354	11,121	-	2,468,475
Machinery and equipment	2,525,810	172,571	-	2,698,381
Vehicles	<u>2,602,381</u>	<u>224,517</u>	<u>33,652</u>	<u>2,793,246</u>
Total capital assets being depreciated	<u>12,754,759</u>	<u>408,209</u>	<u>33,652</u>	<u>13,129,316</u>
Less accumulated depreciation for:				
Site improvements	2,713,284	141,389	-	2,854,673
Building and improvements	2,003,701	56,017	-	2,059,718
Machinery and equipment	2,191,150	71,658	-	2,262,808
Vehicles	<u>1,394,203</u>	<u>103,999</u>	<u>26,943</u>	<u>1,471,259</u>
Total accumulated depreciation	<u>8,302,338</u>	<u>373,063</u>	<u>26,943</u>	<u>8,648,458</u>
Total capital assets being depreciated, net	<u>4,452,421</u>	<u>35,146</u>	<u>6,709</u>	<u>4,480,858</u>
Governmental Activities, Net	<u>\$10,853,349</u>	<u>\$ 204,022</u>	<u>\$ 6,709</u>	<u>\$11,050,662</u>
<u>Business-type Activities</u>				
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	5,108,126	-	-	5,108,126
Municipal Building improvements	153,720	-	-	153,720
Vehicles	171,747	-	67,590	104,157
Equipment and machinery	<u>888,226</u>	<u>41,847</u>	<u>16,240</u>	<u>913,833</u>
Total capital assets being depreciated	<u>8,570,438</u>	<u>41,847</u>	<u>83,830</u>	<u>8,528,455</u>
Total accumulated depreciation	6,887,535	116,707	75,710	6,928,532
Total capital assets being depreciated, net	<u>1,682,903</u>	<u>(74,860)</u>	<u>8,120</u>	<u>1,599,923</u>
Business-type Activities, Net	<u>\$ 1,682,903</u>	<u>\$ (74,860)</u>	<u>\$ 8,120</u>	<u>\$ 1,599,923</u>

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

Depreciation expense was charged to the following functions:

Governmental Activities:	
General government	\$ 68,411
Public safety	222,385
Public works - highways and streets	55,106
Culture and recreation	<u>27,161</u>
Total Governmental Activities	<u>\$ 373,063</u>
Business-type Activities:	
Sewer	<u>\$ 116,707</u>
Total Business-type Activities	<u>\$ 116,707</u>

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	\$ 1,515,817
Less: accumulated depreciation	<u>(456,972)</u>
TOTAL	<u>\$ 1,058,845</u>

Future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2015 are as follows:

<u>Year Ending December 31,</u>	
2016	\$ 235,999
2017	203,112
2018	110,563
2019	94,463
2020	94,463
Thereafter	<u>94,463</u>
Total minimum lease payments	833,063
Less: amount representing interest	<u>(70,085)</u>
Net present value of minimum lease payments	<u>\$ 762,978</u>

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 6 CAPITAL LEASES - LESSEE (cont'd)

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. \$ 1,900,000

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>
2016	\$ 595,000	\$ 53,681
2017	335,000	39,550
2018	315,000	30,505
2019	320,000	21,055
2020	335,000	11,055
TOTAL	\$ 1,900,000	\$ 155,846

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

	<u>Outstanding 01/01/15</u>	<u>Increases</u>	<u>Decreases</u>	<u>Outstanding 12/31/15</u>	<u>Amounts Due in One Year</u>
Governmental Activities:					
General obligation bonds	\$ 2,470,000	\$ -	\$ 570,000	\$ 1,900,000	\$ 595,000
Plus: Bond premium	34,344	-	6,244	28,100	6,244
Subtotal	2,504,344	-	576,244	1,928,100	601,244
Capital leases	779,763	188,151	204,936	762,978	211,107
Compensated absences	92,184	-	20,652	71,532	-
Other post-employment benefits	215,618	55,453	-	271,071	-
Total Governmental Activities	<u>\$ 3,591,909</u>	<u>\$ 243,604</u>	<u>\$ 801,832</u>	<u>\$ 3,033,681</u>	<u>\$ 812,351</u>

For the year ended December 31, 2015, interest expense on long-term debt was \$72,472.

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

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.

Plan Membership

As of December 31, 2015, 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 December 31, 2015, 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.

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION FUND (cont'd)

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.

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, 2015, the pension plan held \$33,192 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, 2015, the carrying amount of the Police Pension Fund's deposits was \$20,143 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, 2015, the Township Police Pension Fund had the following investments:

	<u>Fair Value</u>
Domestic equity mutual funds	\$ 5,026,069
International equity mutual funds	1,151,840
Fixed income mutual funds	4,365,483
Real estate mutual funds	<u>305,214</u>
TOTAL	<u>\$ 10,848,606</u>

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION FUND (cont'd)

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, 2015, there were no 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 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 2015 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.

Actuarial Methods and Assumptions

In the December 31, 2015 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, 2015 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%	5.5% - 7.5%
International equity	15.0%	4.5% - 6.5%
Fixed income	40.0%	1.0% - 3.0%
Real estate	3.0%	4.5% - 6.5%

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION FUND (cont'd)

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.

Changes in Net Pension Liability

The net pension liability was measured as of December 31, 2015, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2014. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2014	\$ 14,287,592	\$ 10,882,944	\$ 3,404,648
Service cost	391,332	-	391,332
Interest cost	1,040,841	-	1,040,841
Changes for experience	(389,307)	-	(389,307)
Contributions – employer	-	727,687	(727,687)
Contributions – member	-	136,620	(136,620)
Contributions – donations	-	600	(600)
Net investment loss	-	(175,723)	175,723
Benefit payments, including refunds of member contributions	(694,180)	(694,180)	-
Administrative expense	-	(8,800)	8,800
Net changes	<u>348,686</u>	<u>(13,796)</u>	<u>362,482</u>
Balances at December 31, 2015	<u>\$ 14,636,278</u>	<u>\$ 10,869,148</u>	<u>\$ 3,767,130</u>

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)

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Police Pension net pension liability	\$ 5,529,796	\$ 3,767,130	\$ 2,286,326

Money-weighted Rate of Return

For the year ended December 31, 2015, the annual money-weighted rate of return on the police pension fund investments, net of investment expense was -1.47 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.

Pension Liability and Expense and Deferred Outflows of Resources

At December 31, 2015, the Township reported a net pension liability of \$3,767,130 for its Police Pension Fund. The net pension liability was measured as of December 31, 2015.

For the year ended December 31, 2015, the Township recognized pension expense of \$625,448. At December 31, 2015, the Township reported deferred outflows of resources related to the police pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 798,413	\$ -
Net difference between expected and actual experience	-	(333,692)
	\$ 798,413	\$ (333,692)

These amounts will be reported as deferred outflows (inflows) of resources related to pensions and will be recognized in pension expense as follows:

Year Ended December 31,

2016	\$ 143,988
2017	143,988
2018	143,988
2019	143,988
2020	(55,615)
2021	(55,616)
	\$ 464,721

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

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, 2015, the pension plan membership consisted of the following:

Active employees	25
Retirees and beneficiaries currently receiving benefits	26
Vested terminated members	<u>5</u>
Total	<u>56</u>

Eligibility Requirements and Benefit Provisions

Actuarial valuation report Form 205, filed with the Public Employee Retirement Study Commission and dated as of December 31 2015, disclosed that the pension plan benefit provisions are as follows:

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.

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

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

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. At December 31, 2015, the pension plan held \$19,740 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 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, 2015, the carrying amount of the Non-Uniformed Pension Funds' deposits was \$12,264 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, 2015, the Non-Uniformed Pension Fund had the following investments:

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

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

	Fair Value
Domestic equity mutual funds	\$ 2,361,906
International equity mutual funds	541,343
Fixed income mutual funds	2,051,284
Real estate mutual funds	143,462
TOTAL	\$ 5,097,995

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, 2015, there were no 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 2015. 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 and employee contributions must be funded by the employer in accordance with Act 205.

Actuarial Methods and Assumptions

In the December 31, 2015 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a seven and one-half 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, 2015 was 12 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:

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	42.0%	5.5% - 7.5%
International equity	15.0%	4.5% - 6.5%
Fixed income	40.0%	1.0% - 3.0%
Real estate	03.0%	4.5% - 6.5%

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.

Changes in Net Pension Liability

The net pension liability was measured as of December 31, 2015, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2014. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balances at December 31, 2014	\$ 6,923,517	\$ 5,109,048	\$ 1,814,469
Service cost	129,768	-	129,768
Interest cost	491,548	-	491,548
Changes for experience	(171,363)	-	(171,363)
Contributions – employer	-	315,228	315,228
Contributions – member	-	78,999	(78,999)
Net investment loss	-	(86,296)	86,296
Benefit payments, including refunds of member contributions	(297,519)	(297,519)	-
Administrative expense	-	(9,200)	9,200
Net changes	<u>152,434</u>	<u>1,212</u>	<u>151,222</u>
Balances at December 31, 2015	<u>\$ 7,075,951</u>	<u>\$ 5,110,260</u>	<u>\$ 1,965,691</u>

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

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

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	\$ 2,820,926	\$ 1,965,691	\$ 1,341,158

Money-weighted Rate of Return

For the year ended December 31, 2015, the annual money-weighted rate of return on the non-uniformed pension fund investments, net of investment expense was -1.53 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.

Pension Liability and Expense and Deferred Outflows of Resources

At December 31, 2015, the Township reported a net pension liability of \$1,965,691 for its non-uniformed pension fund. The net pension liability was measured as of December 31, 2015.

For the year ended December 31, 2015, the Township recognized pension expense of \$231,047. At December 31, 2015, the Township reported deferred outflows of resources related to the non-uniformed pension fund from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 378,205	\$ -
Net difference between expected and actual experience	-	(142,802)
	<u>\$ 378,205</u>	<u>\$ (142,802)</u>

These amounts will be reported as deferred outflows (inflows) of resources related to pensions and will be recognized in pension expense as follows:

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

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

<u>Year Ended December 31,</u>	
2016	\$ 65,991
2017	65,991
2018	65,991
2019	65,991
2020	<u>(28,561)</u>
	<u>\$ 235,403</u>

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	\$ 118,477
Interest on net OPEB obligation	9,703
Adjustment to annual required contribution	<u>(13,237)</u>
Annual OPEB cost (expense)	114,943
Contributions made	<u>(59,490)</u>

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

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

Increase in net OPEB obligation	55,453
Net OPEB obligation - beginning of year	215,618
Net OPEB obligation - end of year	\$ 271,071

Funded Status and Funding Progress

The schedule of funding progress of OPEB 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]
1/1/2014	\$ -	\$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, 2014 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 6.5 percent in 2014, decreasing by 0.5 percent per year to 5.5 percent in 2016. The UAAL is being amortized based on the level dollar, 30-year open period. The remaining amortization period at December 31, 2015 was 22 years.

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

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

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, 2015, the carrying amount of the post-employment benefit plan deposits was \$719,024 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, 2015, general fund assets of \$9,879 have been restricted for this purpose.

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 \$60,002 is maintained in the cash accounts of the Township.

NOTE 13 FUND BALANCES

As of December 31, 2015, fund balances are composed of the following:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted:				
Norris City Cemetery	\$ 9,879	\$ -	\$ -	\$ 9,879
Street lights	-	-	38,408	38,408
Fire protection	-	-	100,571	100,571
Parks and recreation	-	-	313,414	313,414
Liquid fuels	-	-	76,047	76,047
Committed to subsequent year's budget	1,090,506	-	-	1,090,506
Assigned:				
Capital projects	-	1,266,775	-	1,266,775
Unassigned	<u>1,757,948</u>	<u>-</u>	<u>-</u>	<u>1,757,948</u>
Total Fund Balances	<u>\$ 2,858,333</u>	<u>\$ 1,266,775</u>	<u>\$ 528,440</u>	<u>\$ 4,653,548</u>

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 14 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:

<u>Year Ending December 31,</u>	
2016	\$ 11,039
2017	9,132
2018	6,797
2019	<u>1,482</u>
Total	<u>\$ 28,450</u>

Total expense for the year ended December 31, 2015 was \$13,622.

NOTE 15 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 2015 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 16 PRIOR PERIOD RESTATEMENT

The Township has restated its December 31, 2014 net position in its governmental activities, sewer fund, and business-type activities to record the net pension liability at December 31, 2014 in accordance with the requirements of GASB Statement No. 68 and GASB Statement No. 71, as discussed in Note 1. The net result of this change is a decrease of \$5,103,821 in governmental activities net position and a decrease of \$115,296 in sewer fund/business-type activities net position.

NOTE 17 DEFICIT NET POSITION

For governmental activities, the unrestricted net deficit amount of \$1,161,476 includes the effect of deferring the recognition of the net difference between projected and actual investment earnings offset by the deferred inflows resulting from the differences between expected and actual experience and the actuarially determined pension liability.

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 18 SUBSEQUENT EVENTS

The Township has evaluated all subsequent events through April 27, 2016, 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,
INVESTMENT RETURNS, AND RELATED RATIOS

	Police Pension	Non-Uniformed Pension
<u>TOTAL PENSION LIABILITY</u>		
Service cost	\$ 391,332	\$ 129,768
Interest cost	1,040,841	491,548
Change for experience	(389,307)	(171,363)
Benefit payments	(694,180)	(297,519)
NET CHANGE IN TOTAL PENSION LIABILITY	348,686	152,434
TOTAL PENSION LIABILITY, BEGINNING OF YEAR	14,287,592	6,923,517
TOTAL PENSION LIABILITY, END OF YEAR	\$ 14,636,278	\$ 7,075,951
 <u>PLAN FIDUCIARY NET POSITION</u>		
Contributions		
Employer	\$ 727,687	\$ 315,228
Employee	136,620	78,999
Donations	600	-
Net investment loss	(175,723)	(86,296)
Benefit payments	(694,180)	(297,519)
Administrative expenses	(8,800)	(9,200)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(13,796)	1,212
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	10,882,944	5,109,048
PLAN FIDUCIARY NET POSITION, END OF YEAR	\$ 10,869,148	\$ 5,110,260
 TOWNSHIP'S NET PENSION LIABILITY	 \$ 3,767,130	 \$ 1,965,691
Plan fiduciary net position as a percentage of total pension liability	74.26%	72.22%
Covered employee payroll	2,732,355	1,619,489
Township's net pension liability as a percentage of covered payroll	137.87%	121.38%
Annual money-weighted rate of return, net of investment expense	-1.47%	-1.53%

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
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%
2015	Police	727,687	727,687	-	2,732,355	26.63%
	Non-Uniformed	315,228	315,228	-	1,619,489	19.46%

* 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 improvements.

Other Information:

Police Pension

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

Non-Uniformed Pension

For employees hired on or after August 1, 2014:

Normal Retirement: Attainment of age 62 and completion of ten years of vesting service

DROP: May elect to participate for a period of not less than one year nor more than three years.

SUPPLEMENTARY INFORMATION

**EAST NORRITON TOWNSHIP
BUDGETARY COMPARISON STATEMENT - OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes:				
Real estate	\$ 597,250	\$ 597,250	\$ 603,246	\$ 5,996
Street light assessment	83,000	83,000	86,939	3,939
Licenses and permits	4,000	4,000	-	(4,000)
Interest, dividends, and rents	-	-	1,194	1,194
Intergovernmental revenues	457,240	457,240	460,594	3,354
Charges for service/fees	178,700	197,423	204,058	6,635
Miscellaneous revenue/other	1,000	1,000	39,539	38,539
TOTAL REVENUES	<u>1,321,190</u>	<u>1,339,913</u>	<u>1,395,570</u>	<u>55,657</u>
EXPENDITURES				
Public safety	365,250	365,250	277,708	87,542
Highways and streets	414,073	414,073	377,199	36,874
Culture and recreation	562,619	581,342	494,781	86,561
Miscellaneous:				
Payroll taxes and employee benefits	152,750	152,750	118,845	33,905
Insurance	18,000	18,000	9,834	8,166
Debt service:				
Capital outlay	150,000	150,000	280,401	(130,401)
TOTAL EXPENDITURES	<u>1,662,692</u>	<u>1,681,415</u>	<u>1,558,768</u>	<u>122,647</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(341,502)</u>	<u>(341,502)</u>	<u>(163,198)</u>	<u>178,304</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term financing	-	-	151,477	151,477
Proceeds from sale of capital asset	-	-	18,090	18,090
Cash carry over	359,669	359,669	-	(359,669)
Refund of prior year revenues	-	-	(3,173)	(3,173)
Refund of prior year expenditures	-	-	33,579	33,579
Interfund transfer out	(18,167)	(18,167)	(50,916)	(32,749)
TOTAL OTHER FINANCING SOURCES	<u>341,502</u>	<u>341,502</u>	<u>149,057</u>	<u>(192,445)</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	(14,141)	<u>\$ (14,141)</u>
FUND BALANCES, BEGINNING OF YEAR			<u>542,581</u>	
FUND BALANCES, END OF YEAR			<u>\$ 528,440</u>	

**EAST NORRITON TOWNSHIP
BUDGETARY COMPARISON STATEMENT - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes:				
Real estate	\$ 340,750	\$ 340,750	\$ 342,812	\$ 2,062
Interest, dividends, and rents	200	200	850	650
Miscellaneous revenue/other	2,000	2,000	13,942	11,942
TOTAL REVENUES	<u>342,950</u>	<u>342,950</u>	<u>357,604</u>	<u>14,654</u>
EXPENDITURES				
General government	15,000	15,000	31,584	(16,584)
Public safety	327,300	327,300	165,862	161,438
Highways and streets	1,031,265	1,031,265	81,249	950,016
Capital outlay	204,385	204,385	131,128	73,257
TOTAL EXPENDITURES	<u>1,577,950</u>	<u>1,577,950</u>	<u>409,823</u>	<u>1,168,127</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,235,000)</u>	<u>(1,235,000)</u>	<u>(52,219)</u>	<u>1,182,781</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term financing	-	-	36,674	36,674
Sale of capital assets	10,000	10,000	4,000	(6,000)
Cash carry over	1,225,000	1,225,000	-	(1,225,000)
Refund of prior year revenues	-	-	(3,651)	(3,651)
TOTAL OTHER FINANCING SOURCES	<u>1,235,000</u>	<u>1,235,000</u>	<u>37,023</u>	<u>(1,197,977)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	(15,196)	<u>\$ (15,196)</u>
FUND BALANCE, BEGINNING OF YEAR			<u>1,281,971</u>	
FUND BALANCE, END OF YEAR			<u>\$ 1,266,775</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

April 27, 2016

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, 2015, 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, 2016.

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