



EAST NORRITON TOWNSHIP
BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

EAST NORRITON TOWNSHIP
EAST NORRITON, PENNSYLVANIA

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EAST NORRITON, PENNSYLVANIA

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INDEPENDENT AUDITOR'S REPORT

August 9, 2019

Board of Township Supervisors
East Norriton Township
East Norriton, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East Norriton Township, East Norriton, Pennsylvania, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

Board of Township Supervisors
East Norriton Township

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 East Norriton Township, East Norriton, Pennsylvania, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Notes 1 and 16 to the financial statements, East Norriton Township has adopted the requirements of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." This statement modifies the accounting for the Township's other postemployment benefits. As a result, the beginning governmental activities net position has been restated. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Township's 2017 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated June 5, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 and pension funds schedules of changes in the Township's net pension liability, related ratios, and investment returns, pension funds schedules of employer contributions, schedule of the Township's net OPEB liability and related ratios, and schedule of Township

OPEB contributions on pages 57 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The budgetary comparison statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2019, on our consideration of East Norriton Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Norriton Township's internal control over financial reporting and compliance.

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

EAST NORRITON TOWNSHIP

Management's Discussion and Analysis

December 31, 2018

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, 2018. 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 2018

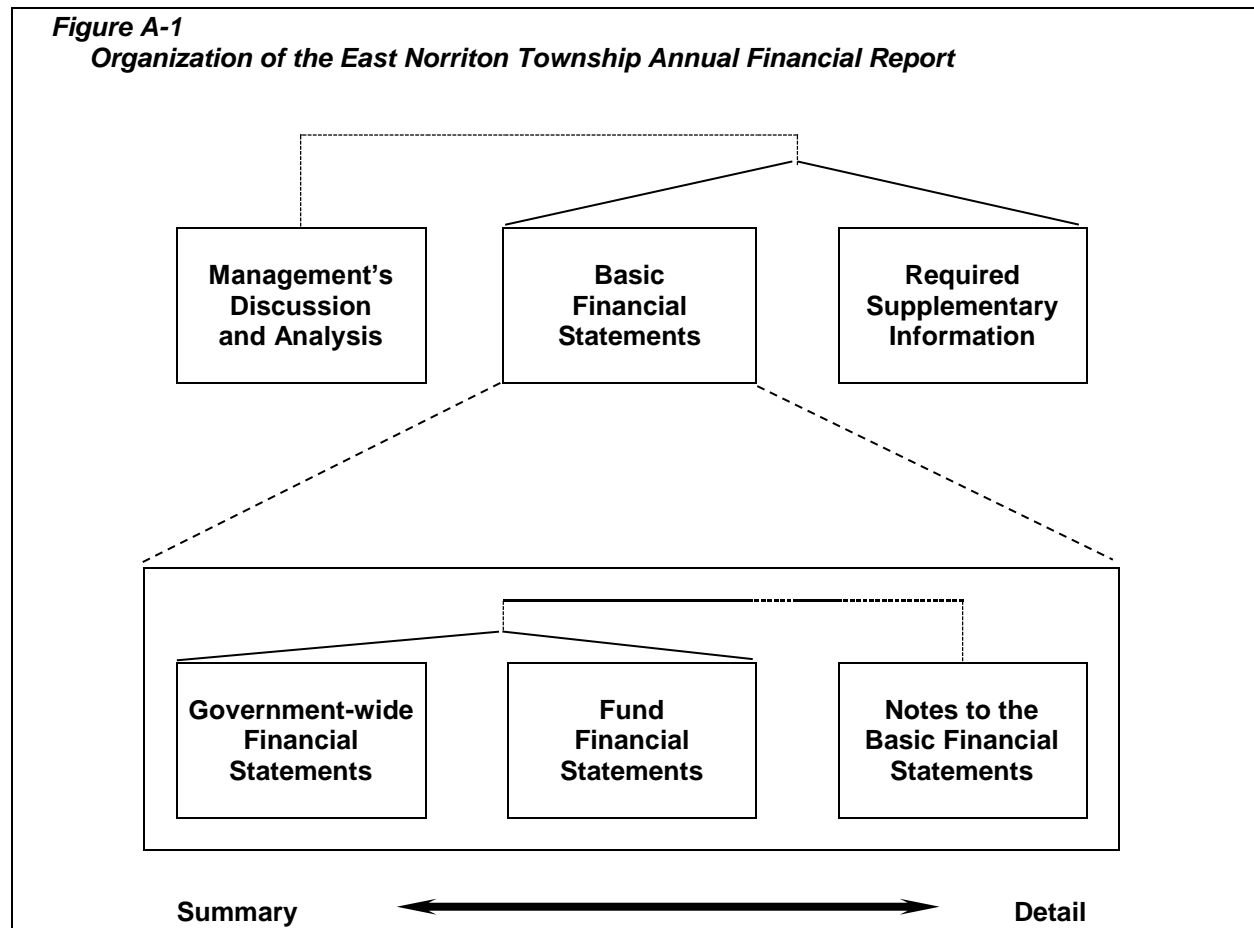
- East Norriton Township's total net position ended the year at \$13,164,440 - an increase of 6.91 percent over 2017.
- As of December 31, 2018, the Township's governmental funds reported combined ending fund balances of \$7,636,320 with a net increase of \$1,363,492 in fund balance from the prior year.
- The Township's general fund's unassigned fund balance grew to \$5,663,128 at year end representing 64.14 percent of total general fund budgeted expenditures for the fiscal year.
- Real Estate Tax collections increased modestly over 2017 to \$2,587,858. Overall tax revenue slipped to \$7,690,265, mostly due to a decline in Business Privilege tax audit revenue from 2017's record high.
- Business Privilege Tax revenue finished the year at \$1,025,061. Adding in business privilege audit program activities brought total collections to \$1,480,624 – another strong performance for this tax.
- The Township's Proprietary Fund's net position decreased by \$203,539; however, year-end net cash position improved by \$215,742. This is compared to the prior year's net cash increase of \$57,371.
- The combination of strong revenue and controlled expenses negated the anticipated use of fund balance in the general fund for 2018.
- Continued emphasis on spending controls and departmental purchasing accountability helped create cost savings across all departments and funds.
- The Township's total liabilities increased 21.68 percent, or \$2,006,785, as of December 31, 2018 primarily due to an increase in the actuarially determined net pension liability.

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.



BASIC FINANCIAL STATEMENT S – 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, 2018

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 and OPEB plans of the Township.

EAST NORRITON TOWNSHIP
 Management's Discussion and Analysis
 December 31, 2018

Figure A-2 summarizes the major features of the Township's financial statements, including the portion of the Township's activities they cover and the types of information they contain.

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

EAST NORRITON TOWNSHIP
Management's Discussion and Analysis
December 31, 2018

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 to \$13,164,440, an increase of 6.91 percent over fiscal year 2017.

Significantly, the net position increase is attributable to an increase in current assets and deferred pension despite an increase in net pension liabilities.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Township</u>		<u>Total Percentage Change 2017-2018</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	
Current and other assets	\$ 8,147	\$ 6,826	\$ 2,030	\$ 2,113	\$ 10,177	\$ 8,939	
Capital assets, net	10,472	10,848	1,344	1,436	11,816	12,284	
Total Assets	18,619	17,674	3,374	3,549	21,993	21,223	3.63%
Deferred OPEB	166	75	-	-	166	75	
Deferred pension	3,075	1,414	50	23	3,125	1,437	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 21,860	\$ 19,163	\$ 3,424	\$ 3,572	\$ 25,284	\$ 22,735	11.21%
Long-term debt outstanding	\$ 1,042	\$ 1,506	\$ -	\$ -	\$ 1,042	\$ 1,506	
Net OPEB liability	2,227	2,065	-	-	2,227	2,065	
Net pension liability	7,206	4,916	123	87	7,329	5,003	
Other liabilities	585	628	82	56	667	684	
TOTAL LIABILITIES	11,060	9,115	205	143	11,265	9,258	21.68%
Deferred Pension	838	1,140	17	23	855	1,163	
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	11,898	10,255	222	166	12,120	10,421	16.30%
Net investment in capital assets	9,430	9,341	1,344	1,436	10,774	10,777	
Restricted	871	638	-	-	871	638	
Unrestricted	(339)	(1,071)	1,858	1,970	1,519	899	
TOTAL NET POSITION	9,962	8,908	3,202	3,406	13,164	12,314	6.91%
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 21,860	\$ 19,163	\$ 3,424	\$ 3,572	\$ 25,284	\$ 22,735	

EAST NORRITON TOWNSHIP

Management's Discussion and Analysis

December 31, 2018

Several noteworthy aspects of the Township's financial operations positively 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. In 2018, the audit program resulted in one-time collections of \$455,563 along with an increase in annually recurring revenue.
- Continuation of the sewer collection policy enacted in 2016 which targets chronically delinquent sewer customers and has resulted in previously uncollectible debt transferred into long-term payment plans. This has resulted in a substantial increase in net cash position.
- Continued restructuring of financial processes to ensure the efficient procurement of goods and services at appropriate prices, created procedures that allow the Township to operate at peak efficiency, and promoted 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.

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 of \$2,748,767, recurring Business Privilege Taxes generating \$1,025,061, and Local Services Taxes of \$434,656. Real Estate Transfer Taxes reached \$438,360, below last year's record high of \$463,143. Total taxes collected across all governmental funds were \$7,690,265 – a decrease over 2017 results primarily due to lower one-time Business Privilege Tax audit revenue.

The Township consistently receives a significant amount of revenues each year in the form of Pennsylvania State grants. These annual revenues are Liquid Fuels Grant, Pension State Aid Grant, Recycling Performance Grant, and the Fireman's Relief Fund Grant. Liquid Fuels revenues increased over 2017. Also in 2018, the Township continued to receive funding for the School Resource Officer Grant program from the Commonwealth of Pennsylvania and the Norristown Area School District.

East Norriton Township operates a substantial parks and recreation program throughout the Township. The Township provides its residents an extensive offering of recreation programs. Participation in these programs are funded largely through user fees.

Controlled spending, aggressive tax collection, licenses and permits, improvements, and scheduled debt reduction resulted in a successful 2018 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 \$3,202,184 in 2018, a decrease from the 2017 net position of \$3,405,723. The net position decline is attributable to an overall increase in operating expenses.

EAST NORRITON TOWNSHIP
Management's Discussion and Analysis
December 31, 2018

Sewer user fees, the primary source of revenue for the Sewer Revenue Fund, increased slightly to \$3,282,668. Operating expenses controlled by the Township increased 5.97 percent from 2017 while non-controlled JSA treatment and debt expenses increased 6.02 percent.

In 2018, the Township continued its campaign of addressing delinquent sewer collections. Additional enhanced collections procedures were implemented in 2018 which successfully resulted in lower outstanding receivables and a net increase in cash position. These programs will continue in 2019.

Figure A-4 details the changes in net position for the Township's governmental and business-type activities, as well as the change in net position for total Township operations. The net position for the Township as a whole increased \$850,661 bringing the end of year total net position to \$13,164,440, compared to 2017's end of year net position of \$12,313,779 (Figure A-3).

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

	Governmental Activities		Business-type Activities		Total Township		Total Percentage Change 2017-2018
	2018	2017	2018	2017	2018	2017	
REVENUES							
Program revenues:							
Charges for services	\$ 1,210	\$ 726	\$ 3,283	\$ 3,206	\$ 4,493	\$ 3,932	14.27%
Operating grants and contributions	1,057	912	-	-	1,057	912	15.90%
General revenues:							
Taxes	7,690	8,150	-	-	7,690	8,150	(5.64%)
Other	827	831	29	21	856	852	0.47%
TOTAL REVENUES	10,784	10,619	3,312	3,227	14,096	13,846	1.81%
EXPENSES							
General government	2,166	1,637	-	-	2,166	1,637	32.32%
Public safety	6,121	6,239	-	-	6,121	6,239	(1.89%)
Highways and streets	1,445	1,094	-	-	1,445	1,094	32.08%
Culture and recreation	752	745	-	-	752	745	0.94%
Interest expense	21	51	-	-	21	51	(58.82%)
Sewer operations	-	-	2,740	2,585	2,740	2,585	6.00%
Transfers	(775)	(756)	775	756	-	-	0.00%
TOTAL EXPENSES	9,730	9,010	3,515	3,341	13,245	12,351	7.24%
CHANGES IN NET POSITION	\$ 1,054	\$ 1,609	\$ (203)	\$ (114)	\$ 851	\$ 1,495	(43.08%)

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

EAST NORRITON TOWNSHIP

Management's Discussion and Analysis

December 31, 2018

for 2018, 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 \$1,363,492, an improvement over 2017's increase of \$1,044,140. Of most significance was the net change in fund balance for the general fund, which advanced \$1,252,984 to \$5,673,264. Increased 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. As of December 31, 2018, the total general fund restricted and unassigned fund balance was \$5,673,264. 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, 2018 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, and 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.

As of December 31, 2018, the sewer revenue fund's total net position was \$3,202,184, a decrease from the 2017 net position of \$3,405,723. The net position decline is attributable to an overall increase in operating expenses.

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 \$11,815,729 (net of accumulated depreciation) as of December 31, 2018. 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.

EAST NORRITON TOWNSHIP
Management's Discussion and Analysis
December 31, 2018

Pennsylvania Act 89 of 2013 restructured the funding source for this program, and the Township expects increased funding through fiscal year 2018. Figure A-5 summarizes the Township's capital assets as of December 31, 2018.

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

	Governmental Activities		Business-type Activities		Total Township		Total Percentage Change 2017-2018
	2018	2017	2018	2017	2018	2017	
Infrastructure	\$ 5,091	\$ 5,091	\$ -	\$ -	\$ 5,091	\$ 5,091	0.00%
Land and site improvements	6,700	6,700	-	-	6,700	6,700	0.00%
Sewer systems	-	-	5,108	5,108	5,108	5,108	0.00%
Buildings and building improvements	2,547	2,517	2,402	2,402	4,949	4,919	0.61%
Machinery and equipment	3,127	3,104	991	976	4,118	4,080	0.93%
Automobiles and trucks	2,912	2,899	59	59	2,971	2,958	0.44%
Accumulated depreciation	(9,905)	(9,463)	(7,216)	(7,110)	(17,121)	(16,573)	3.31%
TOTAL	\$ 10,472	\$ 10,848	\$ 1,344	\$ 1,435	\$ 11,816	\$ 12,283	(3.80%)

Debt Administration – Total non-pension and OPEB-related long-term debt for the Township decreased \$465,148 at the end of 2018 compared to year end 2017. 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 increased by 23.38 percent largely attributable to increases 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 Long-term Debt (In Thousands of Dollars)

	Total Township		Total Percentage Change 2017-2018
	2018	2017	
General obligation bonds and note payable	\$ 719	\$ 1,068	(32.68%)
Net OPEB liability	2,227	2,065	7.85%
Capital leases	322	438	(26.48%)
Compensated absences	66	64	3.13%
Accrued Interest	8	11	(27.27%)
Net pension liability	7,329	5,003	46.49%
	\$ 10,671	\$ 8,649	23.38%

EAST NORRITON TOWNSHIP
Management's Discussion and Analysis
December 31, 2018

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 2019 will include:

- Ongoing construction of 250+ unit luxury apartment complex
- Approved expansion of a hospital facility to include a trauma center
- Development plans submitted for 35+ unit townhouse complex
- Sale of the Township's sewer collection system *
- 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. Upon approval by the Pennsylvania Public Utility Commission, closing is expected to occur in late 2019.

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, 2018
(With Summarized Comparative Data for December 31, 2017)**

	Governmental Activities	Business-type Activities	Totals	
			2018	2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 6,928,386	\$ 1,120,847	\$ 8,049,233	\$ 6,607,014
Cash - restricted	1,004,512	-	1,004,512	1,046,636
Internal balances	29,263	(29,263)	-	-
Taxes receivable	53,593	-	53,593	35,980
Sewer rents receivable	-	938,467	938,467	1,208,148
Other receivables	131,837	-	131,837	41,274
Total Current Assets	<u>8,147,591</u>	<u>2,030,051</u>	<u>10,177,642</u>	<u>8,939,052</u>
Noncurrent Assets:				
Infrastructure (highways)	5,090,699	-	5,090,699	5,090,699
Land	1,479,105	-	1,479,105	1,479,105
Site improvements	5,220,621	-	5,220,621	5,220,621
Sewer systems	-	5,108,126	5,108,126	5,108,126
Buildings and building improvements	2,547,235	2,402,339	4,949,574	4,919,327
Machinery and equipment	3,127,505	990,987	4,118,492	4,080,308
Vehicles	2,911,593	59,105	2,970,698	2,958,445
Accumulated depreciation	(9,905,167)	(7,216,419)	(17,121,586)	(16,573,344)
Total Noncurrent Assets	<u>10,471,591</u>	<u>1,344,138</u>	<u>11,815,729</u>	<u>12,283,287</u>
TOTAL ASSETS	<u>18,619,182</u>	<u>3,374,189</u>	<u>21,993,371</u>	<u>21,222,339</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred OPEB	165,623	-	165,623	75,174
Deferred pension	3,075,331	49,764	3,125,095	1,437,106
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>3,240,954</u>	<u>49,764</u>	<u>3,290,718</u>	<u>1,512,280</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 21,860,136</u>	<u>\$ 3,423,953</u>	<u>\$ 25,284,089</u>	<u>\$ 22,734,619</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 259,853	\$ 74,236	\$ 334,089	\$ 208,606
Accrued interest	7,895	-	7,895	11,439
Payroll and withholding taxes payable	189,703	7,854	197,557	190,825
Escrow deposits	61,715	-	61,715	112,371
Unearned revenue	-	-	-	96,920
Capital lease payable	103,783	-	103,783	116,581
Bonds and notes payable, net of premium	353,564	-	353,564	348,564
Total Current Liabilities	<u>976,513</u>	<u>82,090</u>	<u>1,058,603</u>	<u>1,085,306</u>
Noncurrent Liabilities:				
Compensated absences	66,025	-	66,025	63,642
Capital lease payable	218,111	-	218,111	321,896
Bonds and notes payable, net of premium	365,442	-	365,442	719,007
Net OPEB liability	2,227,234	-	2,227,234	2,064,851
Net pension liability	7,206,333	122,655	7,328,988	5,002,916
Total Noncurrent Liabilities	<u>10,083,145</u>	<u>122,655</u>	<u>10,205,800</u>	<u>8,172,312</u>
TOTAL LIABILITIES	<u>11,059,658</u>	<u>204,745</u>	<u>11,264,403</u>	<u>9,257,618</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred pension	838,222	17,024	855,246	1,163,222
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>838,222</u>	<u>17,024</u>	<u>855,246</u>	<u>1,163,222</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>11,897,880</u>	<u>221,769</u>	<u>12,119,649</u>	<u>10,420,840</u>
NET POSITION				
Net investment in capital assets	9,430,691	1,344,138	10,774,829	10,777,239
Restricted	870,949	-	870,949	638,150
Unrestricted	(339,384)	1,858,046	1,518,662	898,390
TOTAL NET POSITION	<u>9,962,256</u>	<u>3,202,184</u>	<u>13,164,440</u>	<u>12,313,779</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 21,860,136</u>	<u>\$ 3,423,953</u>	<u>\$ 25,284,089</u>	<u>\$ 22,734,619</u>

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

**EAST NORRITON TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Summarized Comparative Data for the Year Ended December 31, 2017)**

	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Business-type Activities	
				Governmental Activities	2018
GOVERNMENTAL ACTIVITIES					
General government	\$ 2,166,558	\$ 7,441	\$ 168,990	\$ (1,990,127)	\$ (1,582,443)
Public safety	6,120,769	1,021,502	454,887	(4,644,380)	(5,259,170)
Public works - highways and streets	1,444,737	-	432,726	(1,012,011)	(681,548)
Culture and recreation	752,008	181,160	-	(570,848)	(554,645)
Interest on long-term debt	20,717	-	-	(20,717)	(50,868)
TOTAL GOVERNMENTAL ACTIVITIES	<u>10,504,789</u>	<u>1,210,103</u>	<u>1,056,603</u>	<u>(8,238,083)</u>	<u>(8,128,674)</u>
BUSINESS-TYPE ACTIVITIES					
Sewer operations	2,739,868	3,282,668	-	542,800	620,625
TOTAL BUSINESS-TYPE ACTIVITIES	<u>2,739,868</u>	<u>3,282,668</u>	<u>-</u>	<u>542,800</u>	<u>620,625</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 13,244,657</u>	<u>\$ 4,492,771</u>	<u>\$ 1,056,603</u>	<u>(8,238,083)</u>	<u>(7,695,283)</u>
GENERAL REVENUES					
Taxes:					
Real estate taxes				2,587,858	2,577,346
Real estate transfer taxes				438,360	463,143
Earned income taxes				2,748,767	2,804,840
Local services tax				434,656	424,760
Business privilege				1,025,061	1,147,491
Other				455,563	732,474
Street light assessment				84,979	85,176
Franchise fees				340,481	361,902
Fines and forfeits				55,157	72,391
Investment earnings				138,765	72,453
Gain on sale of asset				66,377	4,382
Miscellaneous				141,307	256,267
TOTAL GENERAL REVENUES				<u>8,517,331</u>	<u>9,002,625</u>
CHANGE IN NET POSITION BEFORE TRANSFERS				279,248	1,494,576
Transfers				774,952	-
CHANGE IN NET POSITION				<u>1,054,200</u>	<u>1,494,576</u>
NET POSITION, BEGINNING OF YEAR (RESTATED)				8,908,056	10,819,203
NET POSITION, END OF YEAR				<u>\$ 9,962,256</u>	<u>\$ 12,313,779</u>

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

EAST NORRITON TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2018
(With Summarized Comparative Data for December 31, 2017)

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total	
					2018	2017
ASSETS						
Cash and cash equivalents	\$ 5,870,102	-	\$ 178,108	\$ 880,176	\$ 6,928,386	\$ 5,701,909
Due from other funds	22,239	-	5,767	26,769	54,775	1,000
Taxes receivable	53,593	-	-	-	53,593	35,980
Accounts receivable	126,378	-	375	5,084	131,837	41,274
Restricted cash	67,044	-	937,468	-	1,004,512	1,046,636
TOTAL ASSETS	\$ 6,139,356	\$ -	\$ 1,121,718	\$ 912,029	\$ 8,173,103	\$ 6,826,799
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	\$ 215,429	-	\$ 19,475	\$ 24,949	\$ 259,853	\$ 159,843
Due to other funds	754	-	-	24,758	25,512	1,000
Accrued payroll	188,194	-	-	1,509	189,703	183,837
Escrow deposits	61,715	-	-	-	61,715	112,371
Unearned revenue	-	-	-	-	-	96,920
Total Liabilities	466,092	-	19,475	51,216	536,783	553,971
FUND BALANCES:						
Restricted	10,136	-	-	860,813	870,949	638,150
Assigned	-	-	1,102,243	-	1,102,243	1,224,371
Unassigned	5,663,128	-	-	-	5,663,128	4,410,307
Total Fund Balances	5,673,264	-	1,102,243	860,813	7,636,320	6,272,828
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,139,356	\$ -	\$ 1,121,718	\$ 912,029	\$ 8,173,103	\$ 6,826,799

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

**EAST NORRITON TOWNSHIP
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
DECEMBER 31, 2018**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 7,636,320

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 10,471,591

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

Capital lease	\$ (321,894)	
Accrued interest	(7,895)	
Compensated absences	(66,025)	
Other postemployment benefits obligation	(2,227,234)	
Bonds and notes payable, net	(719,006)	
Net pension liability	<u>(7,206,333)</u>	(10,548,387)

Deferred outflows and deferred inflows related to the Township's net pension liability are based on the differences between actuarially determined actual and expected investment returns and differences between actuarial expected and actual experience. These amounts will be amortized over the estimated remaining average service life of the employees. 2,237,109

Deferred outflows and deferred inflows related to the Township's net OPEB liability are based on the differences between actuarially determined actual and expected investment returns and differences between actuarial expected and actual experience. These amounts will be amortized over the estimated remaining average service life of the employees. 165,623

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 9,962,256

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

EAST NORRITON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Summarized Comparative Data for the Year Ended December 31, 2017)

	General Fund	Debt Service Fund	Capital Projects Funds	Nonmajor Governmental Funds	2018	2017
REVENUES:						
Taxes	\$ 6,507,347	\$ 249,522	\$ 338,232	\$ 595,164	\$ 7,690,265	\$ 8,150,054
Street light assessment	-	-	-	84,979	84,979	85,176
Licenses and permits	1,322,024	-	-	-	1,322,024	860,187
Fines, forfeits, and permits	55,157	-	-	-	55,157	72,391
Investment earnings	95,854	-	21,584	21,327	138,765	51,252
Intergovernmental revenues	529,688	-	-	526,915	1,056,603	911,644
Charges for service/fees	30,625	-	-	197,935	228,560	227,514
Miscellaneous revenue/other	135,856	-	-	5,451	141,307	256,267
TOTAL REVENUES	<u>8,676,551</u>	<u>249,522</u>	<u>359,816</u>	<u>1,431,771</u>	<u>10,717,660</u>	<u>10,614,485</u>
EXPENDITURES:						
General government	1,429,846	-	110,460	-	1,540,306	1,190,634
Public safety	3,803,888	-	56,891	295,520	4,156,299	4,171,083
Highways and streets	527,513	-	196,309	294,723	1,018,545	738,003
Culture and recreation	7,000	-	-	504,359	511,359	502,899
Payroll taxes and employee benefits	2,484,518	-	-	-	2,484,518	2,817,772
Insurance	102,420	-	-	9,807	112,227	93,508
Debt service:						
Principal	-	315,000	27,320	-	342,320	563,399
Interest	-	30,505	-	-	30,505	60,504
Capital outlay	-	-	98,041	-	98,041	466,731
TOTAL EXPENDITURES	<u>8,355,185</u>	<u>345,505</u>	<u>489,021</u>	<u>1,104,409</u>	<u>10,294,120</u>	<u>10,604,533</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>321,366</u>	<u>(95,983)</u>	<u>(129,205)</u>	<u>327,362</u>	<u>423,540</u>	<u>9,952</u>
OTHER FINANCING SOURCES (USES):						
Proceeds from long-term financing	-	-	-	-	-	196,964
Proceeds from sale of capital asset	59,300	-	7,077	-	66,377	7,600
Refund of prior year revenues	-	-	-	-	-	(6,600)
Refund of prior year expenditures	70,362	-	-	28,261	98,623	80,248
Interfund transfer out	-	-	-	(122,987)	(122,987)	(133,174)
Interfund transfer in	801,956	95,983	-	-	897,939	889,150
TOTAL OTHER FINANCING SOURCES	<u>931,618</u>	<u>95,983</u>	<u>7,077</u>	<u>(94,726)</u>	<u>939,952</u>	<u>1,034,188</u>
NET CHANGE IN FUND BALANCES	1,252,984	-	(122,128)	232,636	1,363,492	1,044,140
FUND BALANCES, BEGINNING OF YEAR	4,420,280	-	1,224,371	628,177	6,272,828	5,228,688
FUND BALANCES, END OF YEAR	<u>\$ 5,673,264</u>	<u>\$ -</u>	<u>\$ 1,102,243</u>	<u>\$ 860,813</u>	<u>\$ 7,636,320</u>	<u>\$ 6,272,828</u>

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

**EAST NORRITON TOWNSHIP
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,363,492

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

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

Capital outlays	\$ 98,041	
Depreciation expense	<u>(473,940)</u>	(375,899)

Capital lease proceeds are reported as financing sources in the governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, incurrence of a capital lease increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. This is the amount of capital lease repayments of \$116,583, which exceeded capital lease proceeds of \$0. 116,583

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and, thus, requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 3,544

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

Bond issuance premium	6,246	
Principal repayments	<u>342,319</u>	348,565

In the statement of activities, certain operating expenses – compensated absences (vacations and sick leave) – are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This is the amount by which current period amounts earned exceeded current period compensated absences paid (2,383)

OPEB expenses in the statement of activities differ from the amount reported in the governmental funds because OPEB expenses are recognized on the statement of activities based on the Township's actuarial determined contribution, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists. (71,934)

Pension expenses in the statement of activities differ from the amount reported in the governmental funds because pension expenses are recognized on the statement of activities based on the Township's actuarial determined contribution, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists. (327,768)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,054,200

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

**EAST NORRITON TOWNSHIP
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Original and Final Budgeted Amounts	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes:			
Real estate	\$ 1,645,500	\$ 1,404,940	\$ (240,560)
Real estate - transfer	300,000	438,360	138,360
Earned income	2,650,000	2,748,767	98,767
Business privilege tax	1,000,000	1,025,061	25,061
Local services tax	400,000	434,656	34,656
Other	250,000	455,563	205,563
Licenses and permits	1,317,500	1,322,024	4,524
Fines, forfeits, and permits	76,000	55,157	(20,843)
Interest, dividends, and rents	12,700	95,854	83,154
Intergovernmental revenues	374,602	529,688	155,086
Charges for service/fees	16,000	30,625	14,625
Miscellaneous revenue/other	233,709	135,856	(97,853)
TOTAL REVENUES	<u>8,276,011</u>	<u>8,676,551</u>	<u>400,540</u>
EXPENDITURES			
General government	1,232,869	1,429,846	(196,977)
Public safety	3,995,590	3,803,888	191,702
Highways and streets	583,996	527,513	56,483
Culture and recreation	15,500	7,000	8,500
Miscellaneous:			
Payroll taxes and employee benefits	2,901,347	2,484,518	416,829
Insurance	98,922	102,420	(3,498)
TOTAL EXPENDITURES	<u>8,828,224</u>	<u>8,355,185</u>	<u>473,039</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(552,213)</u>	<u>321,366</u>	<u>873,579</u>
OTHER FINANCING SOURCES (USES)			
Sale of assets	-	59,300	59,300
Refund of prior year expenditures	-	70,362	70,362
Interfund transfer out	(104,481)	-	104,481
Interfund transfer in	656,694	801,956	145,262
TOTAL OTHER FINANCING SOURCES	<u>552,213</u>	<u>931,618</u>	<u>379,405</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>1,252,984</u>	<u>\$ 1,252,984</u>
FUND BALANCE, BEGINNING OF YEAR		<u>4,420,280</u>	
FUND BALANCE, END OF YEAR		<u>\$ 5,673,264</u>	

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

EAST NORRITON TOWNSHIP
STATEMENTS OF NET POSITION - PROPRIETARY FUND
DECEMBER 31, 2018 AND 2017

	Sewer Fund	
	2018	2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash and cash equivalents	\$ 1,120,847	\$ 905,105
Sewer rents receivable	938,467	1,208,148
Total Current Assets	2,059,314	2,113,253
Noncurrent Assets:		
Depreciable capital assets, net	1,344,138	1,435,797
Total Noncurrent Assets	1,344,138	1,435,797
TOTAL ASSETS	3,403,452	3,549,050
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension	49,764	22,627
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 3,453,216	\$ 3,571,677
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 74,236	\$ 48,763
Accrued payroll	7,854	6,988
Due to other funds	29,263	-
Long-term Liabilities:		
Net pension liability	122,655	86,746
TOTAL LIABILITIES	234,008	142,497
DEFERRED INFLOWS OF RESOURCES		
Deferred pension	17,024	23,457
TOTAL DEFERRED INFLOWS OF RESOURCES	17,024	23,457
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	251,032	165,954
NET POSITION		
Net investment in capital assets	1,344,138	1,435,797
Unrestricted	1,858,046	1,969,926
TOTAL NET POSITION	3,202,184	3,405,723
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 3,453,216	\$ 3,571,677

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

**EAST NORRITON TOWNSHIP
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION - PROPRIETARY FUND
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	Sewer Fund	
	2018	2017
OPERATING REVENUES:		
Fees	\$ 3,282,668	\$ 3,206,187
Total Operating Revenues	3,282,668	3,206,187
OPERATING EXPENSES:		
Administration	204,468	152,909
Contracted services	1,952,079	1,841,287
Depreciation	106,483	110,824
Repairs and maintenance	73,515	59,383
Salaries and wages	252,029	262,402
Supplies	9,297	5,652
Utilities	141,997	153,105
Total Operating Expenses	2,739,868	2,585,562
OPERATING INCOME	542,800	620,625
NONOPERATING REVENUE:		
Interest income	28,613	21,201
Total Nonoperating Revenue	28,613	21,201
INCOME BEFORE TRANSFERS	571,413	641,826
TRANSFERS		
Transfers out	(774,952)	(755,976)
CHANGE IN NET POSITION	(203,539)	(114,150)
NET POSITION, BEGINNING OF YEAR	3,405,723	3,519,873
NET POSITION, END OF YEAR	\$ 3,202,184	\$ 3,405,723

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

**EAST NORRITON TOWNSHIP
STATEMENTS OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	Sewer Fund	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 3,552,349	\$ 3,304,725
Cash payments to suppliers for goods and services	(2,325,754)	(2,200,471)
Cash payments to employees for services	(249,690)	(267,278)
NET CASH PROVIDED BY OPERATING ACTIVITIES	976,905	836,976
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers out	(774,952)	(755,976)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(774,952)	(755,976)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of capital assets	(14,824)	(44,830)
Interest received	28,613	21,201
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	13,789	(23,629)
NET INCREASE IN CASH AND CASH EQUIVALENTS	215,742	57,371
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	905,105	847,734
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,120,847	\$ 905,105
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 542,800	\$ 620,625
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	106,483	110,824
Decrease (Increase) in:		
Sewer rents receivable	269,681	98,538
Due from other funds	-	26,000
Deferred outflow pension	(27,137)	(6,786)
Increase (Decrease) in:		
Deferred inflow pension	(6,433)	14,364
Due to other funds	29,263	-
Accounts payable	26,339	(14,135)
Net pension liability	35,909	(12,454)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 976,905	\$ 836,976

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

EAST NORRITON TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2018
(With Summarized Comparative Data For the Year Ended December 31, 2017)

	Pension Trust Funds	Health Benefits Fund	Totals	
			2018	2017
ASSETS				
Cash and cash equivalents	\$ 258,815	\$ 583,356	\$ 842,171	\$ 636,001
Investments	<u>17,999,478</u>	<u>-</u>	<u>17,999,478</u>	<u>19,612,464</u>
TOTAL ASSETS	<u>\$18,258,293</u>	<u>\$ 583,356</u>	<u>\$18,841,649</u>	<u>\$20,248,465</u>
LIABILITIES AND FIDUCIARY NET POSITION				
Accounts payable	\$ 37,000	\$ 4,525	\$ 41,525	\$ 26,500
FIDUCIARY NET POSITION				
Held in trust for pension benefits and other purposes	<u>18,221,293</u>	<u>578,831</u>	<u>18,800,124</u>	<u>20,221,965</u>
TOTAL LIABILITIES AND FIDUCIARY NET POSITION	<u>\$18,258,293</u>	<u>\$ 583,356</u>	<u>\$18,841,649</u>	<u>\$20,248,465</u>

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

EAST NORRITON TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Summarized Comparative Data For the Year Ended December 31, 2017)

	Pension	Health	Totals	
	Trust Funds	Benefits Fund	2018	2017
ADDITIONS				
Contributions - employee	\$ 227,066	\$ -	\$ 227,066	\$ 251,494
Contributions - state	360,698	-	360,698	348,707
Contributions - employer	672,202	-	672,202	712,308
Investment income	-	10,691	10,691	2,145,261
TOTAL ADDITIONS	1,259,966	10,691	1,270,657	3,457,770
DEDUCTIONS				
Benefits paid	1,409,227	61,583	1,470,810	1,398,023
Investment loss	1,174,978	-	1,174,978	-
Administrative expenses	46,710	-	46,710	57,372
TOTAL DEDUCTIONS	2,630,915	61,583	2,692,498	1,455,395
CHANGE IN FIDUCIARY NET POSITION	(1,370,949)	(50,892)	(1,421,841)	2,002,375
FIDUCIARY NET POSITION, BEGINNING OF YEAR	19,592,242	629,723	20,221,965	18,219,590
FIDUCIARY NET POSITION, END OF YEAR	\$ 18,221,293	\$ 578,831	\$ 18,800,124	\$ 20,221,965

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

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Basis of Presentation

Entity-wide Financial Statements

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

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

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

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

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

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

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

Fund Financial Statements

Fund financial statements report detailed information about the Township. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The 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 Township reports the following major governmental funds:

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

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

The Township reports the following major proprietary fund:

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

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

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

Governmental Funds

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

Revenue Recognition

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

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

Expenditure Recognition

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

Proprietary Funds

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resources measurement focus concerns determining costs as a means of maintaining the capital investment and

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

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

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.

Fiduciary Funds

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

Budgets

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

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

Cash and Cash Equivalents

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

Investments

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

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

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

In establishing the fair value of investments, the Township uses the following hierarchy. The lowest level of valuation available is used for all investments.

Level 1 – Valuations based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 – Valuations based on quoted prices of similar products in active markets or identical products in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Receivables and Payables

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

Capital Assets

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

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

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

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

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

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

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

Infrastructure

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

Deferred Inflows and Outflows of Resources

In addition to assets and liabilities, the statement of net position and balance sheet - governmental funds will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense/expenditure) until that time. Certain changes to the net pension and OPEB liabilities are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred outflows and inflows of resources on the entity-wide and proprietary fund statements of net position.

Compensated Absences

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

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

Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received and discounts paid on debt issuances are

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

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

reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, generally are reported as debt service expenditures, except for refundings paid from proceeds which are reported as other financing uses.

Fund Balances

Fund balances of the governmental funds are classified, if applicable, as follows:

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

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

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

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

Unassigned – all other spendable amounts.

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

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

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

and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the Township's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Use of Estimates in the Preparation of Financial Statements

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

Implementation of GASB Statement

During the year ended December 31, 2018, the Township implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." GASB Statement No. 75 replaces the requirements of GASB Statement No. 45, with the objective of improving the accounting and financial reporting of state and local governments for other postemployment benefits. It requires that state and local governments recognize and record the actuarially determined net other postemployment benefits liability.

NOTE 2 TAXES

For 2018, 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, 2018 was \$957,461,713.

The real estate tax collection calendar is as follows:

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

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 2 TAXES (cont'd)

Other taxes levied in 2018:

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

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

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

At December 31, 2018, the carrying amount of the Township's deposits was \$9,053,745, and the bank balance was \$9,104,367 (exclusive of the fiduciary funds). Of the bank balance, \$234,799 was covered by federal depository insurance, and no amounts were exposed to custodial credit risk.

The remaining deposits of \$8,869,568 were with the Pennsylvania Local Government Investment Trust ("PLGIT"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit. As of December 31, 2018, PLGIT was rated as AAAM by a nationally recognized statistical rating organization.

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

NOTE 4 INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2018 is as follows:

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 4 INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont'd)

<u>Receivable To:</u>	<u>Amount</u>	<u>Payable From:</u>	<u>Amount</u>
General Fund	\$ 22,239	General Fund	\$ 754
Nonmajor Governmental Fund	26,769	Nonmajor Governmental Fund	24,758
Capital Projects Fund	<u>5,767</u>	Sewer Fund	<u>29,263</u>
	<u>\$ 54,775</u>		<u>\$ 54,775</u>

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

Interfund transfers for the year ended December 31, 2018 are as follows:

<u>Transfers In:</u>		<u>Transfers Out:</u>	
General Fund	\$ 801,956	Nonmajor Governmental Fund	\$ 122,987
Debt Service Fund	<u>95,983</u>	Sewer Fund	<u>774,952</u>
	<u>\$ 897,939</u>		<u>\$ 897,939</u>

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

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	<u>Balance 01/01/18</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/18</u>
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Infrastructure	\$ 5,090,699	\$ -	\$ -	\$ 5,090,699
Land	1,479,105	-	-	1,479,105
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	-	-	5,220,621
Building and improvements	2,516,988	30,247	-	2,547,235
Machinery and equipment	3,104,145	23,360	-	3,127,505
Vehicles	<u>2,899,340</u>	<u>44,434</u>	<u>(32,181)</u>	<u>2,911,593</u>
Total capital assets being depreciated	<u>13,741,094</u>	<u>98,041</u>	<u>(32,181)</u>	<u>13,806,954</u>

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

	Balance 01/01/18	Increases	Decreases	Balance 12/31/18
Less accumulated depreciation for:				
Site improvements	3,125,025	131,551	-	3,256,576
Building and improvements	2,177,018	61,199	-	2,238,217
Machinery and equipment	2,419,348	100,474	-	2,519,822
Vehicles	1,742,017	180,716	(32,181)	1,890,552
Total accumulated depreciation	<u>9,463,408</u>	<u>473,940</u>	<u>(32,181)</u>	<u>9,905,167</u>
Total capital assets being depreciated, net	<u>4,277,686</u>	<u>(375,899)</u>	<u>-</u>	<u>3,901,787</u>
 Governmental Activities, Net	 <u>\$10,847,490</u>	 <u>\$ (375,899)</u>	 <u>\$ -</u>	 <u>\$10,471,591</u>
 <u>Business-type Activities</u>				
Capital assets being depreciated:				
Plant costs financed by East Norriton				
Township Municipal Authority	\$ 2,196,513	\$ -	\$ -	\$ 2,196,513
Sewer garage	52,106	-	-	52,106
Sewer systems	5,108,126	-	-	5,108,126
Municipal Building improvements	153,720	-	-	153,720
Vehicles	59,105	-	-	59,105
Machinery and equipment	976,163	14,824	-	990,987
Total capital assets being depreciated	<u>8,545,733</u>	<u>14,824</u>	<u>-</u>	<u>8,560,557</u>
Total accumulated depreciation	<u>7,109,936</u>	<u>106,483</u>	<u>-</u>	<u>7,216,419</u>
Total capital assets being depreciated, net	<u>1,435,797</u>	<u>(91,659)</u>	<u>-</u>	<u>1,344,138</u>
 Business-type Activities, Net	 <u>\$ 1,435,797</u>	 <u>\$ (91,659)</u>	 <u>\$ -</u>	 <u>\$ 1,344,138</u>

Depreciation expense was charged to the following functions:

Governmental Activities:	
General government	\$ 101,018
Public safety	272,585
Public works - highways and streets	66,800
Culture and recreation	<u>33,537</u>
 Total Governmental Activities	 <u>\$ 473,940</u>
 Business-type Activities:	
Sewer	<u>\$ 106,483</u>

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 6 CAPITAL LEASES - LESSEE

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

Equipment and vehicles acquired through capital leases	\$ 1,401,682
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 as of December 31, 2018 are as follows:

<u>Year Ending December 31,</u>	
2019	\$ 113,384
2020	113,384
2021	113,384
2022	<u>1,167</u>
Total minimum lease payments	341,319
Less: amount representing interest	<u>(19,425)</u>
Net present value of minimum lease payments	<u>\$ 321,894</u>

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

NOTE 7 LONG-TERM DEBT

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

General Obligation Bond, Series of 2010, issued in the original amount of \$4,240,000. Interest rates range from 2.0% to 4.0% with interest payable semi-annually and principal payable annually from August 2010 through August 2020. \$ 655,000

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 7 LONG-TERM DEBT (cont'd)

The Township has authorized a promissory note with Montgomery County for a new police communications system as follows:

Promissory note authorized in the amount of \$136,599. Interest-free note with payments due annually from January 2016 through January 2020.

	54,640
	\$ 709,640

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

Year Ending December 31,	Principal	Interest
2019	\$ 347,320	\$ 21,055
2020	362,320	11,055
TOTAL	\$ 709,640	\$ 32,110

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

	Outstanding 01/01/18	Increases	Decreases	Outstanding 12/31/18	Amounts Due in One Year
General obligation bonds	\$ 970,000	\$ -	\$ 315,000	\$ 655,000	\$ 320,000
Plus: Bond premium	15,612	-	6,246	9,366	6,244
Note payable	81,959	-	27,319	54,640	27,320
Subtotal	1,067,571	-	348,565	719,006	353,564
Capital leases	438,477	-	116,583	321,894	103,783
Compensated absences	63,642	2,383	-	66,025	-
Net OPEB liability	2,064,851	162,383	-	2,227,234	-
Net pension liability	5,002,916	2,326,072	-	7,328,988	-
Total Long-Term Liabilities	\$ 8,637,457	\$ 2,490,838	\$ 465,148	\$10,633,147	\$ 457,347

For the year ended December 31, 2018, interest expense on long-term debt was \$30,505.

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION FUND

Plan description and provisions:

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

Plan Membership

As of December 31, 2018, pension plan membership consisted of the following:

Active employees	24
Retirees and beneficiaries currently receiving benefits	25
Vested terminated members	<u>2</u>
Total	<u>51</u>

Eligibility Requirements and Benefit Provisions

Actuarial Valuation Report Form 205, filed with the Public Employee Retirement Study Commission and dated as of December 31, 2017, disclosed that the pension plan benefit provisions are as follows:

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

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

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

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

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION FUND (cont'd)

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

Deferred Retirement Option Program ("DROP")

An active member who has met the eligibility requirements for normal retirement may elect to participate in the deferred retirement option program for a period of not less than 12 months nor more than 36 months. The monthly pension shall be calculated as of the date of participation in the program and shall be accumulated with 4.5 percent annual interest and distributed in a lump sum at retirement. At December 31, 2018, the pension plan had total DROP account balances of \$313,426 and no accumulated DROP payments payable.

Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2018, the carrying amount of the Police Pension Fund's deposits was \$139,026 and is in the form of a money market mutual fund and not subject to custodial credit risk.

Investments

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

As of December 31, 2018, the Township Police Pension Fund had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>
Domestic equity mutual funds	\$ 6,920,196	\$ 6,920,196
International equity mutual funds	1,354,568	1,354,568
Fixed income mutual funds	4,121,411	4,121,411
Real estate mutual funds	<u>348,727</u>	<u>348,727</u>
TOTAL	<u>\$ 12,744,902</u>	<u>\$ 12,744,902</u>

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION FUND (cont'd)

Investments in external investment pools, such as those in mutual funds, are disclosed but not subject to interest rate, custodial, credit, or concentration risks because they are not evidenced by securities that exist in physical or book entry form. At December 31, 2018, there were no investments in individual funds which exceeded five percent of net position.

Administrative Costs

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

Contributions

Act 205 of 1984 ("Act 205") requires that annual contributions be based upon the minimum municipal obligation ("MMO"). The MMO is based upon the plan's biennial actuarial valuation. Employees were required to contribute five percent of eligible compensation into the plan during the first nine months of 2018 and zero percent thereafter. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds the state contribution must be funded by the employer in accordance with Act 205.

Actuarial Methods and Assumptions

In the December 31, 2018 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a seven and one-half percent investment rate of return and a five percent annual salary increase. The UAAL is being amortized based on the level dollar, 30-year closed period. The remaining amortization period at December 31, 2018 was ten years. Mortality rates were based on the IRS 2017 Static Combined Table for Small Plans.

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

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

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION FUND (cont'd)

Discount Rate Determination

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

Changes in Net Pension Liability

The net pension liability was measured as of December 31, 2018, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2017. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2017	\$ 17,085,846	\$ 13,636,204	\$ 3,449,642
Service cost	393,450	-	393,450
Interest cost	1,267,245	-	1,267,245
Contributions – employer	-	715,184	(715,184)
Contributions – member	-	129,139	(129,139)
Net investment loss	-	(830,858)	830,858
Benefit payments, including refunds of member contributions	(764,914)	(764,914)	-
Administrative expenses	-	(35,859)	35,859
Net changes	895,781	(787,308)	1,683,089
Balances at December 31, 2018	\$ 17,981,627	\$ 12,848,896	\$ 5,132,731

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

The following presents the net pension liability of the Township, calculated using the discount rate of 7.5 percent, as well as what the Township's net pension liability would be if it were calculated using

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION FUND (cont'd)

a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Police Pension net pension liability	\$ 7,285,380	\$ 5,132,731	\$ 3,333,236

Money-weighted Rate of Return

For the year ended December 31, 2018, the annual money-weighted rate of return on the police pension fund investments, net of investment expense was (6.14) percent. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension investments by the proportion of time available to earn a return during that period.

Pension Liability and Expense and Deferred Outflows of Resources

At December 31, 2018, the Township reported a net pension liability of \$5,132,731 for its Police Pension Fund. The net pension liability was measured as of December 31, 2018.

For the year ended December 31, 2018, the Township recognized pension expense of \$1,003,405. At December 31, 2018, the Township reported deferred outflows of resources related to the police pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 1,706,739	\$ (383,560)
Net difference between expected and actual experience	228,633	(166,847)
Net difference in changes of assumptions	298,645	-
	\$ 2,234,017	\$ (550,407)

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

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION FUND (cont'd)

<u>Year Ended December 31,</u>	
2019	\$ 489,052
2020	289,449
2021	317,416
2022	482,239
2023	<u>105,454</u>
	<u>\$ 1,683,610</u>

NOTE 9 NON-UNIFORMED PENSION FUND

Plan descriptions and provisions:

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

Plan Membership

As of December 31, 2018, the pension plan membership consisted of the following:

Active employees	25
Retirees and beneficiaries currently receiving benefits	29
Vested terminated members	<u>9</u>
Total	<u>63</u>

Eligibility Requirements and Benefit Provisions

Actuarial Valuation Report Form 205, filed with the Public Employee Retirement Study Commission and dated as of December 31, 2017, disclosed that the pension plan benefit provisions are as follows:

Non-Uniformed Employees

All full-time employees (other than police officers) join the plan upon employment. Employees are eligible for normal retirement at or after age 58 with 10 years of continuous service and entitled

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

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

to 1.0 percent of average monthly compensation up to \$750, plus 1.5 percent of average monthly compensation in excess of \$750, multiplied by the number of years and months of benefit service completed.

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

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

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

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

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

Deferred Retirement Option Program ("DROP")

For employees hired before August 1, 2014, an active member who has met the eligibility requirements for normal retirement may elect to participate in the deferred retirement option program for a period of not less than one year nor more than five years. For employees hired on or after August 1, 2014, an active member who has met the eligibility requirements for normal retirement may elect to participate in the deferred retirement option program for a period of not less than one year nor more than three years. His monthly pension shall be calculated as of his date of participation in the program and shall be accumulated with 4.5 percent annual interest and distributed in a lump sum at retirement. At December 31, 2018, the pension plan had total DROP account balances of \$285,614 and no accumulated DROP payments payable.

Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

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

Deposits and Investments

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2018, the carrying amount of the Non-Uniformed Pension Fund's deposits was \$113,140 and is in the form of a money market mutual fund and not subject to custodial credit risk.

Investments

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

As of December 31, 2018, the Non-Uniformed Pension Fund had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>
Domestic equity mutual funds	\$ 2,853,105	\$ 2,853,105
International equity mutual funds	558,480	558,480
Fixed income mutual funds	1,699,215	1,699,215
Real estate mutual funds	<u>143,776</u>	<u>143,776</u>
TOTAL	<u>\$ 5,254,576</u>	<u>\$ 5,254,576</u>

Investments in external investment pools, such as those in mutual funds, are disclosed but not subject to interest rate, custodial, credit, or concentration risks because they are not evidenced by securities that exist in physical or book entry form. At December 31, 2018, there were no investments in individual funds which exceeded five percent of net position.

Administrative Costs

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

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

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

Contributions

Act 205 of 1984 ("Act 205") requires that annual contributions be based upon the minimum municipal obligation ("MMO"). The MMO is based upon the plan's biennial actuarial valuation. Non-Uniformed employees were required to contribute five percent to the plan during 2018. The state provides an allocation of funds which must be used for pension funding.

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

Actuarial Methods and Assumptions

In the December 31, 2018 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a seven and one-half percent investment rate of return. The UAAL is being amortized based on the level dollar, 30-year closed period. The remaining amortization period at December 31, 2018 was ten years. Mortality rates were based on the IRS 2017 Static Combined Table for Small Plans.

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

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

Discount Rate Determination

The discount rate used to measure the total pension liability was 7.5 percent. The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The Township has always met the funding requirements of Pennsylvania Law

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

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

Act 205. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

Changes in Net Pension Liability

The net pension liability was measured as of December 31, 2018, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2017. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2017	\$ 7,509,312	\$ 5,956,038	\$ 1,553,274
Service cost	162,843	-	162,843
Interest cost	540,812	-	540,812
Contributions – employer	-	317,716	(317,716)
Contributions – member	-	97,927	(97,927)
Net investment loss	-	(344,120)	344,120
Benefit payments, including refunds of member contributions	(644,313)	(644,313)	-
Administrative expenses	-	(10,851)	10,851
Net changes	<u>59,342</u>	<u>(583,641)</u>	<u>642,983</u>
Balances at December 31, 2018	<u>\$ 7,568,654</u>	<u>\$ 5,372,397</u>	<u>\$ 2,196,257</u>

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Non-Uniformed Pension net pension liability	\$ 2,989,630	\$ 2,196,257	\$ 1,522,797

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

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

Money-weighted Rate of Return

For the year ended December 31, 2018, the annual money-weighted rate of return on the non-uniformed pension fund investments, net of investment expense was (8.62) percent. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension investments by the proportion of time available to earn a return during that period.

Pension Liability and Expense and Deferred Outflows of Resources

At December 31, 2018, the Township reported a net pension liability of \$2,196,257 for its non-uniformed pension fund. The net pension liability was measured as of December 31, 2018.

For the year ended December 31, 2018, the Township recognized pension expense of \$359,602. At December 31, 2018, the Township reported deferred outflows of resources related to the non-uniformed pension fund from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 729,031	\$ (169,443)
Net difference between expected and actual experience	-	(135,397)
Net difference in changes of assumptions	162,047	-
	\$ 891,078	\$ (304,840)

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

Year Ended December 31,

2019	\$ 192,003
2020	97,454
2021	138,162
2022	158,619
	\$ 586,238

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in the preceding notes, the Township has established benefits for eligible employees to have healthcare benefits provided after retirement.

Description of Plan

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

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 agree 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.

Funding Policy

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

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (cont'd)

Actuarial Assumptions and Other Inputs

The total OPEB liability was measured as of January 1, 2018, the same date as the latest actuarial valuation. Participant data is based on census data as of January 1, 2018. The actuarial cost method uses entry age normal.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.16 percent based on S&P Municipal Bond 20-Year High Grade Rate Index at January 1, 2018.

Salary

An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, annual salary increases are assumed to be 5.00 percent.

Withdrawal

The table below shows rates of withdrawal at selected ages.

<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
20	5.50%	35	2.50%	50	0.00%
25	5.00%	40	1.00%	55	0.00%
30	4.00%	45	0.50%	60	0.00%

Mortality

Mortality rates are based on the IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected seven years and rates for non-annuitants projected fifteen years using Scale AA to reflect mortality improvement.

Disability

The table below shows rates of disability at selected ages.

<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
20	0.1444%	35	0.2123%	50	0.7536%
25	0.1534%	40	0.2931%	55	1.2612%
30	0.1708%	45	0.4561%	60	1.8818%

One hundred percent of disabilities are assumed to be service-related.

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (cont'd)

Retirement

Latest of age 53, age at completion of 28 years of service, or age on valuation date.

Percent of Eligible Retirees Electing Coverage in Plan

Twenty-five percent of employees are assumed to elect coverage.

Percent Married at Retirement

One hundred percent of employees are assumed to be married and have a spouse covered by the plan at retirement.

Spouse Age

Wives are assumed to be two years younger than their husbands.

Non-Spouse Dependents

Existing non-spouse dependents are assumed to become ineligible at age 26.

Per Capita Claims Cost

Making use of weighted averages for various plan designs, the per capita claims cost for medical, prescription drug, and vision is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. Dental and vision costs are assumed to not vary with age or gender. The resulting costs are as follows:

<u>Age</u>	<u>Males</u>	<u>Females</u>
Under 25	\$ 3,859	\$ 8,688
25-29	4,643	11,588
30-34	5,252	11,753
35-39	6,367	12,207
40-44	7,780	13,146
45-49	9,989	14,426
50-54	13,229	16,304
55-59	16,112	17,060
60-64	21,026	19,598
65+	26,922	25,085

The per capita claims cost for dental and vision is \$547 for the member and spouse.

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (cont'd)

Retiree Contributions

Retiree contributions are assumed to increase at the same rate as the Healthcare Cost Trend Rate.

Actuarial Value of Assets

Equal to the Market Value of Assets.

Healthcare Cost Trend Rate

The healthcare cost trend rate is 6.00 percent in 2018 and 5.50 percent in 2019 through 2021. Rates gradually decrease from 5.40 percent in 2022 to 3.80 percent in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Sensitivity Analysis

The following presents the net OPEB liability, calculated using the valuation discount rate of 3.16 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.

	1% Decrease 2.16%	Current Rate Discount Rate 3.16%	1% Increase 4.16%
Total OPEB liability	\$ 2,454,094	\$ 2,227,234	\$ 2,029,168
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 2,454,094</u>	<u>\$ 2,227,234</u>	<u>\$ 2,029,168</u>

The following presents the net OPEB liability, calculated using the valuation healthcare cost trend rate of 6.0 percent, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower each year or one percentage point higher each year than the current rate.

	1% Decrease	Current Rate Healthcare Trend Rate	1% Increase
Total OPEB liability	\$ 1,990,462	\$ 2,227,234	\$ 2,504,753
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 1,990,462</u>	<u>\$ 2,227,234</u>	<u>\$ 2,504,753</u>

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (cont'd)

Changes in Total OPEB Liability

Total OPEB liability as of January 1, 2017	\$ 2,064,851
Service cost	65,499
Interest on OPEB obligation	77,525
Effect of assumption changes or inputs	94,533
Benefit payments	<u>(75,174)</u>
Total OPEB liability as of January 1, 2018	<u>\$ 2,227,234</u>

The amount of OPEB expense recognized by the Township was \$71,934 for the year ended December 31, 2018. An amount of \$79,684 is reported as deferred outflows of resources resulting from the Township's benefit payments subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019. At December 31, 2018, the Township reported deferred outflows of resources relating to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	<u>\$ 85,939</u>	<u>\$ -</u>
Total	<u>\$ 85,939</u>	<u>\$ -</u>

Deferred inflows of resources due to the change in assumptions will be recognized in pension expense as follows:

Year Ending December 31,

2019	\$ 8,594
2020	8,594
2021	8,594
2022	8,594
2023	8,594
Thereafter	<u>42,969</u>
	<u>\$ 85,939</u>

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 11 RESTRICTED ASSETS

During 1990, proceeds of the Norris City Cemetery Trust were transferred to the Township. These monies are to be used solely for the maintenance, upkeep, and repair of the Norris City Cemetery. As of December 31, 2018, general fund assets of \$10,136 have been restricted for this purpose.

NOTE 12 ESCROW DEPOSITS

The Township specifies building and land improvement requirements as a condition to the issuance of building permits. These escrows represent funds from independent builders that are returned upon the completion of required improvements to various properties within the Township. The escrow balance of \$61,715 is maintained in the cash accounts of the Township.

NOTE 13 FUND BALANCES

As of December 31, 2018, fund balances are composed of the following:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted:				
Norris City Cemetery	\$ 10,136	\$ -	\$ -	\$ 10,136
Street lights	-	-	95,043	95,043
Fire protection	-	-	70,311	70,311
Parks and recreation	-	-	143,777	143,777
Liquid fuels	-	-	551,682	551,682
Assigned:				
Capital projects	-	1,102,243	-	1,102,243
Unassigned	<u>5,663,128</u>	<u>-</u>	<u>-</u>	<u>5,663,128</u>
Total Fund Balances	<u>\$ 5,673,264</u>	<u>\$ 1,102,243</u>	<u>\$ 860,813</u>	<u>\$ 7,636,320</u>

NOTE 14 OPERATING LEASES - LESSEE

The Township leases office equipment under noncancelable operating leases with terms ending in 2019.

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

EAST NORRITON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 14 OPERATING LEASES - LESSEE (cont'd)

Year Ending December 31,

2019	<u>\$ 1,482</u>
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Total expense for the year ended December 31, 2018 was \$6,797.

NOTE 15 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds incurred expenditures in excess of appropriations in the following amounts for the year ended December 31, 2018:

General Fund:

General Government	\$ 196,977
Insurance	\$ 3,498

The excess expenditures in the general fund were covered by savings in other budgeted expenditure use line items.

NOTE 16 RISK MANAGEMENT

The Township is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. There were no significant reductions in insurance coverages for the 2018 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 17 PRIOR PERIOD ADJUSTMENT

The Township has decreased its January 1, 2018 net position in the governmental activities by \$1,603,098 due to the effects of implementing GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." The Township recorded a beginning deferred outflow for OPEB contributions of \$75,174 and a beginning net OPEB liability of \$2,064,851. The previously reported \$386,579 OPEB obligation liability as of December 31, 2017 is no longer recognized due to the change in accounting principle.

NOTE 18 SUBSEQUENT EVENTS

The Township has evaluated all subsequent events through August 9, 2019, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**EAST NORRITON TOWNSHIP
SCHEDULE OF CHANGES IN THE TOWNSHIP'S NET PENSION LIABILITY,
RELATED RATIOS, AND INVESTMENT RETURNS - POLICE PENSION PLAN**

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
TOTAL PENSION LIABILITY				
Service cost	\$ 393,450	\$ 374,714	\$ 410,899	\$ 391,332
Interest on total pension liability	1,267,245	1,216,430	1,104,270	1,040,841
Differences between expected and actual experience	-	320,087	-	(389,307)
Differences due to changes in assumptions	-	418,103	-	-
Benefit payments	(764,914)	(827,733)	(539,388)	(694,180)
Net change in total pension liability	<u>895,781</u>	<u>1,501,601</u>	<u>975,781</u>	<u>348,686</u>
Total pension liability, beginning	<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>\$ 17,981,627</u>	<u>\$ 17,085,846</u>	<u>\$ 15,584,245</u>	<u>\$ 14,608,464</u>
FIDUCIARY NET POSITION				
Employer contributions	\$ 715,184	\$ 749,645	\$ 706,098	\$ 727,687
Employee contributions	129,139	161,049	147,502	136,620
Donations	-	-	-	600
Net investment income (loss)	(830,858)	1,471,741	966,594	(175,723)
Benefit payments	(764,914)	(827,733)	(539,388)	(694,180)
Administrative expenses	(35,859)	(34,938)	(5,700)	(8,800)
Net change in fiduciary net position	<u>(787,308)</u>	<u>1,519,764</u>	<u>1,275,106</u>	<u>(13,796)</u>
Fiduciary net position, beginning	<u>13,636,204</u>	<u>12,116,440</u>	<u>10,841,334</u>	<u>10,855,130</u>
Fiduciary net position, ending (b)	<u>\$ 12,848,896</u>	<u>\$ 13,636,204</u>	<u>\$ 12,116,440</u>	<u>\$ 10,841,334</u>
Net pension liability [(a) - (b)]	<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	71.46%	79.81%	77.75%	74.21%
Covered payroll	\$ 2,539,013	\$ 2,563,390	\$ 3,017,483	\$ 2,732,355
Net pension liability as a percentage of covered payroll	202.15%	134.57%	114.92%	137.87%
Annual money-weighted return, net of investment expenses	-6.14%	12.34%	9.26%	-1.47%

Note on Cumulative Information

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

EAST NORRITON TOWNSHIP
SCHEDULE OF CHANGES IN THE TOWNSHIP'S NET PENSION LIABILITY,
RELATED RATIOS, AND INVESTMENT RETURNS - NON-UNIFORMED PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION

	2018	2017	2016	2015
TOTAL PENSION LIABILITY				
Service cost	\$ 162,843	\$ 155,089	\$ 136,256	\$ 129,768
Interest on total pension liability	540,812	528,547	505,942	491,548
Differences between expected and actual experience	-	(130,464)	-	(171,363)
Differences due to changes in assumptions	-	270,077	-	-
Benefit payments	(644,313)	(512,445)	(519,641)	(297,519)
Net change in total pension liability	59,342	310,804	122,557	152,434
Total pension liability, beginning	7,509,312	7,198,508	7,075,951	6,923,517
Total pension liability, ending (a)	<u>\$ 7,568,654</u>	<u>\$ 7,509,312</u>	<u>\$ 7,198,508</u>	<u>\$ 7,075,951</u>
FIDUCIARY NET POSITION				
Employer contributions	\$ 317,716	\$ 311,370	\$ 311,980	\$ 315,228
Employee contributions	97,927	90,445	80,403	78,999
Net investment income (loss)	(344,120)	666,868	439,232	(86,296)
Benefit payments	(644,313)	(512,445)	(519,641)	(297,519)
Administrative expenses	(10,851)	(22,434)	-	(9,200)
Net change in fiduciary net position	(583,641)	533,804	311,974	1,212
Fiduciary net position, beginning	5,956,038	5,422,234	5,110,260	5,109,048
Fiduciary net position, ending (b)	<u>\$ 5,372,397</u>	<u>\$ 5,956,038</u>	<u>\$ 5,422,234</u>	<u>\$ 5,110,260</u>
Net pension liability [(a) - (b)]	<u>\$ 2,196,257</u>	<u>\$ 1,553,274</u>	<u>\$ 1,776,274</u>	<u>\$ 1,776,274</u>
Plan fiduciary net position as a percentage of the total pension liability	70.98%	79.32%	75.32%	72.22%
Covered payroll	\$ 1,674,814	\$ 1,852,610	\$ 1,613,204	\$ 1,619,489
Net pension liability as a percentage of covered payroll	131.13%	83.84%	110.11%	109.68%
Annual money-weighted return, net of investment expenses	-8.62%	12.30%	9.25%	-1.53%

Note on Cumulative Information

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**EAST NORRITON TOWNSHIP
SCHEDULE OF EMPLOYER CONTRIBUTIONS - POLICE PENSION PLAN**

REQUIRED SUPPLEMENTARY INFORMATION

Year	Actuarial Determined Contribution	Contributions from Employer	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Payroll
2009	\$ 269,029	\$ 269,029	\$ -	\$ 2,267,943	11.86%
2010	270,911	270,911	-	*	*
2011	354,772	354,772	-	2,404,010	14.76%
2012	354,474	354,475	(1)	*	*
2013	519,812	519,812	-	2,295,702	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	-	2,563,390	27.55%
2017	729,768	749,645	(19,877)	2,563,390	29.24%
2018	683,318	715,184	(31,866)	2,539,013	28.17%

* Not available due to biennially required Act 205 report.

Notes to Schedule:

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial valuation date	1/1/2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	10 years
Asset valuation method	Market value of assets as determined by the trustee
Inflation	3.00%
Salary increases	5.00%
Investment rate of return	7.50%
Retirement age	It is assumed that all members enter the DROP at Normal Retirement and remain in the DROP for three years.
Mortality	RP2000 table. This table does not include projected mortality improvements.

Change in benefit terms: Effective January 1, 2017, member contribution are credited with 4.50% annual interest.

**EAST NORRITON TOWNSHIP
SCHEDULE OF EMPLOYER CONTRIBUTIONS - NON-UNIFORMED PENSION PLAN**

REQUIRED SUPPLEMENTARY INFORMATION

Year	Actuarial Determined Contribution	Contributions from Employer	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Payroll
2009	\$ 155,818	\$ 155,818	\$ -	\$ 1,672,191	9.32%
2010	136,204	136,204	-	*	*
2011	169,669	169,669	-	1,740,017	9.75%
2012	137,467	137,467	-	*	*
2013	227,365	227,365	-	1,743,851	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%

* Not available due to biennially required Act 205 report.

Notes to Schedule:

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial 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	3.00%
Salary increases	5.00%
Investment rate of return	7.50%
Retirement age	It is assumed that all members enter the DROP at Normal Retirement and remain in the DROP for three years.
Mortality	RP2000 table. This table does not include projected mortality improvements.

Change in benefit terms: Effective January 1, 2017, member contribution are credited with 4.50% annual interest.

**EAST NORRITON TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWNSHIP'S NET OPEB LIABILITY AND RELATED RATIOS**

	<u>MEASUREMENT DATE</u>
	<u>January 1, 2018</u>
TOTAL OPEB LIABILITY	
Service cost	\$ 65,499
Interest on total OPEB liability	77,525
Effect of change in assumptions	94,533
Benefit payments	<u>(75,174)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	162,383
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	<u>2,064,851</u>
TOTAL OPEB LIABILITY, END OF YEAR	<u><u>\$ 2,227,234</u></u>
<u>PLAN FIDUCIARY NET POSITION</u>	
Contributions - employer	\$ -
Net investment income	-
Benefit payments	-
Administrative expenses	<u>-</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	-
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	<u>-</u>
PLAN FIDUCIARY NET POSITION, END OF YEAR	<u><u>\$ -</u></u>
TOWNSHIP'S NET OPEB LIABILITY	<u><u>\$ 2,227,234</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	0.00%
Covered employee payroll	\$ 2,930,384
Township's net OPEB liability as a percentage of covered payroll	76.00%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**EAST NORRITON TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOWNSHIP OPEB CONTRIBUTIONS**

Year	Actuarial Determined Contribution	Contributions from Employer	Contribution Deficiency (Excess)	Covered Employee Payroll	Contribution as a Percentage of Payroll
2018	\$ 151,618	\$ 151,618	-	\$ 2,930,384	5.17%

Notes to Schedule:

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

Valuation Date:

January 1, 2018

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Asset valuation method	Market value
Discount rate	3.16%
Healthcare trend rates	6.0% in 2018, 5.5% 2019 through 2021. Rate gradually decrease from 5.4% in 2022 to 3.8% in 2075

SUPPLEMENTARY INFORMATION

**EAST NORRITON TOWNSHIP
BUDGETARY COMPARISON STATEMENT - OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Original and Final Budgeted Amounts	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Taxes:			
Real estate	\$ 596,700	\$ 595,164	\$ (1,536)
Street light assessment	83,000	84,979	1,979
Licenses and permits	20,000	-	(20,000)
Interest, dividends, and rents	1,200	21,327	20,127
Intergovernmental revenues	535,605	526,915	(8,690)
Charges for service/fees	193,835	197,935	4,100
Miscellaneous revenue/other	1,250	5,451	4,201
TOTAL REVENUES	<u>1,431,590</u>	<u>1,431,771</u>	<u>181</u>
 EXPENDITURES			
Public safety	306,000	295,520	10,480
Highways and streets	311,289	294,723	16,566
Culture and recreation	598,523	504,359	94,164
Miscellaneous:			
Insurance	15,000	9,807	5,193
Debt service:			
Principal	131,834	-	131,834
Capital outlay	150,000	-	150,000
TOTAL EXPENDITURES	<u>1,512,646</u>	<u>1,104,409</u>	<u>408,237</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 <u>(81,056)</u>	 <u>327,362</u>	 <u>408,418</u>
 OTHER FINANCING SOURCES (USES)			
Cash carry over	168,024	-	(168,024)
Refund of prior year expenditures	-	28,261	28,261
Interfund transfer out	(86,968)	(122,987)	(36,019)
TOTAL OTHER FINANCING SOURCES (USES)	<u>81,056</u>	<u>(94,726)</u>	<u>(175,782)</u>
 NET CHANGE IN FUND BALANCES	 <u>\$ -</u>	 232,636	 <u>\$ 232,636</u>
 FUND BALANCES, BEGINNING OF YEAR		 <u>628,177</u>	
 FUND BALANCES, END OF YEAR		 <u>\$ 860,813</u>	

**EAST NORRITON TOWNSHIP
BUDGETARY COMPARISON STATEMENT - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Original and Final Budgeted Amounts	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes:			
Real estate	\$ 340,250	\$ 338,232	\$ (2,018)
Interest, dividends, and rents	2,500	21,584	19,084
Miscellaneous revenue/other	7,500	-	(7,500)
TOTAL REVENUES	350,250	359,816	9,566
EXPENDITURES			
General government	121,960	110,460	11,500
Public safety	61,300	56,891	4,409
Highways and streets	578,840	196,309	382,531
Debt service:			
Principal	37,307	27,320	9,987
Capital outlay	243,500	98,041	145,459
TOTAL EXPENDITURES	1,042,907	489,021	553,886
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(692,657)	(129,205)	563,452
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	15,000	7,077	(7,923)
Cash carry over	677,657	-	(677,657)
TOTAL OTHER FINANCING SOURCES	692,657	7,077	(685,580)
NET CHANGE IN FUND BALANCE	\$ -	(122,128)	\$ (122,128)
FUND BALANCE, BEGINNING OF YEAR		1,224,371	
FUND BALANCE, END OF YEAR		\$ 1,102,243	

OTHER REPORT



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

August 9, 2019

Board of Township Supervisors
East Norriton Township
East Norriton, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of East Norriton Township ("the Township"), East Norriton, Pennsylvania, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated August 9, 2019.

Internal Control Over Financial Reporting

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

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

Board of Township Supervisors
East Norriton Township

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

Compliance and Other Matters

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

Purpose of This Report

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

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