

**EAST NORRITON TOWNSHIP  
MONTGOMERY COUNTY, PENNSYLVANIA**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**YEAR ENDED DECEMBER 31, 2019**



EAST NORRITON TOWNSHIP  
MONTGOMERY COUNTY, PENNSYLVANIA  
December 31, 2019

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## INDEPENDENT AUDITORS' REPORT

Board of Township Supervisors  
East Norriton Township, 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 the East Norriton Township, Pennsylvania, as of and for the year ended December 31, 2019, 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.

### ***Auditors' Responsibility***

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

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

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

## *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 the East Norriton Township, Pennsylvania, as of December 31, 2019 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.

## *Other-Matters*

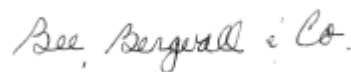
### *Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the historical trend information as listed in the table of contents 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 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 the East Norriton Township's, Pennsylvania, basic financial statements.

The combining and individual nonmajor fund statements and schedules are presented for additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Bee, Bergvall and Company, P.C.  
Certified Public Accountants

Warrington, PA  
October 14, 2020

# **EAST NORRITON TOWNSHIP**

## **Management's Discussion and Analysis**

### **December 31, 2019**

The management discussion and analysis document offers readers of these financial statements a narrative overview and analysis of the financial activities of East Norriton Township, Pennsylvania for the fiscal year ended December 31, 2019. Readers are encouraged to consider the information here in conjunction with the Township's financial statements, which immediately follow this section.

The Management 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 2019**

- East Norriton Township's total net position ended the year at \$15,295,530 - an increase of 8.97 percent over 2018.
- As of December 31, 2019, the Township's governmental funds reported combined ending fund balances of \$9,600,349 with a net increase of \$1,964,029 including Act 511 taxes receivable adjustment of \$865,709.
- The Township's general fund's unassigned fund balance grew to \$7,307,084 at year end.
- Real Estate Tax collections remained consistent with prior years totaling \$2,568,241. Property taxes millage has stayed constant in the Township for over ten years.
- Business Privilege Tax revenue finished the year at \$1,249,841 (after excluding year end receivables) – a significant increase over last year's \$1,025,061. Adding in business privilege audit program activities brought total collections to \$1,479,621 – another strong performance for this tax.
- The Township's Proprietary Fund's net position decreased (\$371,819). Much of the decline is attributable to expenses associated with the pending sale of the Township sewer collection system.
- The combination of strong revenue and controlled expenses negated the anticipated use of fund balance in the general fund for 2019.
- Continued emphasis on spending controls and departmental purchasing accountability helped create cost savings across all departments and funds.

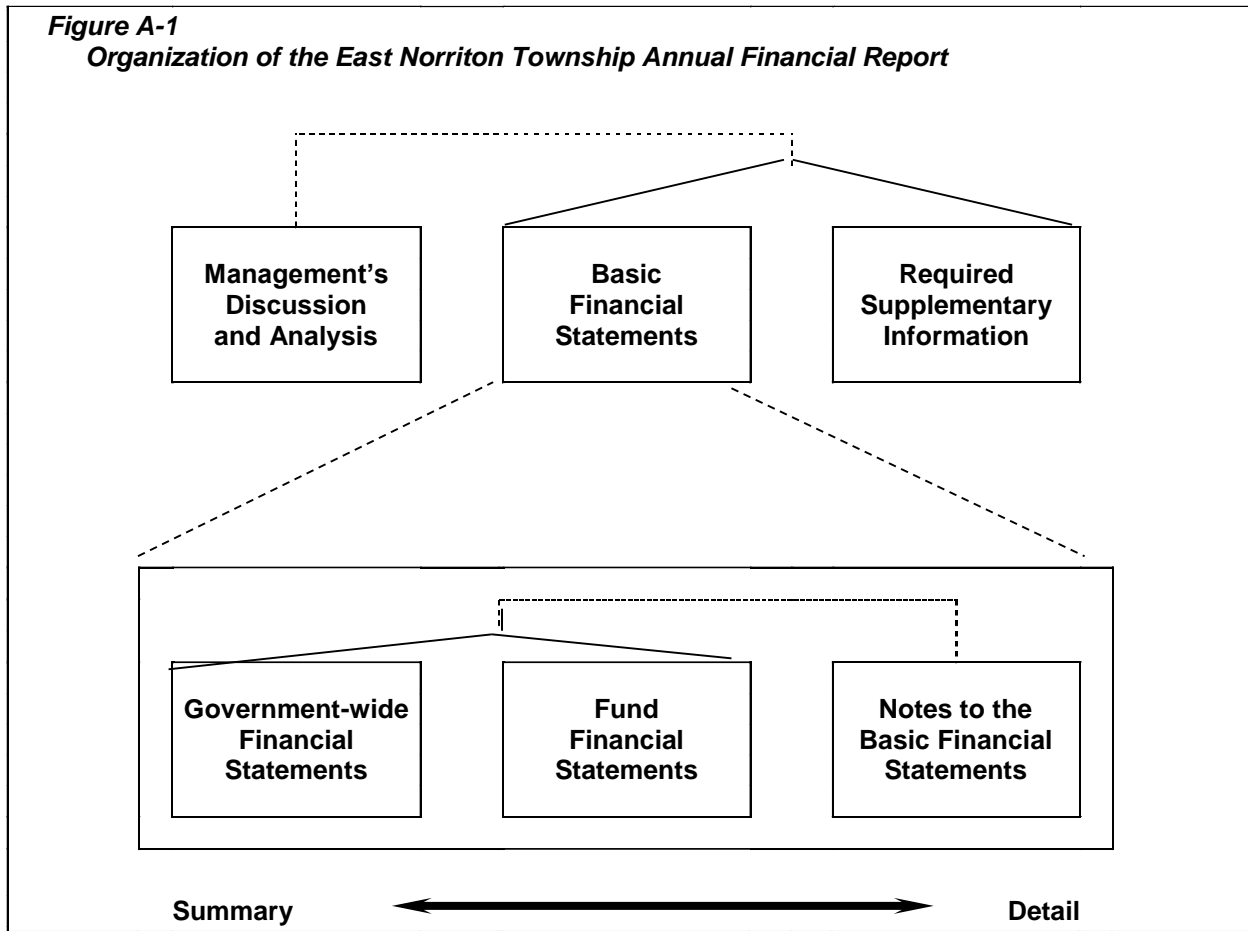
### **Overview of the Financial Statements**

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 present 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 the financial condition of East Norriton Township.

### **FINANCIAL STATEMENTS**

Figure A-1 illustrates how the various sections of this annual report are arranged and related to each other. Each section is described in further detail following Figure A-1.

**EAST NORRITON TOWNSHIP**  
 Management's Discussion and Analysis  
 December 31, 2019



**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.

**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.

The statement of net position reports information on all the Township's assets and deferred outflows of resources and liabilities and deferred inflows of resources 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.

**EAST NORRITON TOWNSHIP**  
Management's Discussion and Analysis  
December 31, 2019

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, uncompensated 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, uses 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, the largest of which is the general fund. Annual budgets are adopted for each fund.

**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 enterprise fund is the same as its business-type activities but provides more detail and additional information, such as cash flows. East Norriton Township maintains a single proprietary fund – the sewer revenue fund – used to track the operations of its sanitary sewer collection system.

**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 AND OTHER REQUIRED SUPPLEMENTAL INFORMATION.** The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the pension plans of the Township

**EAST NORRITON TOWNSHIP**  
 Management's Discussion and Analysis  
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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.

<i>Figure A-2</i> <i>Major Features of the Government-Wide and Fund Financial Statements</i>				
	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"> <li>• Statement of Net Position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of revenues, expenses and changes in Net Position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon there-after; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**EAST NORRITON TOWNSHIP**  
Management's Discussion and Analysis  
December 31, 2019

**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 as a whole exceeded its liabilities and deferred inflows of resources at the end of the year by \$12,465,165.

*Figure A-3 Condensed Statement of Net Position*

	Governmental Activities		Business-Type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and Other Assets	\$ 10,271,877	\$ 9,018,510	\$ 1,749,563	\$ 2,030,051	\$ 12,021,440	\$ 11,048,561
Capital Assets	<u>10,461,638</u>	<u>10,471,591</u>	<u>1,250,150</u>	<u>1,344,138</u>	<u>11,711,788</u>	<u>11,815,729</u>
Total Assets	<u>20,733,515</u>	<u>19,490,101</u>	<u>2,999,713</u>	<u>3,374,189</u>	<u>23,733,228</u>	<u>22,864,290</u>
Deferred Outflows of Resources	<u>1,146,045</u>	<u>3,240,954</u>	<u>16,084</u>	<u>49,764</u>	<u>1,162,129</u>	<u>3,290,718</u>
Long-Term Liabilities	7,829,479	10,436,709	96,105	122,655	7,925,584	10,559,364
Other Liabilities	<u>1,035,682</u>	<u>622,949</u>	<u>81,444</u>	<u>82,090</u>	<u>1,117,126</u>	<u>705,039</u>
Total Liabilities	<u>8,865,161</u>	<u>11,059,658</u>	<u>177,549</u>	<u>204,745</u>	<u>9,042,710</u>	<u>11,264,403</u>
Deferred Inflows of Resources	<u>549,234</u>	<u>838,222</u>	<u>7,883</u>	<u>17,024</u>	<u>557,117</u>	<u>855,246</u>
Net Assets						
Net Investment in Capital Assets	9,878,028	9,430,691	1,250,150	1,344,138	11,128,178	10,774,829
Restricted	<u>1,187,627</u>	<u>870,949</u>	-	-	<u>1,187,627</u>	<u>870,949</u>
Unrestricted (restated)	<u>1,399,510</u>	<u>531,535</u>	<u>1,580,215</u>	<u>1,858,046</u>	<u>2,979,725</u>	<u>2,389,581</u>
Total Net Assets	<u>\$ 12,465,165</u>	<u>\$ 10,833,175</u>	<u>\$ 2,830,365</u>	<u>\$ 3,202,184</u>	<u>\$ 15,295,530</u>	<u>\$ 14,035,359</u>

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

- Sustained focus on the Township's business privilege tax audit program to ensure proper business reporting and tax collection. While one-time audit program collections were down compared to last year, these audits continue to increase annually recurring revenue.
- Continuation of the sewer collection policy which targets chronically delinquent sewer customers and transferred previously uncollectible debt into long-term payment plans has positively impacted net cash position, expenses associated with the pending sale of the sewer collection system had a negative impact on net cash position.
- Continued restructuring of financial processes to ensure the efficient procurement of goods and services at appropriate prices, create procedures that allow the Township to operate at peak efficiency, and promote measures that result in efficient cash management.
- Increased education of and emphasis on the financial health of the Township and its important relationship to the financial health of our residential and business communities.

**EAST NORRITON TOWNSHIP**  
Management's Discussion and Analysis  
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**Figure A-4 Condensed Statement of Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 867,715	\$ 1,210,103	\$ 3,113,118	\$ 3,282,668	\$ 3,980,833	\$ 4,492,771
Operating grants and contributions	1,097,873	1,056,603	253,929	-	1,351,802	1,056,603
Capital grants and contributions	223,173	-	-	-	223,173	-
General revenues:						
Property taxes	2,613,172	2,587,858	-	-	2,613,172	2,587,858
Other taxes	5,606,957	5,187,386	-	-	5,606,957	5,187,386
Grants and contributions not restricted to specific programs	5,167	-	-	-	5,167	-
Investment income and rent	200,497	138,765	28,147	28,613	228,644	167,378
Miscellaneous	572,639	603,322	-	-	572,639	603,322
<b>Total Revenues</b>	<b>11,187,193</b>	<b>10,784,037</b>	<b>3,395,194</b>	<b>3,311,281</b>	<b>14,582,387</b>	<b>14,095,318</b>
<b>Expenses:</b>						
General government	1,273,520	2,166,558	-	-	1,273,520	2,166,558
Public safety	5,317,291	6,120,769	-	-	5,317,291	6,120,769
Highways and streets	532,085	1,444,737	-	-	532,085	1,444,737
Culture and recreation	751,327	752,008	-	-	751,327	752,008
Miscellaneous	2,382,530	-	-	-	2,382,530	-
Debt service interest	25,786	20,717	-	-	25,786	20,717
Sewer	-	-	3,039,677	2,739,868	3,039,677	2,739,868
<b>Total Expenses</b>	<b>10,282,539</b>	<b>10,504,789</b>	<b>3,039,677</b>	<b>2,739,868</b>	<b>13,322,216</b>	<b>13,244,657</b>
Change in Net Position Before Transfers and Special Item	904,654	279,248	355,517	571,413	1,260,171	850,661
Transfers, Net	727,336	774,952	(727,336)	(774,952)	-	-
<b>Change in Net Position</b>	<b>1,631,990</b>	<b>1,054,200</b>	<b>(371,819)</b>	<b>(203,539)</b>	<b>1,260,171</b>	<b>850,661</b>
Net Position - Beginning of Year, restated	10,833,175	9,778,975	3,202,184	3,405,723	14,035,359	13,184,698
<b>Net Position - End of Year</b>	<b>\$ 12,465,165</b>	<b>\$ 10,833,175</b>	<b>\$ 2,830,365</b>	<b>\$ 3,202,184</b>	<b>\$ 15,295,530</b>	<b>\$ 14,035,359</b>

**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. Total Act 511 Taxes reached new milestones with Earned Income Taxes collections surpassing \$2.9 million, recurring Business Privilege Taxes generating over \$1.3 million, and Local Services Taxes over \$468,000. Rounding out these taxes was the Real Estate Transfer Tax which exceeded \$611,000. Real Estate Taxes collected across all governmental funds totaled \$7.94 million – an increase over 2018 results.

The Township consistently receives a significant amount of revenues each year in the form of Pennsylvania State grants. These annual revenues are Liquid Fuels Grant, Pension State Aid Grant, Recycling Performance Grant, and the Fireman's Relief Fund Grant.

# **EAST NORRITON TOWNSHIP**

## Management's Discussion and Analysis

December 31, 2019

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 are funded largely through user fees.

Controlled spending, aggressive tax collection, licenses and permits, improvements, and scheduled debt reduction resulted in a successful 2019 and will remain the focus of a long-term strategy to realize confined fiscal health.

**Business-type activities.** East Norriton Township is the owner and operator of the sanitary sewer collection system which provides service to almost five thousand (5,000) Township properties. The Township is also a member of the East Norriton-Plymouth-Whitpain Joint Sewer Authority ("JSA") which provides 100 percent of the sewer treatment services for the collection system. The Sewer Revenue Fund is the Township's sole proprietary fund and makes up all the business-type activities.

The net position for all business-type activities slipped to \$2,830,365 in 2019, a decrease from the 2018 net position of \$3,202,184. The net position decline is attributable to an overall increase in operating expenses along with expenses attributed to the pending sale of the sewer collection system.

Sewer user fees, the primary source of revenue for the Sewer Revenue Fund, decreased slightly to \$3,113,118. Operating expenses controlled by the Township increased 5.97 percent from 2017 while non-controlled JSA treatment and debt expenses increased 6.02 percent.

### **TOWNSHIP FUNDS FINANCIAL ANALYSIS**

**Governmental Funds.** The East Norriton Township Board of Supervisors annually approves budgets for all Township funds and authorizes the associated funding sources. As part of the annual budget process for 2019, the Board of Supervisors reviewed multi-year financial projections of the Township's governmental funds. Financial reports are reviewed throughout the year and approved at each monthly public meeting.

Fund balance for all governmental funds increased \$1,964,029, an improvement over 2018's increase of \$1,363,492. Of most significance was the net change in unassigned fund balance for the general fund, which advanced \$768,110 to \$7,296,948, inclusive of Act 511 taxes receivable. Year-on-year efforts to maximize tax collections along with controlled spending contributed to the favorable net change in fund balance.

The general fund is the chief operating fund of East Norriton Township. East Norriton Township's fiscal policy requires that the Township maintain an available fund balance equal to 16.7 percent of operating expenditures, plus transfers out, in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Township. The December 31, 2019 fund balance satisfies that policy.

East Norriton Township maintains various park facilities throughout the Township in addition to providing an extensive offering of recreation programs to its residents. Participation in these programs are funded through user fees and the parks and recreation fund, along with the parks and recreation capital fund, are part of the Township's governmental funds group.

Street light and fire protection services are provided by the Township and funded through annual tax assessments. Capital projects are also financed through tax assessments. All monies are maintained in separate funds as required by law. These funds are classified as non-major governmental funds and comprise the remainder of the governmental funds.

**Proprietary Funds.** As mentioned elsewhere in this discussion, the Township maintains a sanitary sewer collection system. The sewer revenue fund is used to manage operating expenses and collect fees for the system. The Board of Supervisors reviews and publicly approves this fund's financial reports monthly.

**EAST NORRITON TOWNSHIP**  
 Management's Discussion and Analysis  
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As of December 31, 2019, the sewer revenue fund total net position was \$2,830,365, a decrease from the 2018 net position of \$3,202,184. The net position decline is attributable to an overall increase in operating expenses, along with expenses attributed to the pending sale of the sewer collection system.

Sewer user fees are based on customer water usage and rates are established by the Board of Supervisors following public review and comment. The last change was a 15 percent rate increase effective March 31, 2016 to accommodate a substantial increase in treatment and debt costs billed by the East Norriton-Plymouth-Whitpain Joint Sewer Authority, the agency responsible for treating 100 percent of the Township flow.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** East Norriton Township's investment in capital assets for its governmental and business-type activities totaled \$11,711,788 (net of accumulated depreciation) as of December 31, 2019. The Township's capital assets include roads, land and land improvements, sewer system, machinery, equipment, and vehicles.

Capital assets are generally acquired through the Township's capital projects fund, which has a dedicated funding source via real estate taxes. Assets are additionally acquired through the use of funds received from the Commonwealth of Pennsylvania through its annual allocation of motor vehicle fuel tax monies. Figure A-5 summarizes the Township's capital assets as of December 31, 2019.

*Figure A-5 Capital Asset Activity for the year ended December 31, 2019*

	<u>Beginning Balance</u>	<u>Net Additions (Deletions)</u>	<u>Ending Balance</u>
<b>Non-Depreciable Assets</b>			
Land	\$ 1,479,105	\$ -	\$ 1,479,105
Infrastructure	5,090,699	-	5,090,699
<b>Other Capital Assets</b>			
Land improvements	5,220,621	133,052	5,353,673
Buildings and improvements	4,949,574	-	4,949,574
Machinery and equipment	8,235,630	95,665	8,331,295
Vehicles	3,902,580	250,274	4,152,854
Infrastructure	59,105	-	59,105
Less: accumulated depreciation on capital assets	<u>(17,121,586)</u>	<u>(582,931)</u>	<u>(17,704,517)</u>
<b>Totals</b>	<u>\$ 11,815,728</u>	<u>\$ (103,940)</u>	<u>\$ 11,711,788</u>

**EAST NORRITON TOWNSHIP**  
 Management's Discussion and Analysis  
 December 31, 2019

**Debt Administration.** Total non-pension and OPEB related long-term debt for the Township decreased \$656,917 at the end of 2019 compared to year end 2018. The largest portion of this debt is a general obligation bond originally issued 2004, then refinanced in 2010. This general obligation bond continues through 2020. Real estate tax income along with sewer utility billing revenues are utilized for long-term debt repayment.

East Norriton Township's total debt decreased by 25.9 percent largely attributable to decreases in pension and OPEB liabilities. The Township's general obligation bond rating is AA+ from Moody's Investors Service, and the debt is backed by the full faith and credit of the Township.

**Figure A-6 Outstanding Debt Activity for the year ended December 31, 2019**

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
General obligations notes and bonds	\$ 719,006	\$ -	\$ (353,565)	\$ 365,441
Capital leases	321,894	-	(103,725)	218,169
Compensated absences	66,025	7,282	-	73,307
Net pension liability	7,451,643	3,057,221	(4,794,445)	5,714,419
Net OPEB liability	<u>2,227,234</u>	<u>146,192</u>	<u>(177,488)</u>	<u>2,195,938</u>
	<u>\$ 10,785,802</u>	<u>\$ 3,210,695</u>	<u>\$ (5,429,223)</u>	<u>\$ 8,567,274</u>

**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 governmental-type activities. Accordingly, 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. Key economic indicators for the Township in 2020 will include:

- Completion of 250+ unit luxury apartment complex
- Sale of the Township's sewer collection system \*
- Expansion of grant activities for infrastructure improvements
- Renewed commitment to sustainable development
- Growth in business privilege tax revenue
- Maintain consistently high real tax collection rate

As required by GASB standards, the Township carries retiree health insurance benefits liability on our financial statements. As our municipal retiree population increases, this benefit in its current framework could have a future impact on our statements.

\*The Township's Board of Supervisors approved the sale of the Township's sewer collection system in late 2018. Final approval was granted by the Pennsylvania Public Utility Commission, and the sale closed on June 19, 2020.

**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, 2019

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 8,664,205	\$ 882,688	\$ 9,546,893
Cash - restricted	43,918	-	43,918
Internal balances	20,741	(20,741)	-
Taxes receivable	1,100,635	-	1,100,635
Sewer rents receivable	-	887,616	887,616
Other receivables	442,378	-	442,378
Total Current Assets	<u>10,271,877</u>	<u>1,749,563</u>	<u>12,021,440</u>
Capital Assets (net of accumulated depreciation)			
Land	1,479,105	-	1,479,105
Infrastructure	5,090,699	-	5,090,699
Site improvements	5,353,673	-	5,353,673
Sewer systems	-	5,108,125	5,108,125
Buildings and building improvements	2,547,235	2,402,339	4,949,574
Machinery and equipment	3,223,170	990,987	4,214,157
Vehicles	3,161,867	59,105	3,220,972
Accumulated depreciation	<u>(10,394,111)</u>	<u>(7,310,406)</u>	<u>(17,704,517)</u>
Total Capital Assets (net)	<u>10,461,638</u>	<u>1,250,150</u>	<u>11,711,788</u>
TOTAL ASSETS	<u>20,733,515</u>	<u>2,999,713</u>	<u>23,733,228</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows - OPEB	172,050	-	172,050
Deferred Outflows - Pension	973,995	16,084	990,079
Total Deferred Outflows of Resources	<u>\$ 1,146,045</u>	<u>\$ 16,084</u>	<u>\$ 1,162,129</u>

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b><u>LIABILITIES</u></b>			
Current Liabilities			
Accounts payable	\$ 209,604	\$ 72,796	\$ 282,400
Accrued interest	9,213	-	9,213
Payroll and withholding taxes payable	220,290	8,648	228,938
Escrow deposits	43,918	-	43,918
Unearned revenue	7,072	-	7,072
Compensated absences, current maturity	73,307	-	73,307
Capital lease payable, current maturity	106,837	-	106,837
Bonds and notes payable, current maturity	365,441	-	365,441
Total Current Liabilities	<u>1,035,682</u>	<u>81,444</u>	<u>1,117,126</u>
Long-term Liabilities			
Capital lease payable	111,332	-	111,332
Bonds and notes payable, net of current maturity	-	-	-
Net OPEB liability	2,195,938	-	2,195,938
Net pension liability	5,522,209	96,105	5,618,314
Total Long-term Liabilities	<u>7,829,479</u>	<u>96,105</u>	<u>7,925,584</u>
<b>TOTAL LIABILITIES</b>	<u>8,865,161</u>	<u>177,549</u>	<u>9,042,710</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred Inflows - OPEB	88,913	-	88,913
Deferred Inflows - Pension	460,321	7,883	468,204
Total Deferred Inflows of Resources	<u>549,234</u>	<u>7,883</u>	<u>557,117</u>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	9,878,028	1,250,150	11,128,178
Restricted	1,187,627	-	1,187,627
Unrestricted	1,399,510	1,580,215	2,979,725
<b>TOTAL NET POSITION</b>	<u>\$ 12,465,165</u>	<u>\$ 2,830,365</u>	<u>\$ 15,295,530</u>

The notes to the financial statements are an integral part of this statement.

EAST NORRITON TOWNSHIP

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental Activities:				
General government	\$ 1,273,520	\$ 583,070	\$ 6,718	\$ -
Public safety	5,317,291	94,862	500,628	-
Public works - highways and streets	532,085	-	590,527	219,961
Culture and recreation	751,327	189,783	-	-
Miscellaneous	2,382,530	-	-	3,212
Debt service interest	25,786	-	-	-
Total Governmental Activities	<u>10,282,539</u>	<u>867,715</u>	<u>1,097,873</u>	<u>223,173</u>
Business -Type Activities				
Sewer operations	<u>3,039,677</u>	<u>3,113,118</u>	<u>253,929</u>	<u>-</u>
Total Business-Type Activities	<u>3,039,677</u>	<u>3,113,118</u>	<u>253,929</u>	<u>-</u>
Total Primary Government	<u>\$ 13,322,216</u>	<u>\$ 3,980,833</u>	<u>\$ 1,351,802</u>	<u>\$ 223,173</u>

General Revenues

Taxes:

Real estate taxes

Real estate transfer tax

Earned income taxes

Local services taxes

Business Privilege

Street light assessment

Grants and contributions not  
restricted to specific programs

Investment income

Miscellaneous revenues

Gain on sale of capital assets

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning, restated

Net Position - Ending

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (683,732)	\$ -	\$ (683,732)
(4,721,801)	-	(4,721,801)
278,403	-	278,403
(561,544)	-	(561,544)
(2,379,318)	-	(2,379,318)
(25,786)	-	(25,786)
<u>(8,093,778)</u>	<u>-</u>	<u>(8,093,778)</u>
-	327,370	327,370
-	327,370	327,370
<u>(8,093,778)</u>	<u>327,370</u>	<u>(7,766,408)</u>
2,613,172	-	2,613,172
611,923	-	611,923
3,090,462	-	3,090,462
468,775	-	468,775
1,354,477	-	1,354,477
81,320	-	81,320
5,167	-	5,167
200,497	28,147	228,644
570,139	-	570,139
2,500	-	2,500
727,336	(727,336)	-
<u>9,725,768</u>	<u>(699,189)</u>	<u>9,026,579</u>
1,631,990	(371,819)	1,260,171
<u>10,833,175</u>	<u>3,202,184</u>	<u>14,035,359</u>
<u>\$ 12,465,165</u>	<u>\$ 2,830,365</u>	<u>\$ 15,295,530</u>

The notes to the financial statements are an integral part of this statement.

EAST NORRITON TOWNSHIP

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Park and Recreation Capital</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>						
Cash and cash equivalents	\$ 6,584,334	\$ -	\$ 9,942	\$ 964,583	\$ 1,105,346	\$ 8,664,205
Restricted cash	43,918	-	-	-	-	43,918
Taxes receivable	930,563	5,138	-	6,965	12,256	954,922
Other receivables	79,267	-	125,000	219,961	18,150	442,378
Due from other funds	98,079	-	-	8,267	27,597	133,943
Total Assets	<u>\$ 7,736,161</u>	<u>\$ 5,138</u>	<u>\$ 134,942</u>	<u>\$ 1,199,776</u>	<u>\$ 1,163,349</u>	<u>\$ 10,239,366</u>
<u>LIABILITIES</u>						
Accounts payable	\$ 142,253	\$ -	\$ 4,057	\$ 31,999	\$ 31,295	\$ 209,604
Accrued payroll and related liabilities	215,008	-	-	-	5,282	220,290
Due to other funds	361	-	107,029	-	5,812	113,202
Escrow deposits	43,918	-	-	-	-	43,918
Unearned revenue	-	-	-	7,072	-	7,072
Total Liabilities	<u>401,540</u>	<u>-</u>	<u>111,086</u>	<u>39,071</u>	<u>42,389</u>	<u>594,086</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Unavailable revenue - property taxes						
Total Deferred Inflows of Resources	<u>27,537</u>	<u>5,138</u>	<u>-</u>	<u>-</u>	<u>12,256</u>	<u>44,931</u>
<u>FUND BALANCES</u>						
Restricted:						
Street light	-	-	-	-	126,999	126,999
Fire	-	-	-	-	100,037	100,037
Culture and recreation	10,136	-	23,856	-	22,722	56,714
Highways and streets	-	-	-	-	858,946	858,946
Debt service	-	-	-	-	-	-
Assigned:						
Capital	-	-	-	1,160,705	-	1,160,705
Unassigned	7,296,948	-	-	-	-	7,296,948
Total Fund Balances	<u>7,307,084</u>	<u>-</u>	<u>23,856</u>	<u>1,160,705</u>	<u>1,108,704</u>	<u>9,600,349</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,736,161</u>	<u>\$ 5,138</u>	<u>\$ 134,942</u>	<u>\$ 1,199,776</u>	<u>\$ 1,163,349</u>	<u>\$ 10,239,366</u>

The notes to the financial statements are an integral part of this statement.

EAST NORRITON TOWNSHIP

RECONCILIATION OF THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO THE  
STATEMENT OF GOVERNMENT-WIDE NET POSITION

December 31, 2019

TOTAL GOVERNMENTAL FUND BALANCES \$ 9,600,349

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

Cost of capital assets	20,855,749	
Accumulated depreciation	<u>(10,394,111)</u>	10,461,638

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Property tax receivables	44,931	
Earned income taxes receivable	<u>145,713</u>	190,644

Deferred inflows and outflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred OPEB	83,137	
Deferred Pension	<u>513,674</u>	596,811

Long term liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the funds. Those liabilities consist of the following:

Accrued interest on bonds	(9,213)	
Capital lease	(218,169)	
Bonds and notes payable	(365,441)	
Net OPEB liability	(2,195,938)	
Net pension liability	(5,522,209)	
Compensated absences	<u>(73,307)</u>	<u>(8,384,277)</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 12,465,165

The notes to the financial statements are an integral part of this statement.

EAST NORRITON TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2019

Revenues	General	Debt Service	Park and Recreation Capital	Capital Projects	Other Governmental Funds	Total Governmental Funds
Taxes:						
Property	\$ 1,383,016	\$ 250,009	\$ -	\$ 338,892	\$ 596,324	\$ 2,568,241
Real estate transfer	611,923	-	-	-	-	611,923
Earned income	2,944,749	-	-	-	-	2,944,749
Local service	468,775	-	-	-	-	468,775
Business privilege	1,354,477	-	-	-	-	1,354,477
Street light assessment	-	-	-	-	81,320	81,320
Fees, licenses and permits	916,555	-	-	-	-	916,555
Fines and forfeitures	58,648	-	-	-	-	58,648
Investment income	134,972	-	964	26,005	38,556	200,497
Intergovernmental revenues	561,002	-	-	219,961	542,038	1,323,001
Charges for services	25,226	-	-	4,075	208,408	237,709
Other	220,918	-	3,212	-	4,024	228,154
<b>Total Revenues</b>	<b>8,680,261</b>	<b>250,009</b>	<b>4,176</b>	<b>588,933</b>	<b>1,470,670</b>	<b>10,994,049</b>
Expenditures						
Current:						
General government	1,106,097	-	-	81,616	-	1,187,713
Public safety	3,937,456	-	-	67,384	236,277	4,241,117
Highways and streets	424,445	-	-	73,299	195,694	693,438
Culture and recreation	7,000	-	47,628	283,352	512,673	850,653
Payroll taxes and employee benefits	3,057,190	-	-	-	-	3,057,190
Insurance	109,091	-	-	-	-	109,091
Miscellaneous	9,815	-	-	-	-	9,815
Debt service:						
Principal	-	320,000	-	27,320	103,726	451,046
Interest	-	21,055	-	-	9,657	30,712
Capital outlay	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>8,651,094</b>	<b>341,055</b>	<b>47,628</b>	<b>532,971</b>	<b>1,058,027</b>	<b>10,630,775</b>
Excess (Deficiency) of Revenues Over Expenditures	29,167	(91,046)	(43,452)	55,962	412,643	363,274
Other Financing Sources (Uses)						
Proceeds from sale of capital assets	-	-	-	2,500	-	2,500
Transfers in	733,734	91,046	-	-	-	824,780
Transfers out	-	-	-	-	(97,444)	(97,444)
<b>Total Other Financing Sources (Uses)</b>	<b>733,734</b>	<b>91,046</b>	<b>-</b>	<b>2,500</b>	<b>(97,444)</b>	<b>729,836</b>
Net Change in Fund Balance	762,901	-	(43,452)	58,462	315,199	1,093,110
Fund Balance - Beginning, restated	6,544,183	-	67,308	1,102,243	793,505	8,507,239
<b>Fund Balance - Ending</b>	<b>\$ 7,307,084</b>	<b>\$ -</b>	<b>\$ 23,856</b>	<b>\$ 1,160,705</b>	<b>\$ 1,108,704</b>	<b>\$ 9,600,349</b>

The notes to the financial statements are an integral part of this statement.

EAST NORRITON TOWNSHIP

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

For the Year Ended December 31, 2019

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ 1,093,110
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	478,991	
Depreciation expense	<u>(488,944)</u>	(9,953)
Because some taxes and other receivables will not be collected for several months after the Township's year end, they are not considered as "available" revenues in the governmental funds, but are considered revenues in the statement of activities. These taxes and other receivables are net of corresponding amounts due as of the end of the prior year.		190,644
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Repayment of debt	457,290	
Interest expense	<u>(1,318)</u>	455,972
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Net OPEB liability and deferred items	(51,190)	
Net pension liability and deferred items	(39,311)	
Compensated absences	<u>(7,282)</u>	<u>(97,783)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 1,631,990</u>

The notes to the financial statements are an integral part of this statement.

EAST NORRITON TOWNSHIP

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL

For the Year Ended December 31, 2019

	GENERAL FUND			
	Budgeted Amounts		ACTUAL	Variance with Final Budget
	Original	Final		
Revenues				
Taxes				
Property	\$ 1,645,000	\$ 1,645,000	\$ 1,383,016	\$ (261,984)
Real estate transfer	300,000	300,000	611,923	311,923
Earned income	2,675,000	2,675,000	2,944,749	269,749
Business privilege	400,000	400,000	468,775	68,775
Local service	1,250,000	1,250,000	1,354,477	104,477
Fees, licenses and permits	762,250	762,250	916,555	154,305
Fines and forfeitures	69,000	69,000	58,648	(10,352)
Investment income	28,075	28,075	134,972	106,897
Intergovernmental revenues	532,202	532,202	561,002	28,800
Charges for services	36,500	36,500	25,226	(11,274)
Other	95,476	95,476	220,918	125,442
Total Revenues	<u>7,793,503</u>	<u>7,793,503</u>	<u>8,680,261</u>	<u>886,758</u>
Expenditures				
Current:				
General government	1,231,189	1,231,189	1,106,097	125,092
Public safety	4,016,249	4,016,249	3,937,456	78,793
Highways and streets	506,243	506,243	424,445	81,798
Culture and recreation	9,500	9,500	7,000	2,500
Payroll taxes and employee benefits	3,106,803	3,106,803	3,057,190	49,613
Insurance	103,135	103,135	109,091	(5,956)
Miscellaneous	-	-	9,815	(9,815)
Total Expenditures	<u>8,973,119</u>	<u>8,973,119</u>	<u>8,651,094</u>	<u>322,025</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,179,616)</u>	<u>(1,179,616)</u>	<u>29,167</u>	<u>1,208,783</u>
Other Financing Sources (Uses)				
Transfers in	<u>612,917</u>	<u>612,917</u>	<u>733,734</u>	<u>120,817</u>
Total Other Financing Sources (Uses)	<u>612,917</u>	<u>612,917</u>	<u>733,734</u>	<u>120,817</u>
Net Change in Fund Balance	(566,699)	(566,699)	762,901	1,329,600
Fund Balance - Beginning	<u>566,699</u>	<u>566,699</u>	<u>6,544,183</u>	
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,307,084</u>	

The notes to the financial statements are an integral part of this statement.

EAST NORRITON TOWNSHIP  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

December 31, 2019

	Business-type Activities Sewer Fund
<u>ASSETS</u>	
Current Assets	
Cash and cash equivalents	\$ 882,688
Sewer rents receivable	887,616
Total Current Assets	1,770,304
Capital Assets	
Sewer systems	5,108,125
Buildings and building improvements	2,402,339
Machinery and equipment	990,987
Vehicles	59,105
Less accumulated depreciation	(7,310,406)
Total capital assets (net of accumulated depreciation)	1,250,150
Total Assets	\$ 3,020,454
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows - pension	\$ 16,084
 <u>LIABILITIES</u>	
Current Liabilities	
Accounts payable	\$ 72,796
Accrued payroll	8,648
Due to other funds	20,741
Total Current Liabilities	102,185
Long-term Liabilities	
Net pension liability	96,105
Total Noncurrent Liabilities	96,105
Total Liabilities	198,290
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred inflows - pension	7,883
 <u>NET POSITION</u>	
Net investment in capital assets	1,250,150
Unrestricted	1,580,215
Total Net Position	2,830,365
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 3,036,538

The notes to the financial statements are an integral part of this statement.

EAST NORRITON TOWNSHIP

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS

For the Year Ended December 31, 2019

	Business-type Activities
	<u>Sewer Fund</u>
Operating Revenues	
Charges for services	\$ 3,113,118
Total Operating Revenues	<u>3,113,118</u>
Operating Expenses	
Administration	255,339
Contracted services	2,102,043
Salaries and benefits	271,340
Repairs and maintenance	165,811
Supplies	5,123
Utilities	146,034
Depreciation	<u>93,987</u>
Total Operating Expenses	<u>3,039,677</u>
Operating Income (Loss)	<u>73,441</u>
Nonoperating Revenues (Expense)	
Investment income	28,147
Connection fees	14,750
Settlements	<u>239,179</u>
Total Nonoperating Revenues (Expense)	<u>282,076</u>
Income (Loss) before Transfers	355,517
Transfers in	492,000
Transfers out	<u>(1,219,336)</u>
Net transfers	<u>(727,336)</u>
Changes in Net Position	(371,819)
Total Net Position - Beginning	<u>3,202,184</u>
Total Net Position - Ending	<u>\$ 2,830,365</u>

The notes to the financial statements are an integral part of this statement.

EAST NORRITON TOWNSHIP

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For the Year Ended December 31, 2019

	<u>Business-type Activities Sewer Fund</u>
Cash flows from operating activities	
Cash received from customers	\$ 3,163,969
Cash paid to employees	(257,350)
Cash paid to suppliers	<u>(2,699,518)</u>
Net cash provided by (used in) operating activities	<u>207,101</u>
Cash flows from non-capital financing activities	
Connections fees	14,750
Settlements	239,179
Transfers to other funds	<u>(727,336)</u>
Net cash provided by (used in) financing activities	<u>(473,407)</u>
Cash flows from investing activities	
Earnings on investments	<u>28,147</u>
Net cash provided by (used in) investing activities	<u>28,147</u>
Net increase (decrease) in cash and cash equivalents	(238,159)
Beginning cash and cash equivalents	<u>1,120,847</u>
Ending cash and cash equivalents	<u>\$ 882,688</u>
 <b>Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>	
Net operating income (loss)	<u>\$ 73,441</u>
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities	
Depreciation	93,987
Changes in assets and liabilities	
(Increase) decrease in receivables	50,851
(Increase) decrease in due from other funds	(2,011)
Increase (decrease) in accounts payables	(645)
Increase (decrease) in due to other funds	<u>(8,522)</u>
Net adjustments	<u>133,660</u>
Cash provided by (used in) operating activities	<u>\$ 207,101</u>

The notes to the financial statements are an integral part of this statement.

EAST NORRITON TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

December 31, 2019

	<u>Pension</u> <u>Trust Funds</u>	<u>Health</u> <u>Benefits Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 28,674	\$ 535,771	\$ 564,445
Investments, at fair value:			
Mutual Funds - Equity	13,513,712	-	13,513,712
Mutual Funds - International Equity	1,027,305	-	1,027,305
Mutual Funds - Fixed Income	6,169,608	-	6,169,608
Mutual Funds - Real Estate	<u>613,716</u>	<u>-</u>	<u>613,716</u>
Total Investments	<u>21,324,341</u>	<u>-</u>	<u>21,324,341</u>
Total Assets	<u>\$ 21,353,015</u>	<u>\$ 535,771</u>	<u>\$ 21,888,786</u>
 <u>LIABILITIES</u>			
Accounts payable	<u>\$ 40,500</u>	<u>\$ 4,524</u>	<u>\$ 45,024</u>
Total Liabilities	<u>\$ 40,500</u>	<u>\$ 4,524</u>	<u>\$ 45,024</u>
 <u>NET POSITION</u>			
Net Position - Restricted for:			
Pension benefits	\$ 21,312,515	\$ -	\$ 21,312,515
Post-employment benefits	<u>-</u>	<u>531,247</u>	<u>531,247</u>
Total Net Position	<u>\$ 21,312,515</u>	<u>\$ 531,247</u>	<u>\$ 21,843,762</u>

The notes to the financial statements are an integral part of this statement.

EAST NORRITON TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

For the Year Ended December 31, 2019

	Pension <u>Trust Funds</u>	Health <u>Benefits Fund</u>	<u>Total</u>
Additions			
Contributions			
Employee contributions	\$ 235,780	\$ -	\$ 235,780
Employer contributions	815,514	-	815,514
State aid	<u>394,278</u>	-	<u>394,278</u>
Total Contributions	<u>1,445,572</u>	<u>-</u>	<u>1,445,572</u>
Investment Income			
Net appreciation (depreciation) in fair value of investments	2,595,200	-	2,595,200
Interest and dividend income	<u>592,435</u>	<u>12,194</u>	<u>604,629</u>
Total investment earnings	3,187,635	12,194	3,199,829
Less investment expense	<u>(36,581)</u>	-	<u>(36,581)</u>
Net Investment Income	<u>3,151,054</u>	<u>12,194</u>	<u>3,163,248</u>
Total Additions	<u>4,596,626</u>	<u>12,194</u>	<u>4,608,820</u>
Deductions			
Benefits	1,501,114	-	1,501,114
Administrative expenses	<u>4,290</u>	<u>59,778</u>	<u>64,068</u>
Total Deductions	<u>1,505,404</u>	<u>59,778</u>	<u>1,565,182</u>
Change in Net Position	3,091,222	(47,584)	3,043,638
Net Position - Fiduciary:			
Beginning of Year	<u>18,221,293</u>	<u>578,831</u>	<u>18,800,124</u>
End of Year	<u>\$ 21,312,515</u>	<u>\$ 531,247</u>	<u>\$ 21,843,762</u>

The notes to the financial statements are an integral part of this statement.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**I. Summary of significant accounting policies**

**A. *Reporting entity***

East Norriton Township (“the Township”) is a municipal corporation existing and operating under the Township code of the Commonwealth of Pennsylvania.

In evaluating the Township (the primary government) as a reporting entity, all potential component units that may or may not fall within the financial accountability of the Township have been addressed. Financial accountability is present if the Township appoints a voting majority of a component unit’s governing body and has the ability to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township. Based on these criteria, there are no organizations or agencies which should be included in the Township’s reporting entity

**B. *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 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.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**I. Summary of significant accounting policies (Continued)**

**B. *Basis of Presentation* (continued)**

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 three 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 government 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 *Debt Service Fund* is used to account for resources accumulated to pay debt service expenditures of the Township.

The *Park and Recreation Capital Fund* is used to account for resources accumulated for future park and recreation capital projects.

The *Capital Projects Fund* is used to account for resources accumulated for future capital projects.

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 funds. These funds are used to account for operations that are organized to be self-supporting through user charges.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**I. Summary of significant accounting policies (Continued)**

**C. *Measurement focus, basis of accounting, and financial statement presentation***

The *Sewer Fund* is used to account 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.

Trust and Agency Funds - Are used to account for assets held by the Township in a trustee or agent capacity for individuals and/or other funds.

*Pension Trust Fund* - This fund is used to account for resources required to be held in trust for the members and beneficiaries of the Township's defined benefit pension plan - the Non-Uniformed Pension Fund.

*Health Benefit Fund* - This fund is used to account for funds set aside to help defray the health costs for retired Township employees.

*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.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**I. Summary of significant accounting policies (Continued)**

**C. *Measurement focus, basis of accounting, and financial statement presentation***  
**(continued)**

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 resources measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The Township's only proprietary fund is an enterprise fund.

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.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**I. Summary of significant accounting policies (Continued)**

***C. Measurement focus, basis of accounting, and financial statement presentation  
(continued)***

*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

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as needed.

***D. Assets, liabilities, and net assets or equity***

***1. Deposits and investments***

The government'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.

With the exception of Pension Trust Funds, state law allows the government to invest in obligations of the United States of America, the Commonwealth of Pennsylvania, or any agency or instrumentality of either, which are secured by the full faith and credit of such entity. The law also allows for the Government to invest in certificates of deposit of banks, savings and loans, and savings banks both within and outside the Commonwealth of Pennsylvania, provided such amounts are insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance, and that deposits in excess of such insurance are collateralized by the depository.

The state also imposes limitations with respect to the amount of investment in certificates of deposit to the extent that such deposits may not exceed 20% of a bank's total capital surplus or 20% of a savings and loan's or savings bank's assets, net of its liabilities. The government may also invest in shares of registered investment companies, provided that investments of the Company are authorized investments, as noted above.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**I. Summary of significant accounting policies (Continued)**

***D. Assets, liabilities, and net assets or equity (continued)***

***1. Deposits and investments (continued)***

The law provides that the government's Pension Trust Funds may invest in any form or type of investment, financial instrument, or financial transaction if determined by the government to be prudent.

Investments for the government are reported at fair value. The Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the pool's amortized cost-based net asset value per share, which approximates fair value. There are no limitations or restrictions on withdrawals.

***2. Receivables and payables***

Outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and other activities are reported in the government-wide financial statements as "internal balances".

At December 31, 2019, all trade receivables were deemed to be fully collectible. The property tax receivable allowance is immaterial and therefore is not included in outstanding property taxes at December 31, 2019.

Property taxes are levied as of March 1 on property values assessed as of the same date. Taxes are billed March 1 and payable under the following terms: a 2% discount March 1 through April 30; face amount May 1 through July 1; and a 10% penalty after July 1. Any unpaid taxes are attached as an enforceable lien on such property as of January 15 of the following year. The Township employs an elected tax collector to collect the property tax levied. Property taxes collected within sixty days subsequent to December 31, 2019 are recognized as revenue for the year ending December 31, 2019.

***3. Use of estimates***

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

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**I. Summary of significant accounting policies (Continued)**

***D. Assets, liabilities, and net assets or equity (continued)***

***4. Capital assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental or business activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government, as well as its component units, are depreciated using the straight line method over the following estimated useful lives:

Site improvements	10-20 years
Sewer system	5-50 years
Buildings and improvements	25-50 years
Machinery and equipment	5-10 years
Vehicles	5-10 years

***Infrastructure***

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

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**I. Summary of significant accounting policies (Continued)**

***D. Assets, liabilities, and net assets or equity (continued)***

***5. 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.

***6. Long-term obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, statement of net assets. If bond premiums or discounts exist, they are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of any applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types would 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. Any premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***7. Deferred outflows/inflows of resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Township has the following items that qualifies for reporting in this category.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**I. Summary of significant accounting policies (Continued)**

**D. *Assets, liabilities, and net assets or equity* (continued)**

**7. *Deferred outflows/inflows of resources* (continued)**

1. *Change in assumptions* is reported in the government-wide statement. A difference results when assumptions used to prepare the actuarial valuation of the pension plan changes. These amounts are deferred and recognized as an outflow of resources in the period that the amounts become available.
2. *Differences between expected and actual experience on pension plan liability* is reported in the government-wide statement. A difference results when actual economic or demographic factors differ from expected results. These amounts are deferred and recognized as an outflow of resources in the period that the amounts become available.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Township has the following items that qualify for reporting in this category.

1. *Differences between expected and actual experience on pension plan liability* is reported in the government-wide statement. A difference results when actual economic or demographic factors differ from expected results. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
2. *Unavailable revenue - property taxes* is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
3. *Net difference between projected and actual earnings on pension plan investments* is reported in the government-wide statement of net position. A net difference results from the actual earnings in the plan either exceeding or falling short of projected earnings. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**I. Summary of significant accounting policies (Continued)**

**D. *Assets, liabilities, and net assets or equity* (continued)**

**8. *Net position***

In the government-wide financial statements, net position is classified in the following categories:

**Net investment in capital assets** - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance of this category.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Capital assets not being depreciated	\$ 1,479,105	\$ -	\$ 1,479,105
Capital assets being depreciated, net of accumulated depreciation	8,982,533	1,250,150	10,232,683
Less: long-term outstanding debt	<u>(583,610)</u>	<u>-</u>	<u>(583,610)</u>
Net investment in capital assets	<u>\$ 9,878,028</u>	<u>\$ 1,250,150</u>	<u>\$ 11,128,178</u>

**Restricted net position** - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

**Unrestricted net position** - This category represents net position of the entity, not restricted for any project or other purpose.

**9. *Fund balance***

Governmental funds report fund balance in classifications based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**I. Summary of significant accounting policies (Continued)**

***D. Assets, liabilities, and net assets or equity (continued)***

***9. Fund balance (continued)***

Fund balance for governmental funds consists of the following:

**Nonspendable Fund Balance** - Includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

**Restricted Fund Balance** - Includes amounts that are restricted for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

**Committed Fund Balance** - Includes amounts that can only be used for the specific purposes determined by a formal action of the Township’s highest level of decision-making authority, the Township Board of Supervisors. Commitments may be changed or lifted only by the Township taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).

**Assigned Fund Balance** - Includes amounts intended to be used by the Township for specific purposes but do not meet the criteria to be classified as committed. The governing body, the Board of Supervisors, has by resolution authorized the Township Manager or Finance Director to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**Unassigned Fund Balance** - This residual classification is used for all negative fund balances in Special Revenue, Capital Projects, and Debt Service funds; or any residual amounts in the General Fund.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**I. Summary of significant accounting policies (Continued)**

***D. Assets, liabilities, and net assets or equity (continued)***

***9. Fund balance (continued)***

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned. In all cases, encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

***10. Subsequent events***

The Township has evaluated events and transactions for potential recognition or disclosure in the financial statements through the date of this report, which is the date the statements were available for release.

**II. Stewardship, compliance, and accountability**

***A. Budgetary information***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds of the Township. All annual appropriations lapse at fiscal year-end.

Prior to November, Board of Supervisors approves a preliminary budget for the upcoming fiscal year, reflecting proposed expenditures and the means of financing them. During November, the Township holds budget hearings for the purpose of receiving oral and written comments from interested parties in regard to the proposed budget for the following year.

The Township makes available to the public its proposed operating budget for all funds. The operating budget includes proposed expenditures and the means of financing them. The Board holds public hearings and a final budget must be prepared and adopted no later than December 31 through the passage of an ordinance. Any budget revisions require the approval of the Board of Supervisors. The Board authorized the use of unallocated fund balance in 2019. Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders) outstanding at year end lapse.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**II. Stewardship, compliance, and accountability (Continued)**

**A. *Budgetary information (continued)***

*Excess of Expenditures Over Appropriations* - For the year ended December 31, 2019, expenditures over appropriations for the General Fund were as follows: Insurance \$5,956, and miscellaneous expenses \$9,815. The over expenditures were covered through revenues in excess of budget.

**III. Detailed notes on all funds**

**A. *Taxes***

For 2019, the following tax was levied on assessed value of real estate:

- 1.447 mills for general purposes
- 0.270 mills for debt purposes
- 0.326 mills for parks and recreational purposes
- 0.030 mills for street light purposes
- 0.288 mills for fire purposes
- 0.366 mills for capital project purposes

The taxable assessed valuation of property as of January 1, 2019 was \$955,537,713.

Other taxes levied in 2019:

Real estate transfer tax	.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

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**III. Detailed notes on all funds (Continued)**

***B. Deposits and investments***

*Custodial Credit Risk - Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government's policy is to require their banking institution to provide a letter stating that they follow the Commonwealth of Pennsylvania Act 72, where all funds in excess of federal depository insurance limits held by the bank are collateralized in public funds secured on a pooled basis.

As of year-end, the carrying amount of deposits for the governmental and business-type activities was \$9,590,811 and the bank balance was \$9,627,194. Of the bank balance, \$250,000 was covered by federal depository insurance. Any balances exceeding depository insurance are exposed to custodial credit risk because it is uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the government's name.

*Investment Pool* - The Township has carrying deposits in external investment pools, held with PLGIT Bank. These deposits are considered cash equivalents because of their short maturity dates and are included in the carrying amount of deposits disclosed above. These deposits are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The investment in the pool is the same as the value of the pool shares and is reported at amortized cost, which approximates fair value PLGIT activities are invested directly in a portfolio of securities, which are held by a third-party custodian. The Township can withdraw funds from the external investment pool without limitation or fees upon adequate notice. The investment pool was rated AAAM by Standard & Poor's and has average maturities of less than 30 days. The Investment Pool operates in accordance with appropriate state laws and regulations.

*Custodial Credit Risk - Investments.* For an investment, this is the risk that, in the event of a failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The risks of default are eliminated due to the constraints imposed upon allowable investment instruments by the Township's investment policy and through state limitations as discussed in Note I, D, 1.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**III. Detailed notes on all funds (Continued)**

***B. Deposits and investments (continued)***

At year-end balances were as follows:

GOVERNMENTAL ACTIVITIES	<u>Amount</u>	<u>Average Rating</u>	<u>Average Maturity</u>
Externally Pooled Investments (PLGIT)	\$ 9,401,117	AAAm	30 days
Total Governmental Activities	<u>\$ 9,401,117</u>		
FIDUCIARY FUNDS			
Externally Pooled Investments (PLGIT)	\$ 564,445	AAAm	30 days
Mutual Funds - Equity	13,513,712	not applicable	not applicable
Mutual Funds - International Equity	1,027,305	not applicable	not applicable
Mutual Funds - Fixed Income	6,169,608	not applicable	not applicable
Mutual Funds - Real Estate	613,716	not applicable	not applicable
Total Fiduciary Funds	<u>\$ 21,888,786</u>		

*Interest Rate Risk.* This is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Township's policy regarding its fixed income investments generally limits the maximum maturity of a security to ten years. As of December 31, 2019, the Township did not have any investments maturing beyond the ten year period. See above maturities.

*Credit Risk.* This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the investment of governmental funds as described in Section 1, Note D. The government does not have a formal investment policy for credit risk. The investments in the external investment pool and the money market funds were rated AAAM by Standard & Poor's. See above ratings.

*Concentration of Credit Risk.* This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. There were no investments greater than 5% in any one single issuer that would be considered a concentration of credit risk for the government.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**III. Detailed notes on all funds (Continued)**

***B. Deposits and investments (continued)***

Fair Value Measurements: The Township categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Township has the following recurring fair value measurements as of December 31, 2019:

	<u>Fair Value</u>	<u>Level 1</u>
FIDUCIARY FUNDS		
Mutual Funds - Equity	\$ 13,513,712	\$ 13,513,712
Mutual Funds - International Equity	1,027,305	1,027,305
Mutual Funds - Fixed Income	6,169,608	6,169,608
Mutual Funds - Real Estate	<u>613,716</u>	<u>613,716</u>
Total Fiduciary Funds	<u>\$ 21,324,341</u>	<u>\$ 21,324,341</u>

***C. Receivables and due from other governments***

Receivables as of year-end for the government's individual major funds, non-major funds, and proprietary funds, are as follows:

	<u>General</u>	<u>Park &amp; Rec Capital</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Sewer</u>	<u>Total</u>
Receivables:						
Taxes receivable	\$ 930,563	\$ -	\$ 6,965	\$ 12,256	\$ -	\$ 949,784
Other receivable	79,267	125,000	219,961	18,150	-	442,378
Accounts receivable	-	-	-	-	887,616	887,616
Unbilled revenue	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-
Total Receivables	<u>\$ 1,009,830</u>	<u>\$ 125,000</u>	<u>\$ 226,926</u>	<u>\$ 30,406</u>	<u>\$ 887,616</u>	<u>\$ 2,279,778</u>

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**III. Detailed notes on all funds (Continued)**

***D. Capital assets***

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,479,105	\$ -	\$ -	\$ 1,479,105
Infrastructure	5,090,699	-	-	5,090,699
Total capital assets, not being depreciated	<u>6,569,804</u>	<u>-</u>	<u>-</u>	<u>6,569,804</u>
Capital assets, being depreciated:				
Site improvements	5,220,621	133,052	-	5,353,673
Building and improvements	2,547,235	-	-	2,547,235
Machinery and equipment	3,127,505	95,665	-	3,223,170
Vehicles	2,911,593	250,274	-	3,161,867
Total capital assets being depreciated	<u>13,806,954</u>	<u>478,991</u>	<u>-</u>	<u>14,285,945</u>
Less accumulated depreciation for:				
Site improvements	3,256,576	140,986	-	3,397,562
Building and improvements	2,238,217	48,285	-	2,286,502
Machinery and equipment	2,519,822	103,896	-	2,623,718
Vehicles	1,890,552	195,777	-	2,086,329
Total accumulated depreciation	<u>9,905,167</u>	<u>488,944</u>	<u>-</u>	<u>10,394,111</u>
Total capital assets, being depreciated, net	<u>3,901,787</u>	<u>(9,953)</u>	<u>-</u>	<u>3,891,834</u>
Governmental activities capital assets, net	<u>\$ 10,471,591</u>	<u>\$ (9,953)</u>	<u>\$ -</u>	<u>\$ 10,461,638</u>

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**III. Detailed notes on all funds (Continued)**

***D. Capital assets (continued)***

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Business-type activities:</b>				
Capital assets, being depreciated:				
Building and building improvements	\$ 2,402,339	\$ -	\$ -	\$ 2,402,339
Sewer systems	5,108,125	-	-	5,108,125
Fixtures and equipment	990,987	-	-	990,987
Vehicles	59,105	-	-	59,105
Total capital assets being depreciated	<u>8,560,556</u>	<u>-</u>	<u>-</u>	<u>8,560,556</u>
Less accumulated depreciation:	<u>7,216,419</u>	<u>93,987</u>	<u>-</u>	<u>7,310,406</u>
Total capital assets, being depreciated, net	<u>1,344,137</u>	<u>(93,987)</u>	<u>-</u>	<u>1,250,150</u>
Business-type activities capital assets, net	<u>\$ 1,344,137</u>	<u>\$ (93,987)</u>	<u>\$ -</u>	<u>\$ 1,250,150</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 101,018
Public safety	272,585
Highway and streets	81,804
Culture and recreation	33,537
	<u>\$ 488,944</u>
Total depreciation expense-governmental activities	
Business-type activities:	
Sewer	\$ 93,987
Total depreciation expense-business-type activities	<u>\$ 93,987</u>

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**III. Detailed notes on all funds (Continued)**

***E. Interfund receivables, payables, and transfers***

The composition of interfund balances as of December 31, 2019 are as follows:

	Due From <u>Other Funds</u>	Due To <u>Other Funds</u>
General fund	\$ 98,079	\$ 361
Capital projects	8,267	-
Park & Rec Capital	-	107,029
Other governmental funds	27,597	5,812
Sewer	-	20,741
Total	<u>\$ 133,943</u>	<u>\$ 133,943</u>

Interfund balances are primarily a result of:

- (1) reimbursement of expenditures
- (2) allocation of wages and benefits

Interfund transfers:

	<u>Transfer in</u>	<u>Transfer out</u>
General fund	\$ 733,734	\$ -
Capital projects	-	-
Debt Service	91,046	-
Other governmental funds	-	97,444
Sewer	492,000	1,219,336
Total	<u>\$ 1,316,780</u>	<u>\$ 1,316,780</u>

Interfund transfers are primarily a result of:

- (1) allocation of wages and benefits
- (2) to fund capital projects and acquisitions

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**III. Detailed notes on all funds (Continued)**

***F. Leases***

*Capital Leases*

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	\$ 1,401,682
Less: accumulated depreciation	<u>(613,196)</u>
Total	<u>\$ 788,486</u>

Future minimum lease obligations and the net present value of these minimum lease payments for the years ending December 31:

2020	\$ 113,384
2021	113,384
2022	<u>1,167</u>
Total minimum lease payments	227,935
Less: amount representing interest	<u>(9,766)</u>
Net present value of minimum lease payments	<u>\$ 218,169</u>

***G. Long-term debt***

General Obligation Bonds and Notes

The government issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities, and other capital projects. The original amount of general obligation notes was \$3,100,000. General obligation notes are direct obligations and pledge the full faith and credit of the Township.

Amounts outstanding at December 31, 2019 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Government-type activities	2.23%-2.278%	<u>\$ 362,320</u>

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**III. Detailed notes on all funds (Continued)**

***G. Long-term debt (continued)***

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

Year Ending December 31	Governmental Activities	
	Principal	Interest
2020	<u>\$ 362,320</u>	<u>\$ 11,055</u>

Long-term liability activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 655,000	\$ -	\$ (320,000)	\$ 335,000	\$ 335,000
Bond Premium	9,366	-	(6,245)	3,121	3,121
Notes payable	<u>54,640</u>	<u>-</u>	<u>(27,320)</u>	<u>27,320</u>	<u>27,320</u>
Subtotal	719,006	-	(353,565)	365,441	365,441
Capital leases	321,894	-	(103,725)	218,169	106,837
Compensated absences	66,025	7,282	-	73,307	-
Net pension liability	7,328,988	3,040,459	(4,751,133)	5,618,314	-
Net OPEB liability	<u>2,227,234</u>	<u>146,192</u>	<u>(177,488)</u>	<u>2,195,938</u>	<u>-</u>
Governmental activity					
Long-Term Liabilities	<u>\$ 10,663,147</u>	<u>\$ 3,193,933</u>	<u>\$ (5,385,911)</u>	<u>\$ 8,471,169</u>	<u>\$ 472,278</u>
<b>Business-type activities:</b>					
Net pension liability	<u>\$ 122,655</u>	<u>\$ 16,762</u>	<u>\$ (43,312)</u>	<u>\$ 96,105</u>	<u>\$ -</u>
Business-type activity					
Long-Term Liabilities	<u>\$ 122,655</u>	<u>\$ 16,762.00</u>	<u>\$ (43,312)</u>	<u>\$ 96,105</u>	<u>\$ -</u>

Debt service for general obligation bonds and notes is funded primarily from taxes for governmental activities and charges for service in the business type activities. Any liabilities for compensated absences or net pension obligations are generally liquidated by the general fund for governmental activities and the sewer fund for business-type activities.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**IV. Other information**

**A. *Risk management***

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government participates in the Delaware Valley Property & Liability Trust pool, the Delaware Valley Workers' Compensation Trust pool, and the Delaware Valley Health Trust Pool. Settled claims from these risks have not exceeded insurance coverage for the past three years. There were no significant reductions in insurance coverage from coverage in the prior year.

The Delaware Valley Property & Liability Trust is a public entity risk pool operated for the benefit of approximately 67 member entities. Trust underwriting and rate-setting policies are established after consultation with independent insurance consultants. Any member may withdraw from the Trust by giving 150 days written notice to the Executive Committee. The insurance expense for the year ended December 31, 2019 was \$106,591. The pooling agreement permits the pool to make additional assessments to its members. At December 31, 2019, there were no additional assessments due or anticipated; instead, the pool declared a dividend of which the Township's share was \$20,570.

The Delaware Valley Workers' Compensation Trust is a public entity risk pool operated for the benefit of approximately 95 member entities. Trust underwriting and rate-setting policies are established after consultation with independent insurance consultants. Any member may withdraw from the Trust by giving 150 days written notice to the Executive Committee. The insurance expense for the year ended December 31, 2019 was \$172,085. The Township also received \$25,448 as a result from a payroll audit of the 2018 coverage year. There were no additional assessments due or anticipated. An audit of the 2019 payroll will be performed in 2020. At December 31, 2019, the pool declared a dividend of which the Township's share was \$32,878.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**IV. Other information (Continued)**

**A. *Risk management (continued)***

The Delaware Valley Health Trust is a public entity risk pool operated for the benefit of approximately 33 municipalities. Trust underwriting and rate-setting policies are established after consultation with independent insurance consultants. Any member may withdraw from the Trust by giving 150 days written notice to the Executive Committee. The insurance expense for the year ended December 31, 2019 was \$1,177,709. There were no additional assessments due or anticipated. At December 31, 2019, the pool did not declare a dividend.

**B. *Contingent liabilities***

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

In the normal course of business, there are various relatively minor claims and suits pending against the Township, none of which materially affect the financial position of the Township.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**IV. Other information (Continued)**

***C. Employee retirement systems and pension plans***

Plan Description and Membership

The Township sponsors two single employer defined benefit pension plans, the Non-Uniformed Pension Plan and the Police Pension Plan. These plans are reported as Pension Trust Funds in the accompanying financial statements and do not issue stand-alone reports. The plans are administered by the Township. The most recent valuation was as of January 1, 2019. Details below are from the valuation.

*Police Pension Defined Benefit Pension Plan* - The plan is a contributory, single employer defined benefit plan that covers all full time uniformed police officers of the Township. All full-time members of the Police Force join the plan upon employment.

*Non-Uniformed Defined Benefit Pension Plan* - The plan is a contributory, single employer defined benefit plan that covers all full-time permanent, non-uniformed employees of the Township who join the Plan upon employment.

The Pension Plans are governed by the Board of Supervisors who have established a Retirement Benefits Advisory Board authorized to make recommendations to the Board in its finance and investment-related planning, including review of pension plan finances for both the Police Pension Plan and the Non-Uniform Pension Plan. The Retirement Benefits Advisory Board consists of five members appointed by the Board of Supervisors. The Board meets quarterly for the purpose of reviewing the investment performance with the investment manager. The Board of Supervisors has delegated the authority to manage certain plan assets to Conrad Siegel Investment Advisors.

At December 31, 2019, Defined Benefit Pension Plans consisted of the following:

	<u>Police</u>	Non- <u>Uniformed</u>
Inactive employees (or their beneficiaries) currently receiving benefits (1)	25	28
Inactive employees entitled to benefits but not yet receiving them	2	7
Active employees	<u>24</u>	<u>29</u>
	<u>51</u>	<u>64</u>

(1) Includes DROP

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**IV. Other information (Continued)**

***C. Employee retirement systems and pension plans (continued)***

Benefits Provided

*Police Pension Defined Benefit Pension Plan:* The plan provides retirement, death, and disability to the plan members and their beneficiaries. 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 benefits is the same as the normal benefit amount. All benefits are vested after twelve years of continued service. If a participant is totally and permanently disabled in the line of duty he is eligible for disability pension. The disability pension is equal to 50% 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. Benefit provisions are established and amended by Pennsylvania law. Administrative costs of the Plan are financed through investment earnings.

A Deferred Retirement Option Plan ("DROP") is available to the Township's police officers who have fulfilled the age and service requirements of the Police Pension Plan as described in the above paragraph. Under the DROP program a participant may elect to defer receipt of normal retirement benefits while continuing employment with the Township for a period of not less than one year nor more than three years. 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, 2019, the pension plan had total DROP account balances of \$517,310 and no accumulated DROP payments payable.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**IV. Other information (Continued)**

***C. Employee retirement systems and pension plans (continued)***

*Non-Uniformed Defined Benefit Pension Plan:* The plan provides retirement, death, and disability benefits to plan members and their beneficiaries. A member is eligible for normal retirement at or after attainment of 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. 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. Benefits and Contribution provisions are established by Pennsylvania law. All benefits are vested after ten years of continued service. Benefit provisions are established and amended by Pennsylvania law. Administrative costs of the Plan are financed through investment earnings.

A Deferred Retirement Option Plan ("DROP") is available to active members hired before August 1, 2014, who have fulfilled the age and service requirements for normal retirement my 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. 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, 2019, the pension plan had total DROP account balances of \$14,971 and no accumulated DROP payments payable.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**IV. Other information (Continued)**

***C. Employee retirement systems and pension plans (continued)***

Measurement Focus and Basis of Accounting

*Basis of Accounting:* Pension Plan financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Employer and member contributions are recognized as when due pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as revenue when earned. Retirement benefits and refunds are recognized when due and payable in accordance with terms of the Plan. Other expenses are recognized when the corresponding liabilities are incurred. The net appreciation/(depreciation) in fair value of investments is recorded as an increase/(decrease) to investment income based on the valuation of investments. The entire expense of Plan administration is charged against the earnings of the Plan. Investment earnings are reduced for investment management fees, portfolio evaluation, custodial services, and actuarial services, as required by State statutes.

*Method Used to Value Investments:* Pension Plan investments are reported by the custodian at fair value. Investments that do not have an established market value are reported at estimated fair value.

Contributions

Non-Uniform members and all Police members, contribute 5% of their pay. Interest is credited to each member's account annually at 7% annual interest prior to December 31, 2016 and 4.5% interest after January 1, 2017. Contributions are determined on an annual basis. Administrative costs and investment costs of the plan are financed through an addition to the Actuarially Determined Employer Contribution.

The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the Pension Fund. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law. The Pension Plans funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due.

The Township's annual required contribution is equal to its minimum municipal obligation ("MMO") as calculated in accordance with Pennsylvania law (Act 205 of 1984) less state aid and employee contributions deposited in the pension fund during the year. State law requires that state aid be used first to fund the plan, then employee contributions and finally general Township funds. The Township received state aid, which is recognized as revenue and expenses, in the amount of \$394,278 for the pensions for the year ended December 31, 2019.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**IV. Other information (Continued)**

***C. Employee retirement systems and pension plans (continued)***

Investments

*Investment Policy:* The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Township Board of Supervisors. The policy is to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

*Rate of Return:* For the year ended December 31, 2019, the annual money-weighted rate of return on Plan investments, net of investment expense was 17.5% for the Police Plan and 17.5% for the Non-Uniformed Plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The components of the net pension liability of participating entities at December 31, 2019 were as follows:

	<u>Police</u>	<u>Non-Uniformed</u>
Total pension liability	\$ 19,219,301	\$ 7,752,028
Plan fiduciary net position	<u>(15,317,142)</u>	<u>(6,035,873)</u>
Net Pension Liability	<u>\$ 3,902,159</u>	<u>\$ 1,716,155</u>
Plan fiduciary net position as a percentage of the total pension liability	79.7%	77.9%

*Actuarial Assumptions:* The total pension liability in the January 1, 2019 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

	<u>Police</u>	<u>Non-Uniformed</u>	
Inflation	3.00%	3.00%	
Salary Increases	5.00%	5.00%	(average, including inflation)
Investment Rate of Return	7.50%	7.50%	(including inflation)
Postretirement Cost of Living Increase	none	none	

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**IV. Other information (Continued)**

***C. Employee retirement systems and pension plans (continued)***

Mortality rates were based on the PubG-2010 Mortality Table including rates for disabled retirees and contingent survivors. Incorporate into the table are rates projected generationally using Scale MP-2018 to reflect mortality improvements.

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2017 to December 31, 2018.

The net pension liability for Police was measured as of December 31, 2019 and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2019. In 2019, the mortality rates were based on the PubG-2010 mortality table, including rates for disabled retirees and contingent survivor. Incorporated into the table are rates projected generationally using MP-2018 to reflect mortality improvements.

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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2019 as summarized as follows:

<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%
Cash	0.0%	0.00%

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**IV. Other information (Continued)**

**C. *Employee retirement systems and pension plans (continued)***

*Discount Rate:* The discount rate used to measure the total pension liability was 7.5% for both the Non-Uniformed and Police Pension Plans. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of active and inactive Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer's funding policy requires the full funding of the entry age normal cost plus plan expenses, as well as an amortization of the unfunded liability. The employer 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.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<b><u>Police Pension Plan</u></b>			
Balance at December 31, 2018	\$ 17,981,627	\$ 12,848,896	\$ 5,132,731
Changes for the year:			
Service cost	386,132	-	386,132
Interest	1,393,451	-	1,393,451
Change of benefit terms	-	-	-
Differences between expected and actual experience	(102,565)	-	(102,565)
Change of assumptions	327,874	-	327,874
Contributions - employer	-	826,028	(826,028)
Contributions - employee	-	133,323	(133,323)
Net investment income	-	2,276,113	(2,276,113)
Benefit payments, including refunds of employee contributions	(767,218)	(767,218)	-
Administrative expense	-	-	-
Other changes	-	-	-
Net Changes	<u>1,237,674</u>	<u>2,468,246</u>	<u>(1,230,572)</u>
Balance at December 31, 2019	<u>\$ 19,219,301</u>	<u>\$ 15,317,142</u>	<u>\$ 3,902,159</u>

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**IV. Other information (Continued)**

**C. *Employee retirement systems and pension plans (continued)***

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<b><u>Non-Uniformed Pension Plan</u></b>			
Balance at December 31, 2018	\$ 7,568,654	\$ 5,372,397	\$ 2,196,257
Changes for the year:			
Service cost	149,603	-	149,603
Interest	559,412	-	559,412
Change of benefit terms	-	-	-
Differences between expected and actual experience	(16,493)	-	(16,493)
Change of assumptions	223,987	-	223,987
Contributions - employer	-	383,764	(383,764)
Contributions - employee	-	101,957	(101,957)
Net investment income	-	910,890	(910,890)
Benefit payments, including refunds of employee contributions	(733,135)	(733,135)	-
Administrative expense	-	-	-
Other changes	-	-	-
Net Changes	183,374	663,476	(480,102)
Balance at December 31, 2019	\$ 7,752,028	\$ 6,035,873	\$ 1,716,155

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate:* The following presents the net pension liability of participating entities calculated using the discount rate of 7.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1%	Current	1%
	Decrease	Discount	Increase
	<u>(6.5%)</u>	<u>Rate (7.5%)</u>	<u>(8.5%)</u>
Net pension liability			
Police	\$ 6,252,423	\$ 3,902,159	\$ 1,953,942
Non-Uniformed	2,571,375	1,716,155	995,414

*Deferred Outflows and Inflows of Resources:* For the year ended December 31, 2019, the Township recognized pension expense of \$903,632 for Police Pension and \$343,459 for Non-Uniformed Pension. At December 31, 2019, the Township reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**IV. Other information (Continued)**

***C. Employee retirement systems and pension plans (continued)***

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Police Pension</u>		
Differences between expected and actual experience	\$ 182,906	\$ 199,145
Change in assumptions	519,951	-
Net difference between projected and actual earnings on pension plan investments	-	128,278
Total	<u>\$ 702,857</u>	<u>\$ 327,423</u>
 <u>Non-Uniformed Pension</u>		
Differences between expected and actual experience	\$ -	\$ 93,937
Change in assumptions	287,222	-
Net difference between projected and actual earnings on pension plan investments	-	46,844
Total	<u>\$ 287,222</u>	<u>\$ 140,781</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended		
<u>December 31:</u>	<u>Police</u>	<u>Non-Uniformed</u>
2020	\$ 68,574	\$ 35,504
2021	96,541	76,212
2022	261,364	96,669
2023	(115,419)	(61,944)
2024	32,187	-
Thereafter	32,187	-
Total	<u>\$ 375,434</u>	<u>\$ 146,441</u>

*Payable to the Defined Benefit Pension Plans:* For the year ended December 31, 2019 there were no amounts payable for contributions to the pension plans.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**IV. Other information (Continued)**

***D. Post-retirement benefits***

The Township administers a single-employer defined benefit plan to provide for certain postretirement healthcare benefits (OPEB) to eligible retired police officers. The Plan was established and is governed through Board Resolution and Police Labor Contract, to provide post-retirement medical and dental benefits to uniformed and employees. The plan is funded on a pay-as-you-go basis and there is no irrevocable trust established for the plan. The most recent valuation was as of January 1, 2018.

The plan does not issue a stand-alone financial report.

Membership of the plan consisted of the following at December 31, 2019:

	<u>OPEB</u>
Inactive employees (or their beneficiaries) currently receiving benefits	4
Inactive employees entitled to benefits but not yet receiving them	0
Active employees	<u>27</u>
	<u>31</u>

*Eligibility:* Police officers are eligible for retiree health care benefits until the retiree is eligible for Medicare at the earlier of age 50 with 25 years of service or 20 years of service.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**IV. Other information (Continued)**

***D. Post-retirement benefits (continued)***

*Benefits Provided:* The plan provides medical and dental insurance benefits to eligible retirees, spouses, and dependents.

Insurance for Retirees and Spouse - The Township agrees to provide one-half the cost of premium for scheduled health insurance coverage of the Township's choice (medical, dental, prescription and vision) for a retiree and spouse until retiree's Medicare eligibility age, given that the Officer retires under the retirement provisions of the East Norriton Township Police Pension Plan (attainment of age 50 and completion of 25 years of service). Any officer retired under the disability provisions of the pension plan shall have this provision extended to not only the Officer's spouse, but also to dependent children. In the event that a retired Officer dies prior to attaining Medicare eligibility age, the Township agrees to continue to provide one-half the cost of premium for health insurance coverage for the widowed spouse until the deceased retiree would have attained Medicare eligibility age.

Insurance for Dependents of Deceased Employees - The Township agrees to provide health insurance coverage of its choice for the spouse and dependent children of an Officer who is either killed or dies while employed by the Township, for a period not to exceed five years after such death. This insurance shall cease upon the remarriage of the spouse of the deceased Officer or expiration of the five-year period, whichever occurs first. If the spouse elects the current PPO-1 coverage, the spouse must pay the difference between the PPO-1 premium rates and the HMO premium rates.

Coordination with Medicare – Plan benefits pay primary to Medicare.

*Contributions:* 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 funding of these benefits will be covered by annual appropriation by the Township. 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. The contribution requirements of plan members have been established and may be amended through Board Resolution and Police Labor Contracts.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**IV. Other information (Continued)**

***D. Post-retirement benefits (continued)***

Net OPEB Liability

The Township's net OPEB liability was measured as of January 1, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

	<u>OPEB</u>
Total OPEB liability	\$ 2,195,938
Plan fiduciary net position	-
Net OPEB liability	<u>\$ 2,195,938</u>
Plan fiduciary net position as a percentage of the total OPEB liability	 0%

*Actuarial Assumptions:* The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

	<u>OPEB</u>
Inflation	2.50%
Salary Increases	5.0% (including inflation)
Investment Rate of Return	3.64% (net of OPEB plan investment expense, including inflation)
Healthcare Cost Trend Rates	Medical trend rates are 6% in 2018, 5.5% 2019 through 2021. Rates are assumed to decrease gradually from 5.4% in 2022 to 3.8% in 2075.

Mortality rates were based on the IRS 2017 Static Combined Table for Small Plans Table. Incorporated into the table are rates for annuitants projected 7 years and rates for non – annuitants projected 15 years using Scale AA to reflect mortality improvements.

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study from the period January 1, 2015 to December 31, 2017.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**IV. Other information (Continued)**

***D. Post-retirement benefits (continued)***

The net OPEB liability was measured as of December 31, 2019 and the total OPEB liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2018. Significant events or changes in assumptions occurred between the valuation date and the fiscal year end: The inflation rate increased from 3.16% to 3.64%, the projected salary increases are now based on a scale.

*Discount Rate:* The discount rate used to measure the total OPEB liability was 3.64 percent, based upon 20-year AA/Aa municipal bond rates, for the plan. No assets have been accumulated in an irrevocable trust, so the municipal rate has been applied to all periods.

*Change in Net OPEB Liability*

	Increase (Decrease)		
	Total OPEB <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net OPEB <u>Liability</u>
<b><u>OPEB Plan</u></b>			
Balance at January 1, 2018	\$ 2,227,234	\$ -	\$ 2,227,234
Changes for the year:			
Service cost	74,811	-	74,811
Interest	71,381	-	71,381
Change of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Change of assumptions	(97,804)	-	(97,804)
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of employee contributions	(79,684)	-	(79,684)
Administrative expense	-	-	-
Other changes	-	-	-
Net Changes	<u>(31,296)</u>	<u>-</u>	<u>(31,296)</u>
Balance at January 1, 2019	<u>\$ 2,195,938</u>	<u>\$ -</u>	<u>\$ 2,195,938</u>

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate:** The following presents the net OPEB liability calculated using the discount rate of 3.64 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**IV. Other information (Continued)**

***D. Post-retirement benefits (continued)***

	1% Decrease <u>(2.64%)</u>	Current Discount <u>Rate (3.64%)</u>	1% Increase <u>(4.64%)</u>
Net OPEB liability	\$ 2,406,897	\$ 2,195,938	\$ 2,010,652

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it were calculated using healthcare cost trend rates 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease Valuation <u>Rates</u>	Healthcare Cost Trend <u>Valuation Rates</u>	1% Increase Valuation <u>Rates</u>
Net OPEB liability	\$ 1,954,043	\$ 2,195,938	\$ 2,479,853

**OPEB Expense, and Deferred Outflows and Inflows of Resources**

For December 31, 2019, the Township reported the following deferred outflows and inflows of resources related to OPEB.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b><u>OPEB Plan</u></b>		
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	77,345	88,913
Net difference between projected and actual earnings on OPEB plan investments	-	-
Benefit Payments subsequent to the measurement date	<u>94,705</u>	<u>-</u>
Total	<u>\$ 172,050</u>	<u>\$ 88,913</u>

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**IV. Other information (Continued)**

***D. Post-retirement benefits (continued)***

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended <u>December 31:</u>	Governmental- Activities <u>OPEB</u>
2020	\$ (297)
2021	(297)
2022	(297)
2023	(297)
2024	(297)
Thereafter	<u>(10,083)</u>
Total	<u>\$ (11,568)</u>

For the year ended December 31, 2019, the actuarial determined expense for the OPEB Plan was \$145,895.

***E. Restricted assets***

During 1990, proceeds of the Norris City Cemetery Trust were transferred to the Township. These monies are to be used for the maintenance, upkeep, and repair of the Norris City Cemetery. As of December 31, 2019 general fund assets of \$10,345 have been restricted for this purpose.

Escrow cash deposits - The Township acts in a custodial capacity with respect to monies deposited with it by developers and others. These monies are held by the Township and used to pay legal, engineering, and other fees incurred on behalf of a specific project. Any unused deposits are returned to the developer upon completion of the project, except for an administrative handling fee. None of the monies received from or expended on behalf of the developers are recorded in the revenues or expenses of the Township. At December 31, 2019, \$43,918 represents the balance of these monies held in escrow.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**IV. Other information (Continued)**

***F. Prior period adjustment***

An adjustment to beginning net position and beginning fund balance was required to properly record Earned Income Taxes.

	<u>Fund Balance</u>	<u>Net Position</u>
Beginning, as reported	\$ 7,636,320	\$ 9,962,256
EIT accrual	<u>870,919</u>	<u>870,919</u>
Beginning, restated	<u>\$ 8,507,239</u>	<u>\$ 10,833,175</u>

***G. Subsequent event***

Subsequent to year end, a global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. The pandemic has led to widespread voluntary and government-mandated closings of local stores and businesses, which has resulted in significant job losses. These job losses have the potential to have a significant impact on the Township as tax collection may decrease. Also, there is the risk of declines in market values of investments.

In June of 2020, the Townships sold its wastewater collection (sewer) system to Aqua Pennsylvania Wastewater, Inc. for \$21,000,000, as part of an Asset Purchase Agreement.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

EAST NORRITON TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY  
AND RELATED RATIOS – POLICE PENSION PLAN

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total pension liability</b>					
Service cost	\$ 386,132	\$ 393,450	\$ 374,714	\$ 410,899	\$ 391,332
Interest	1,393,451	1,267,245	1,216,430	1,104,270	1,040,841
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(102,565)	-	320,087	-	(389,307)
Changes of assumptions	327,874	-	418,103	-	-
Benefit payments, including refunds of employee contributions	<u>(767,218)</u>	<u>(764,914)</u>	<u>(827,733)</u>	<u>(539,388)</u>	<u>(694,180)</u>
Net change in total pension liability	1,237,674	895,781	1,501,601	975,781	348,686
Total pension liability - beginning	<u>17,981,627</u>	<u>17,085,846</u>	<u>15,584,245</u>	<u>14,608,464</u>	<u>14,259,778</u>
Total pension liability - ending (a)	<u>\$ 19,219,301</u>	<u>\$ 17,981,627</u>	<u>\$ 17,085,846</u>	<u>\$ 15,584,245</u>	<u>\$ 14,608,464</u>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 826,028	\$ 715,184	\$ 749,645	\$ 706,098	\$ 727,687
Contributions - employee	133,323	129,139	161,049	147,502	136,620
Net investment income	2,276,113	(830,858)	1,471,741	966,594	(175,723)
Benefit payments, including refunds of employee contributions	(767,218)	(764,914)	(827,733)	(539,388)	(694,180)
Administrative expense	-	(35,859)	(34,938)	(5,700)	(8,800)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>600</u>
Net change in plan fiduciary net position	2,468,246	(787,308)	1,519,764	1,275,106	(13,796)
<b>Plan fiduciary net position - beginning</b>	<u>12,848,896</u>	<u>13,636,204</u>	<u>12,116,440</u>	<u>10,841,334</u>	<u>10,855,130</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 15,317,142</u>	<u>\$ 12,848,896</u>	<u>\$ 13,636,204</u>	<u>\$ 12,116,440</u>	<u>\$ 10,841,334</u>
<b>Township's net pension liability - ending (a)-(b)</b>	<u>\$ 3,902,159</u>	<u>\$ 5,132,731</u>	<u>\$ 3,449,642</u>	<u>\$ 3,467,805</u>	<u>\$ 3,767,130</u>
Plan fiduciary net position as a percentage of the total pension liability	79.7%	71.5%	79.8%	77.7%	74.2%
Covered payroll	\$ 2,666,434	\$ 2,539,013	\$ 2,563,390	\$ 3,017,483	\$ 2,732,355
Net pension liability as a percentage of covered payroll	146.3%	202.2%	134.6%	114.9%	137.9%
Annual money weighted return, net of investment expenses	17.50%	-6.14%	12.34%	9.26%	-1.47%

**Notes to Schedule:**

Changes in benefit terms: None since 1/1/17

Assumption change: Mortality rates were based on the PubG-2010 mortality table, including rates for disabled retirees and contingent survivor. Incorporated into the table are rates projected generationally using MP-2018 to reflect mortality improvements.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

EAST NORRITON TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS – POLICE PENSION PLAN

Fiscal Year Ended December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2010	\$ 270,911	\$ 270,911	\$ -	\$ 2,267,943	(1) 11.95%
2011	354,772	354,772	-	2,404,010	(1) 14.76%
2012	354,474	354,475	(1)	2,404,010	(1) 14.75%
2013	519,812	519,812	-	2,295,702	(1) 22.64%
2014	532,716	532,716	-	2,549,836	20.89%
2015	727,687	727,687	-	2,732,355	26.63%
2016	706,098	706,098	-	3,017,483	23.40%
2017	729,768	749,645	(19,877)	2,563,390	29.24%
2018	683,318	715,184	(31,866)	2,539,013	28.17%
2019	826,028	826,028	-	2,666,434	30.98%

**Notes to Schedule:**

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

Methods and assumptions used to determine contribution rates:

Valuation date	1/1/2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Remaining amortization period	9 years
Asset valuation method	Market value of assets as determined by the trustee
Inflation	3%
Salary increases	5.0%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Retirement age	It assumes that all members enter the DROP at Normal Retirement Age and remain in the DROP for three years
Mortality	IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non-annuitants projected 15 years using Scale AA to reflect mortality improvements

Changes in benefit terms: None since 1/1/17

(1) - covered employee payroll taken from 1/1/2009 through 1/1/2013 actuarial valuations

EAST NORRITON TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND  
RELATED RATIOS – NON-UNIFORMED PENSION PLAN

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total pension liability</b>					
Service cost	\$ 149,603	\$ 162,843	\$ 155,089	\$ 136,256	\$ 129,768
Interest	559,412	540,812	528,547	505,942	491,548
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(16,493)	-	(130,464)	-	(171,363)
Changes of assumptions	223,987	-	270,077	-	-
Benefit payments, including refunds of employee contributions	<u>(733,135)</u>	<u>(644,313)</u>	<u>(512,445)</u>	<u>(519,641)</u>	<u>(297,519)</u>
Net change in total pension liability	183,374	59,342	310,804	122,557	152,434
Total pension liability - beginning	<u>7,568,654</u>	<u>7,509,312</u>	<u>7,198,508</u>	<u>7,075,951</u>	<u>6,923,517</u>
Total pension liability - ending (a)	<u>\$ 7,752,028</u>	<u>\$ 7,568,654</u>	<u>\$ 7,509,312</u>	<u>\$ 7,198,508</u>	<u>\$ 7,075,951</u>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 383,764	\$ 317,716	\$ 311,370	\$ 311,980	\$ 315,228
Contributions - employee	101,957	97,927	90,445	80,403	78,999
Net investment income	910,890	(344,120)	666,868	439,232	(86,296)
Benefit payments, including refunds of employee contributions	(733,135)	(644,313)	(512,445)	(519,641)	(297,519)
Administrative expense	-	(10,851)	(22,434)	-	(9,200)
Other	-	-	-	-	-
Net change in plan fiduciary net position	663,476	(583,641)	533,804	311,974	1,212
<b>Plan fiduciary net position - beginning</b>	<u>5,372,397</u>	<u>5,956,038</u>	<u>5,422,234</u>	<u>5,110,260</u>	<u>5,109,048</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 6,035,873</u>	<u>\$ 5,372,397</u>	<u>\$ 5,956,038</u>	<u>\$ 5,422,234</u>	<u>\$ 5,110,260</u>
<b>Township's net pension liability - ending (a)-(b)</b>	<u>\$ 1,716,155</u>	<u>\$ 2,196,257</u>	<u>\$ 1,553,274</u>	<u>\$ 1,776,274</u>	<u>\$ 1,965,691</u>
Plan fiduciary net position as a percentage of the total pension liability	77.9%	71.0%	79.3%	75.3%	72.2%
Covered payroll	\$ 2,015,008	\$ 1,674,814	\$ 1,852,610	\$ 1,613,204	\$ 1,619,489
Net pension liability as a percentage of covered payroll	85.2%	131.1%	83.8%	110.1%	121.4%
Annual money weighted return, net of investment expenses	17.50%	-8.62%	12.30%	9.25%	-1.53%

**Notes to Schedule:**

Changes in benefit terms: None since 2017

Assumption change: Mortality rates were based on the PubG-2010 mortality table, including rates for disabled retirees and contingent survivor. Incorporated into the table are rates projected generationally using MP-2018 to reflect mortality improvements.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

EAST NORRITON TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS – NON-UNIFORMED PENSION PLAN

<u>Fiscal</u> <u>Year Ended</u> <u>December 31,</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Employer</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Payroll</u>	<u>Contribution as</u> <u>a Percentage</u> <u>of Covered</u> <u>Payroll</u>
2010	\$ 136,204	\$ 136,204	\$ -	\$ 1,672,191	(1) 8.15%
2011	169,669	169,669	-	1,740,017	(1) 9.75%
2012	137,467	137,467	-	1,740,017	(1) 7.90%
2013	227,365	227,365	-	1,743,851	(1) 13.04%
2014	225,902	225,902	-	1,531,039	14.75%
2015	315,228	315,228	-	1,619,489	19.46%
2016	311,980	311,980	-	1,613,204	19.34%
2017	311,370	311,370	-	1,852,610	16.81%
2018	317,716	317,716	-	1,674,814	18.97%
2019	383,764	383,764	-	2,015,008	19.05%

**Notes to Schedule:**

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

Methods and assumptions used to determine contribution rates:

Valuation date	1/1/2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Remaining amortization period	9 years
Asset valuation method	Market value of assets as determined by the trustee
Inflation	3%
Salary increases	5.0%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Retirement age	Normal Retirement Age
Mortality	IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non-annuitants projected 15 years using Scale AA to reflect mortality improvements

Changes in benefit terms: None since 1/1/17

(1) - covered employee payroll taken from 1/1/2009 through 1/1/2013 actuarial valuations

EAST NORRITON TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY  
AND RELATED RATIOS – POLICE

	Measurement Date December 1,	
	<u>2019</u>	<u>2018</u>
<b>Total pension liability</b>		
Service cost	\$ 74,811	\$ 65,499
Interest	71,381	77,525
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	(97,804)	94,533
Benefit payments, including refunds of employee contributions	<u>(79,684)</u>	<u>(75,174)</u>
Net change in total pension liability	(31,296)	162,383
Total pension liability - beginning	<u>2,227,234</u>	<u>2,064,851</u>
Total pension liability - ending (a)	<u>\$ 2,195,938</u>	<u>\$ 2,227,234</u>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 79,684	\$ 75,174
Contributions - employee	-	-
Net investment income	-	-
Benefit payments, including refunds of employee contributions	(79,684)	(75,174)
Administrative expense	-	-
Other	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	-	-
<b>Plan fiduciary net position - beginning</b>	<u>-</u>	<u>-</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ -</u>	<u>\$ -</u>
<b>Township's net pension liability - ending (a)-(b)</b>	<u>\$ 2,195,938</u>	<u>\$ 2,227,234</u>
Plan fiduciary net position as a percentage of the total pension liability	0.0%	0.0%
Covered payroll	\$ 2,930,384	\$ 2,930,384
Net pension liability as a percentage of covered payroll	74.9%	76.0%

**Notes to Schedule:**

The discount rate changed from 3.16% to 3.64% in 2018

No changes in benefit terms

## **SUPPLEMENTARY INFORMATION**

EAST NORRITON TOWNSHIP

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

December 31, 2019

	<u>Special Revenue Funds</u>				Total Nonmajor Governmental Funds
	Street Light Tax	Fire Tax	Park and Recreation	Highway Aid	
<u>ASSETS</u>					
Cash and cash equivalents	\$ 122,916	\$ 70,255	\$ 52,821	\$ 859,354	\$ 1,105,346
Taxes receivable	571	5,481	6,204	-	12,256
Receivable	8,836	8,690	-	624	18,150
Due from other funds	5,715	21,873	-	9	27,597
Total Assets	<u>\$ 138,038</u>	<u>\$ 106,299</u>	<u>\$ 59,025</u>	<u>\$ 859,987</u>	<u>\$ 1,163,349</u>
<u>LIABILITIES</u>					
Accounts payable	\$ 10,468	\$ 781	\$ 19,005	\$ 1,041	\$ 31,295
Accrued salaries and benefits	-	-	5,282	-	5,282
Due to other funds	-	-	5,812	-	5,812
Total Liabilities	<u>10,468</u>	<u>781</u>	<u>30,099</u>	<u>1,041</u>	<u>42,389</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable revenue - property taxes	571	5,481	6,204	-	12,256
Total Deferred Inflows of Resources	<u>571</u>	<u>5,481</u>	<u>6,204</u>	<u>-</u>	<u>12,256</u>
<u>FUND BALANCES</u>					
Restricted:					
Street light	126,999	-	-	-	126,999
Fire	-	100,037	-	-	100,037
Culture and recreation	-	-	22,722	-	22,722
Highways and streets	-	-	-	858,946	858,946
Total Fund Balances	<u>126,999</u>	<u>100,037</u>	<u>22,722</u>	<u>858,946</u>	<u>1,108,704</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 138,038</u>	<u>\$ 106,299</u>	<u>\$ 59,025</u>	<u>\$ 859,987</u>	<u>\$ 1,163,349</u>

EAST NORRITON TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2019

	<u>Special Revenue Funds</u>				Total Nonmajor Governmental Funds
	<u>Street Light Tax</u>	<u>Fire Tax</u>	<u>Park and Recreation</u>	<u>Highway Aid</u>	
Revenues					
Taxes:					
Property	\$ 27,776	\$ 266,674	\$ 301,874	\$ -	\$ 596,324
Street light assessment	81,320	-	-	-	81,320
Investment income	14,931	3,161	2,687	17,777	38,556
Intergovernmental revenues	-	100,850	-	441,188	542,038
Charges for services	-	18,625	189,783	-	208,408
Other	-	-	126	3,898	4,024
	<u>124,027</u>	<u>389,310</u>	<u>494,470</u>	<u>462,863</u>	<u>1,470,670</u>
Expenditures					
Current:					
Public safety	-	236,277	-	-	236,277
Public works	82,486	-	-	113,208	195,694
Culture and recreation	-	-	512,673	-	512,673
Debt service					
Principal	-	64,949	-	38,777	103,726
Interest	-	6,042	-	3,615	9,657
Total Expenditures	<u>82,486</u>	<u>307,268</u>	<u>512,673</u>	<u>155,600</u>	<u>1,058,027</u>
Excess (Deficiency) of Revenues Over Expenditures	41,541	82,042	(18,203)	307,263	412,643
Other Financing Sources (Uses)					
Transfers out	<u>(9,584)</u>	<u>(52,316)</u>	<u>(35,544)</u>	<u>-</u>	<u>(97,444)</u>
Total Other Financing Sources (Uses)	<u>(9,584)</u>	<u>(52,316)</u>	<u>(35,544)</u>	<u>-</u>	<u>(97,444)</u>
Net Change in Fund Balance	31,957	29,726	(53,747)	307,263	315,199
Fund Balance - Beginning	<u>95,042</u>	<u>70,311</u>	<u>76,469</u>	<u>551,683</u>	<u>793,505</u>
Fund Balance - Ending	<u>\$ 126,999</u>	<u>\$ 100,037</u>	<u>\$ 22,722</u>	<u>\$ 858,946</u>	<u>\$ 1,108,704</u>

EAST NORRITON TOWNSHIP

COMBINING STATEMENT OF NET POSITION

FIDUCIARY FUNDS

	Police Pension Trust Fund	Non-Uniformed Pension Trust Fund	Health Benefits Fund	<u>Total</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 14,833	\$ 13,841	\$ 535,771	\$ 564,445
Investments, at fair value:				
Mutual Funds - Equity	9,779,627	3,734,085	-	13,513,712
Mutual Funds - International Equity	684,694	342,611	-	1,027,305
Mutual Funds - Fixed Income	4,400,581	1,769,027	-	6,169,608
Mutual Funds - Real Estate	437,407	176,309	-	613,716
Total Investments	<u>15,302,309</u>	<u>6,022,032</u>	<u>-</u>	<u>21,324,341</u>
Total Assets	<u>\$ 15,317,142</u>	<u>\$ 6,035,873</u>	<u>\$ 535,771</u>	<u>\$ 21,888,786</u>
 <u>LIABILITIES</u>				
Accounts payable	<u>\$ 19,000</u>	<u>\$ 21,500</u>	<u>\$ 4,524</u>	<u>\$ 45,024</u>
Total Liabilities	<u>19,000</u>	<u>21,500</u>	<u>4,524</u>	<u>45,024</u>
 <u>NET POSITION</u>				
Net Position - Restricted for:				
Pension benefits	15,298,142	6,014,373	-	21,312,515
Post-Employment Benefits	<u>-</u>	<u>-</u>	<u>531,247</u>	<u>531,247</u>
Total Net Position	<u>\$ 15,298,142</u>	<u>\$ 6,014,373</u>	<u>\$ 531,247</u>	<u>\$ 21,843,762</u>

EAST NORRITON TOWNSHIP

COMBINING STATEMENT OF CHANGES IN NET POSITION

FIDUCIARY FUNDS

	<u>Police Pension Trust Fund</u>	<u>Non-Uniformed Pension Trust Fund</u>	<u>Health Benefits Fund</u>	<u>Total</u>
Additions				
Contributions				
Employee contributions	\$ 133,823	\$ 101,957	\$ -	\$ 235,780
Employer contributions	431,750	383,764	-	815,514
State aid	394,278	-	-	394,278
Total Contributions	<u>959,851</u>	<u>485,721</u>	<u>-</u>	<u>1,445,572</u>
Investment Income				
Net appreciation (depreciation) in fair value of investments	1,843,214	751,986	-	2,595,200
Interest and dividend income	<u>421,601</u>	<u>170,834</u>	<u>12,194</u>	<u>604,629</u>
Total investment earnings	2,264,815	922,820	12,194	3,199,829
Less investment expense	<u>(25,659)</u>	<u>(10,922)</u>	<u>-</u>	<u>(36,581)</u>
Net Investment Income	<u>2,239,156</u>	<u>911,898</u>	<u>12,194</u>	<u>3,163,248</u>
Total Additions	<u>3,199,007</u>	<u>1,397,619</u>	<u>12,194</u>	<u>4,608,820</u>
Deductions				
Benefits	767,219	733,895	-	1,501,114
Administrative expenses	<u>3,790</u>	<u>500</u>	<u>59,778</u>	<u>64,068</u>
Total Deductions	<u>771,009</u>	<u>734,395</u>	<u>59,778</u>	<u>1,565,182</u>
Change in Net Position	2,427,998	663,224	(47,584)	3,043,638
Net Position - Restricted for Pension Benefits:				
Beginning of Year	<u>12,870,144</u>	<u>5,351,149</u>	<u>578,831</u>	<u>18,800,124</u>
End of Year	<u>\$ 15,298,142</u>	<u>\$ 6,014,373</u>	<u>\$ 531,247</u>	<u>\$21,843,762</u>