

**EAST NORRITON TOWNSHIP
MONTGOMERY COUNTY, PENNSYLVANIA**

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

YEAR ENDED DECEMBER 31, 2020

EAST NORRITON TOWNSHIP
MONTGOMERY COUNTY, PENNSYLVANIA
December 31, 2020

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INDEPENDENT AUDITORS' REPORT

Board of Township Supervisors
East Norriton Township, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Norriton Township, Pennsylvania, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Norriton Township, Pennsylvania, as of December 31, 2020 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Norriton Township's, Pennsylvania, basic financial statements.

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

Bee, Bergvall + Co.

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

Warrington, PA
December 9, 2021

EAST NORRITON TOWNSHIP

Management's Discussion and Analysis

December 31, 2020

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, 2020. 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 2020

- East Norriton Township concluded the \$21,000,000 sale of its sanitary sewer collection system.
- The Township's General Obligation Bond of 2010 was paid off in 2020.
- Pandemic restrictions resulting from the Covid-19 virus negatively impacted overall Township revenue.
- Business Privilege Tax revenue suffered the most, down 14.7% over 2019 (\$1,066,916 vs \$1,249,841).
- Real Estate Tax collections decreased slightly ending the year at \$2,552,878 compared to last year's \$2,568,241. Property taxes millage has stayed constant in the Township since 2009.
- Earned Income Tax collections posted a modest decline slipping to \$2,929,647 compared to \$2,944,749 in 2019.
- The Township's Parks & Recreation Fund experienced a difficult year as it saw a large loss in program income as all program offerings were cancelled from March through December 2020.
- A new Police Department collective bargaining agreement took effect which included structural changes to post-retirement health benefits which will reduce long-term OPEB liabilities.
- Pension reform was initiated in 2020 by freezing the non-uniformed employee defined benefit plan and creating a defined contribution plan for new employees in 2021. Significant long-term benefits are anticipated from this change.
- Continued emphasis on spending controls and departmental purchasing accountability helped create cost savings across all departments and funds and helped the Township weather the pandemic storm.

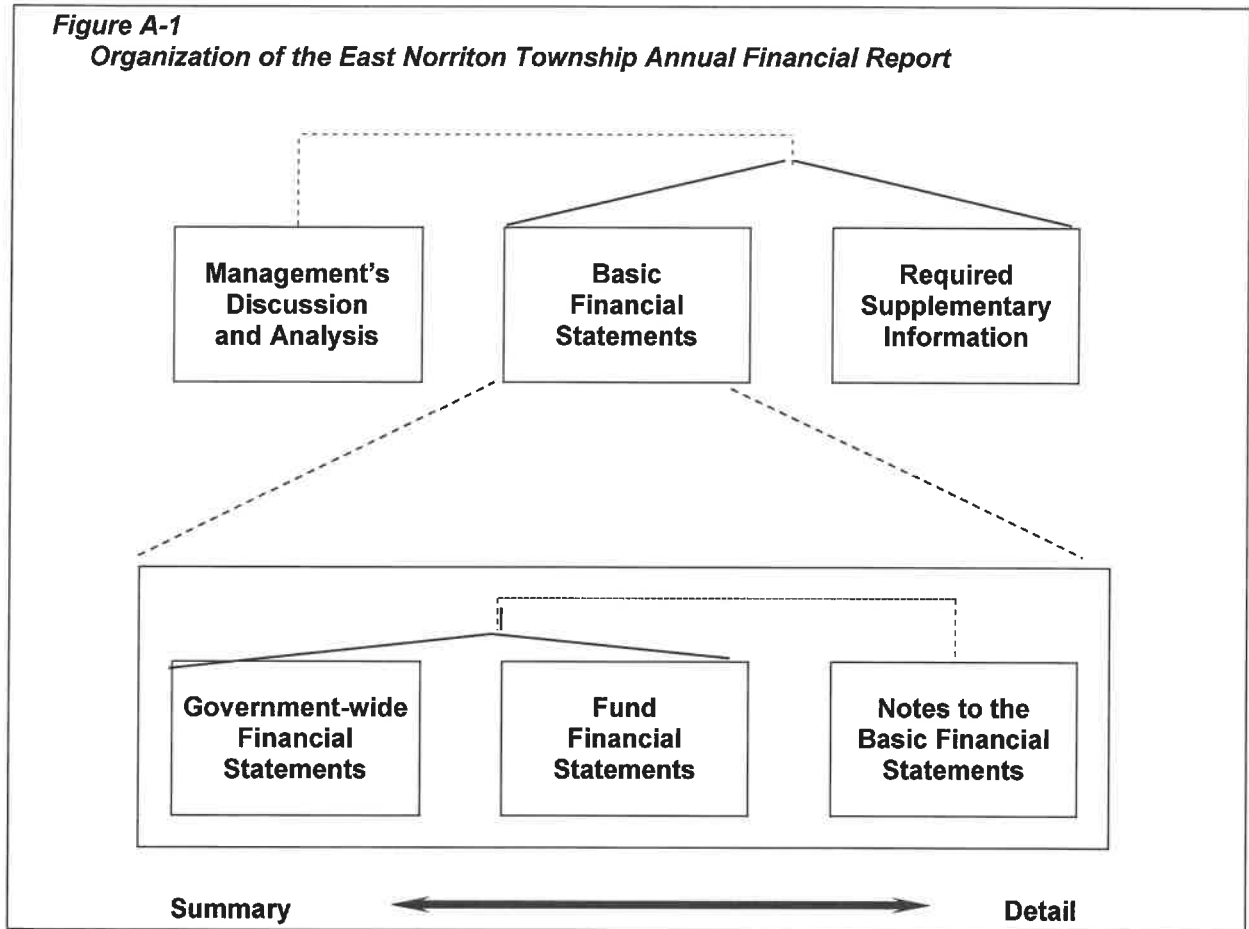
Overview of the Financial Statements

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

FINANCIAL STATEMENTS

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

EAST NORRITON TOWNSHIP
 Management's Discussion and Analysis
 December 31, 2020



BASIC FINANCIAL STATEMENTS. The basic financial statements are comprised of three segments – government-wide financial statements, fund financial statements, and notes to the basic financial statements.

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

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

EAST NORRITON TOWNSHIP
Management's Discussion and Analysis
December 31, 2020

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

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

FUND FINANCIAL STATEMENTS. The fund financial statements provide more detailed information about the Township's funds, focusing on its most significant or 'major' funds – not the Township as a whole. East Norriton Township, like other local governments, uses fund accounting to track specific sources of funding and spending on particular programs as may be required by state law or bond covenants, or to control and manage money for particular purposes (such as repaying its long-term debts), or to show that it is properly using certain revenues (such as federal grants). All the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Most of the Township's basic services are included in governmental funds which generally focus on 1) how cash, and other financial assets that can be readily converted to cash, flow in and out and 2) the balances available at the end of the fiscal year. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information explains the relationship (or differences) between them. East Norriton Township maintains nine individual governmental funds, the largest of which is the general fund. Annual budgets are adopted for each fund.

Proprietary funds. Services for which the Township charges a fee are generally reported in the proprietary fund statements. Proprietary funds provide the same type of information as the government-wide statements, only in more detail. The Township's enterprise fund is the same as its business-type activities but provides more detail and additional information, such as cash flows. East Norriton Township maintains a single proprietary fund – the sewer revenue fund – used to track the operations of its sanitary sewer collection system.

Fiduciary funds. The Township is the trustee, or fiduciary, for assets that belong to others, such as the pension plans. The Township is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Township excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position. The Township's two fiduciary funds are pension trust funds for the police and non-uniformed personnel.

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

EAST NORRITON TOWNSHIP
 Management's Discussion and Analysis
 December 31, 2020

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

<i>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</i>				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire Township (except Fiduciary Funds)	The activities of the Township that are not proprietary or fiduciary	Activities the Township operates similar to private businesses: Sewer Revenue Account	Instances in which the Township administers resources on behalf of someone else, such as pension plans
Required financial statements	<ul style="list-style-type: none"> • 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, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS

At the end of the fiscal year, the Township is able to report positive balances of net position, both for the government as a whole, as well as for its separate governmental and business-type activities (there are no restricted assets in the Township's business-type activities). As indicated in Figure A-3, the assets and deferred outflows of resources for East Norriton Township as a whole exceeded its liabilities and deferred inflows of resources at the end of the year by \$33,731,524.

Figure A-3 Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 29,678,196	\$ 10,271,877	\$ 184,170	\$ 1,749,563	\$ 29,862,366	\$ 12,021,440
Capital Assets	10,472,746	10,461,638	-	1,250,150	10,472,746	11,711,788
Total Assets	<u>40,150,942</u>	<u>20,733,515</u>	<u>184,170</u>	<u>2,999,713</u>	<u>40,335,112</u>	<u>23,733,228</u>
Deferred Outflows of Resources	<u>907,268</u>	<u>1,146,045</u>	<u>10,928</u>	<u>16,084</u>	<u>918,196</u>	<u>1,162,129</u>
Long-Term Liabilities	5,468,189	7,829,479	-	96,105	5,468,189	7,925,584
Other Liabilities	1,011,043	1,035,682	13,773	81,444	1,024,816	1,117,126
Total Liabilities	<u>6,479,232</u>	<u>8,865,161</u>	<u>13,773</u>	<u>177,549</u>	<u>6,493,005</u>	<u>9,042,710</u>
Deferred Inflows of Resources	<u>1,018,207</u>	<u>549,234</u>	<u>10,572</u>	<u>7,883</u>	<u>1,028,779</u>	<u>557,117</u>
Net Assets						
Net Investment in Capital Assets	10,193,042	9,878,028	-	1,250,150	10,193,042	11,128,178
Restricted	915,444	1,187,627	-	-	915,444	1,187,627
Unrestricted (restated)	<u>22,452,285</u>	<u>1,399,510</u>	<u>170,753</u>	<u>1,580,215</u>	<u>22,623,038</u>	<u>2,979,725</u>
Total Net Assets	<u>\$ 33,560,771</u>	<u>\$ 12,465,165</u>	<u>\$ 170,753</u>	<u>\$ 2,830,365</u>	<u>\$ 33,731,524</u>	<u>\$ 15,295,530</u>

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

- Completion of the sale of the Township's sanitary sewer collection system. The sale concluded June 2020 at a price of \$21,000,000 and included the Township's network of underground pipes, pump stations, related vehicles and equipment.
- Continuation of the sewer collection policy which targets chronically delinquent sewer customers and transferred previously uncollectible debt into long-term payment plans. As a condition of the wastewater collection system sale, the Township retained ownership of sewer accounts receivables and has continued this program.
- Continued restructuring of financial processes to ensure the efficient procurement of goods and services at appropriate prices, create procedures that allow the Township to operate at peak efficiency, and promote measures that result in efficient cash management.
- Increased education of and emphasis on the financial health of the Township and its important relationship to the financial health of our residential and business communities.

EAST NORRITON TOWNSHIP
Management's Discussion and Analysis
December 31, 2020

Figure A-4 Condensed Statement of Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 675,078	\$ 867,715	\$ 1,506,461	\$ 3,113,118	\$ 2,181,539	\$ 3,980,833
Operating grants and contributions	922,040	1,097,873	123,190	253,929	1,045,230	1,351,802
Capital grants and contributions	91,199	223,173	-	-	91,199	223,173
General revenues:						
Property taxes	2,565,746	2,613,172	-	-	2,565,746	2,613,172
Other taxes	5,125,161	5,606,957	-	-	5,125,161	5,606,957
Grants and contributions not restricted to specific programs	12,024	5,167	-	-	12,024	5,167
Investment income and rent	71,838	200,497	6,597	28,147	78,435	228,644
Miscellaneous	20,554,518	572,639	-	-	20,554,518	572,639
Total Revenues	30,017,604	11,187,193	1,636,248	3,395,194	31,653,852	14,582,387
Expenses:						
General government	1,057,430	1,273,520	-	-	1,057,430	1,273,520
Public safety	4,665,001	5,317,291	-	-	4,665,001	5,317,291
Highways and streets	1,905,321	532,085	-	-	1,905,321	532,085
Culture and recreation	496,838	751,327	-	-	496,838	751,327
Miscellaneous	2,708,957	2,382,530	-	-	2,708,957	2,382,530
Debt service interest	11,160	25,786	-	-	11,160	25,786
Sewer	-	-	2,373,151	3,039,677	2,373,151	3,039,677
Total Expenses	10,844,707	10,282,539	2,373,151	3,039,677	13,217,858	13,322,216
Change in Net Position Before Transfers and Special Item	19,172,897	904,654	(736,903)	355,517	18,435,994	1,260,171
Transfers, Net	1,922,709	727,336	(1,922,709)	(727,336)	-	-
Change in Net Position	21,095,606	1,631,990	(2,659,612)	(371,819)	18,435,994	1,260,171
Net Position - Beginning of Year, restated	12,465,165	10,833,175	2,830,365	3,202,184	15,295,530	14,035,359
Net Position - End of Year	\$ 33,560,771	\$ 12,465,165	\$ 170,753	\$ 2,830,365	\$ 33,731,524	\$ 15,295,530

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. Pandemic restrictions resulted in lower total Act 511 Taxes compared to 2019 with Business Privilege tax payments impacted the greatest. The remaining categories, while lower compared to 2019, reached higher than expected levels with Earned Income tax collections surpassing \$2.9 million and Real Estate Transfer taxes surpassing \$575,000. In aggregate, Act 511 Tax revenue exceeded original budget projections. Real Estate Tax collections remained strong totaling \$2,552,878, a slight reduction from 2019's total of \$2,568,241.

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

EAST NORRITON TOWNSHIP

Management's Discussion and Analysis

December 31, 2020

East Norriton Township operates a substantial parks and recreation program throughout the Township. The Township typically provides its residents an extensive offering of recreation programs and participation in these programs are funded largely through user fees. Participatory programs were effectively eliminated in 2020 due to pandemic restrictions which of course resulted in a loss of program revenue for the year.

Controlled spending, aggressive tax collection, licenses and permits, improvements, and scheduled debt reduction resulted in a successful 2020 and will remain the focus of a long-term strategy to realize confined fiscal health.

Business-type activities. Prior to its sale in June 2020, East Norriton Township was the owner and operator of a sanitary sewer collection system which provided service to almost five thousand (5,000) Township properties. The Township continues to be 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 fell to \$170,753 in 2020, a decrease from the 2019 net position of \$2,830,365. The net position decline is attributable largely to the afore-mentioned sale of the sanitary sewer collection system.

TOWNSHIP FUNDS FINANCIAL ANALYSIS

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

The net position for all governmental funds grow to \$33,560,771, an increase from the prior year total of \$12,465,165. As stated elsewhere, the increase is attributed largely to the sale of the sanitary sewer collection system however continuing year-on-year efforts to maximize tax collections along with controlled spending have also contributed to the favorable change in net balance.

The general fund is the chief operating fund of East Norriton Township. East Norriton Township's fiscal policy requires that the Township maintain an available fund balance equal to 16.7 percent of operating expenditures, plus transfers out, in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Township. The December 31, 2020 fund balance satisfies that policy.

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

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

EAST NORRITON TOWNSHIP
 Management's Discussion and Analysis
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Proprietary Funds. As mentioned elsewhere in this discussion, prior to its sale in June 2020, the Township maintained 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, 2020, the sewer revenue fund total net position was \$170,753, a decrease from the 2019 net position of \$2,830,365. The net position decline is attributed largely to the expenses associated with the sale of sanitary sewer collection system.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. East Norriton Township's investment in capital assets for its governmental and business-type activities totaled \$10,472,746 (net of accumulated depreciation) as of December 31, 2020. The Township's capital assets include roads, land and land improvements, machinery, equipment, and vehicles.

Capital assets are generally acquired through the Township's capital projects fund, which has a dedicated funding source via real estate taxes. Assets are additionally acquired through the use of funds received from the Commonwealth of Pennsylvania through its annual allocation of motor vehicle fuel tax monies. Figure A-5 summarizes the Township's capital assets as of December 31, 2020.

Figure A-5 Capital Asset Activity for the year ended December 31, 2020

	<u>Beginning Balance</u>	<u>Net Additions (Deletions)</u>	<u>Ending Balance</u>
Non-Depreciable Assets			
Land	\$ 1,479,105	\$ -	\$ 1,479,105
Infrastructure	5,090,699	-	5,090,699
Other Capital Assets			
Land improvements	5,353,673	184,844	5,538,517
Buildings and improvements	4,949,574	(2,297,694)	2,651,880
Machinery and equipment	8,331,295	(4,911,030)	3,420,265
Vehicles	4,152,854	(946,072)	3,206,782
Infrastructure	59,105	(59,105)	-
Less: accumulated depreciation on capital assets	<u>(3,083,705)</u>	<u>(7,830,797)</u>	<u>(10,914,502)</u>
Totals	<u>\$ 26,332,600</u>	<u>\$(15,859,854)</u>	<u>\$ 10,472,746</u>

EAST NORRITON TOWNSHIP

Management's Discussion and Analysis
December 31, 2020

Debt Administration. Total non-pension and OPEB related long-term debt for the Township decreased \$239,569 at the end of 2020 compared to year end 2019. The largest portion of this debt is a general obligation bond originally issued 2004, then refinanced in 2010. The final bond payment was made in 2020.

East Norriton Township's total debt decreased by 67.82 percent largely attributable to decreases in pension and OPEB liabilities. The Township's general obligation bond rating is AA+ from Moody's Investors Service, and any debt is backed by the full faith and credit of the Township.

Figure A-6 Outstanding Debt Activity for the year ended December 31, 2020

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
General obligations notes and bonds	\$ 365,441	\$ -	\$ (365,441)	\$ -
Capital leases	218,169	197,095	(135,560)	279,704
Compensated absences	73,307	64,337	-	137,644
Net pension liability	5,618,314	2,608,512	(5,007,692)	3,219,134
Net OPEB liability	2,195,938	152,337	(239,822)	2,108,453
	<u>\$ 8,471,169</u>	<u>\$ 3,022,281</u>	<u>\$ (5,748,515)</u>	<u>\$ 5,744,935</u>

FACTORS BEARING ON THE TOWNSHIP'S FUTURE

As noted earlier, the Township relies mainly on the revenues generated by Act 511 and Real Estate Taxes to fund its governmental-type activities. Accordingly, the health and growth of the local economy and tax base moving forward will play a significant role in the future financial condition of the Township. Key economic indicators for the Township in 2021 will include:

- Approval of a major distribution center creating dozens of new jobs
- Approval of a second luxury apartment complex in the Township
- Expansion of grant activities for infrastructure improvements
- Renewed commitment to sustainable development
- Growth in business privilege tax revenue
- Maintain consistently high real tax collection rate

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

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, 2020

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 27,038,553	\$ 1,084,304	\$ 28,122,857
Cash - restricted	75,098	-	75,098
Internal balances	993,086	(993,086)	-
Taxes receivable	1,197,453	-	1,197,453
Sewer rents receivable	-	81,774	81,774
Other receivables	192,468	-	192,468
Total Current Assets	<u>29,496,658</u>	<u>172,992</u>	<u>29,669,650</u>
Capital Assets (net of accumulated depreciation)			
Land	1,479,105	-	1,479,105
Infrastructure	5,090,699	-	5,090,699
Site improvements	5,538,517	-	5,538,517
Sewer systems	-	-	-
Buildings and building improvements	2,703,986	-	2,703,986
Machinery and equipment	3,539,586	-	3,539,586
Vehicles	3,278,548	-	3,278,548
Accumulated depreciation	(11,157,695)	-	(11,157,695)
Total Capital Assets (net)	<u>10,472,746</u>	<u>-</u>	<u>10,472,746</u>
Net pension asset	<u>181,538</u>	<u>11,178</u>	<u>192,716</u>
TOTAL ASSETS	<u>40,150,942</u>	<u>184,170</u>	<u>40,335,112</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows - OPEB	179,224	-	179,224
Deferred Outflows - Pension	728,044	10,928	738,972
Total Deferred Outflows of Resources	<u>\$ 907,268</u>	<u>\$ 10,928</u>	<u>\$ 918,196</u>

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	\$ 477,838	\$ 13,721	\$ 491,559
Payroll and withholding taxes payable	172,295	52	172,347
Escrow deposits	75,098	-	75,098
Unearned revenue	9,066	-	9,066
Compensated absences, current maturity	137,644	-	137,644
Capital lease payable, current maturity	139,102	-	139,102
Total Current Liabilities	<u>1,011,043</u>	<u>13,773</u>	<u>1,024,816</u>
Long-term Liabilities			
Capital lease payable	140,602	-	140,602
Net OPEB liability	2,108,453	-	2,108,453
Net pension liability	3,219,134	-	3,219,134
Total Long-term Liabilities	<u>5,468,189</u>	<u>-</u>	<u>5,468,189</u>
TOTAL LIABILITIES	<u>6,479,232</u>	<u>13,773</u>	<u>6,493,005</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows - OPEB	268,797	-	268,797
Deferred Inflows - Pension	749,410	10,572	759,982
Total Deferred Inflows of Resources	<u>1,018,207</u>	<u>10,572</u>	<u>1,028,779</u>
<u>NET POSITION</u>			
Net investment in capital assets	10,193,042	-	10,193,042
Restricted	915,444	-	915,444
Unrestricted	22,452,285	170,753	22,623,038
TOTAL NET POSITION	<u>\$ 33,560,771</u>	<u>\$ 170,753</u>	<u>\$ 33,731,524</u>

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

EAST NORRITON TOWNSHIP

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$ 1,057,430	\$ 533,194	\$ 11,134	\$ -
Public safety	4,665,001	90,925	479,698	-
Public works - highways and streets	1,905,321	-	431,208	89,158
Culture and recreation	496,838	50,959	-	-
Miscellaneous	2,708,957	-	-	2,041
Debt service interest	11,160	-	-	-
Total Governmental Activities	10,844,707	675,078	922,040	91,199
Business -Type Activities				
Sewer operations	2,373,151	1,506,461	123,190	-
Total Business-Type Activities	2,373,151	1,506,461	123,190	-
Total Primary Government	\$ 13,217,858	\$ 2,181,539	\$ 1,045,230	\$ 91,199

General Revenues

 Taxes:

 Real estate taxes

 Real estate transfer tax

 Earned income taxes

 Local services taxes

 Business Privilege

 Street light assessment

 Grants and contributions not
 restricted to specific programs

 Investment income

 Miscellaneous revenues

 Gain on sale of capital assets

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning, restated

Net Position - Ending

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (513,102)	\$ -	\$ (513,102)
(4,094,378)	-	(4,094,378)
(1,384,955)	-	(1,384,955)
(445,879)	-	(445,879)
(2,706,916)	-	(2,706,916)
(11,160)	-	(11,160)
<u>(9,156,390)</u>	<u>-</u>	<u>(9,156,390)</u>
-	(743,500)	(743,500)
-	(743,500)	(743,500)
<u>(9,156,390)</u>	<u>(743,500)</u>	<u>(9,899,890)</u>
2,565,746	-	2,565,746
595,175	-	595,175
2,965,519	-	2,965,519
415,400	-	415,400
1,066,916	-	1,066,916
82,151	-	82,151
12,024	-	12,024
71,838	6,597	78,435
679,336	-	679,336
19,875,182	-	19,875,182
1,922,709	(1,922,709)	-
<u>30,251,996</u>	<u>(1,916,112)</u>	<u>28,335,884</u>
21,095,606	(2,659,612)	18,435,994
12,465,165	2,830,365	15,295,530
<u>\$ 33,560,771</u>	<u>\$ 170,753</u>	<u>\$ 33,731,524</u>

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

EAST NORRITON TOWNSHIP

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Park and Recreation Capital</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>						
Cash and cash equivalents	\$ 25,025,762	\$ -	\$ 3,570	\$ 927,959	\$ 1,071,126	\$ 27,028,417
Restricted cash	85,234	-	-	-	-	85,234
Taxes receivable	984,533	6,610	-	8,960	15,765	1,015,868
Other receivables	20,638	-	125,000	20,000	26,830	192,468
Due from other funds	1,367,199	-	-	90	47,266	1,414,555
Total Assets	<u>\$ 27,483,366</u>	<u>\$ 6,610</u>	<u>\$ 128,570</u>	<u>\$ 957,009</u>	<u>\$ 1,160,987</u>	<u>\$ 29,736,542</u>
<u>LIABILITIES</u>						
Accounts payable	\$ 368,478	\$ -	\$ 8,224	\$ 18,572	\$ 82,564	\$ 477,838
Accrued payroll and related liabilities	171,456	-	-	-	839	172,295
Due to other funds	31,324	-	118,039	86,486	185,620	421,469
Escrow deposits	75,098	-	-	-	-	75,098
Unearned revenue	-	-	-	9,066	-	9,066
Total Liabilities	<u>646,356</u>	<u>-</u>	<u>126,263</u>	<u>114,124</u>	<u>269,023</u>	<u>1,155,766</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Unavailable revenue - property taxes						
Total Deferred Inflows of Resources	<u>35,424</u>	<u>6,610</u>	<u>-</u>	<u>-</u>	<u>15,765</u>	<u>57,799</u>
<u>FUND BALANCES</u>						
Restricted:						
Street light	-	-	-	-	164,612	164,612
Fire	-	-	-	-	36,512	36,512
Culture and recreation	10,136	-	2,307	-	-	12,443
Highways and streets	-	-	-	-	689,009	689,009
Assigned:						
Capital	-	-	-	842,885	-	842,885
Unassigned	26,791,450	-	-	-	(13,934)	26,777,516
Total Fund Balances	<u>26,801,586</u>	<u>-</u>	<u>2,307</u>	<u>842,885</u>	<u>876,199</u>	<u>28,522,977</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 27,483,366</u>	<u>\$ 6,610</u>	<u>\$ 128,570</u>	<u>\$ 957,009</u>	<u>\$ 1,160,987</u>	<u>\$ 29,736,542</u>

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

EAST NORRITON TOWNSHIP

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

December 31, 2020

TOTAL GOVERNMENTAL FUND BALANCES		\$ 28,522,977
Capital assets used in governmental activities are not financial resources and, therefore, are reported in the funds.		
Cost of capital assets	21,630,441	
Accumulated depreciation	<u>(11,157,695)</u>	10,472,746
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.		
Property tax receivables	57,799	
Earned income taxes receivable	181,585	
Pension asset	<u>181,538</u>	420,922
Deferred inflows and outflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred OPEB	(89,573)	
Deferred Pension	<u>(21,366)</u>	(110,939)
Long term liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the funds. Those liabilities consist of the following:		
Accrued interest on bonds	-	
Capital lease	(279,704)	
Bonds and notes payable	-	
Net OPEB liability	(2,108,453)	
Net pension liability	(3,219,134)	
Compensated absences	<u>(137,644)</u>	<u>(5,744,935)</u>
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 33,560,771</u>

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

EAST NORRITON TOWNSHIP

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

For the Year Ended December 31, 2020

Revenues	General	Debt Service	Park and Recreation Capital	Capital Projects	Other Governmental Funds	Total Governmental Funds
Taxes:						
Property	\$ 1,377,097	\$ 248,017	\$ -	\$ 336,191	\$ 591,573	\$ 2,552,878
Real estate transfer	595,175	-	-	-	-	595,175
Earned income	2,929,647	-	-	-	-	2,929,647
Local service	415,400	-	-	-	-	415,400
Business privilege	1,066,916	-	-	-	-	1,066,916
Street light assessment	-	-	-	-	82,151	82,151
Fees, licenses and permits	863,651	-	-	-	-	863,651
Fines and forfeitures	43,018	-	-	-	-	43,018
Investment income	58,985	-	41	6,028	6,784	71,838
Intergovernmental revenues	402,293	-	-	89,158	531,771	1,023,222
Charges for services	30,130	-	-	-	68,759	98,889
Other	344,775	-	2,041	-	4,081	350,897
Total Revenues	8,127,087	248,017	2,082	431,377	1,285,119	10,093,682
Expenditures						
Current:						
General government	1,080,752	-	-	146,103	-	1,226,855
Public safety	4,121,330	-	-	52,114	375,789	4,549,233
Highways and streets	445,294	-	-	478,068	793,898	1,717,260
Sanitation	1,129,219	-	-	-	-	1,129,219
Culture and recreation	7,000	-	23,631	49,848	412,309	492,788
Payroll taxes and employee benefits	4,522,635	-	-	-	-	4,522,635
Insurance	119,847	-	-	-	-	119,847
Miscellaneous	15,903	-	-	145	-	16,048
Debt service:						
Principal	-	335,000	-	27,320	135,559	497,879
Interest	-	11,055	-	-	12,440	23,495
Capital outlay	-	-	-	-	-	-
Total Expenditures	11,441,980	346,055	23,631	753,598	1,729,995	14,295,259
Excess (Deficiency) of Revenues Over Expenditures	(3,314,893)	(98,038)	(21,549)	(322,221)	(444,876)	(4,201,577)
Other Financing Sources (Uses)						
Proceeds from sale of capital assets	21,000,000	-	-	4,401	-	21,004,401
Debt proceeds	-	-	-	-	197,095	197,095
Transfers in	1,834,395	98,038	-	-	25,000	1,957,433
Transfers out	(25,000)	-	-	-	(9,724)	(34,724)
Total Other Financing Sources (Uses)	22,809,395	98,038	-	4,401	212,371	23,124,205
Net Change in Fund Balance	19,494,502	-	(21,549)	(317,820)	(232,505)	18,922,628
Fund Balance - Beginning	7,307,084	-	23,856	1,160,705	1,108,704	9,600,349
Fund Balance - Ending	\$ 26,801,586	\$ -	\$ 2,307	\$ 842,885	\$ 876,199	\$ 28,522,977

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

EAST NORRITON TOWNSHIP

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

For the Year Ended December 31, 2020

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ 18,922,628
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay	531,499	
Depreciation expense	<u>(520,391)</u>	11,108
The effect of sales of capital assets is to decrease net assets		1,129,219
<p>Because some taxes and other receivables will not be collected for several months after the Township's year end, they are not considered as "available" revenues in the governmental funds, but are considered revenues in the statement of activities. These taxes and other receivables are net of corresponding amounts due as of the end of the prior year.</p>		
		48,740
Net sewer assets sold		(1,129,219)
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Debt issuance	(197,095)	
Repayment of debt	501,001	
Interest expense	<u>9,213</u>	313,119
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Net OPEB liability and deferred items	(85,225)	
Net pension liability and deferred items	1,949,573	
Compensated absences	<u>(64,337)</u>	<u>1,800,011</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 21,095,606</u>

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

EAST NORRITON TOWNSHIP

GENERAL FUND

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

For the Year Ended December 31, 2020

	GENERAL FUND			
	Budgeted Amounts		ACTUAL	Variance with Final Budget
	Original	Final		
Revenues				
Taxes				
Property	\$ 1,630,000	\$ 1,630,000	\$ 1,377,097	\$ (252,903)
Real estate transfer	400,000	400,000	595,175	195,175
Earned income	2,775,000	2,775,000	2,929,647	154,647
Business privilege	440,000	440,000	415,400	(24,600)
Local service	1,250,000	1,250,000	1,066,916	(183,084)
Fees, licenses and permits	757,850	757,850	863,651	105,801
Fines and forfeitures	58,000	58,000	43,018	(14,982)
Investment income	60,850	60,850	58,985	(1,865)
Intergovernmental revenues	444,678	444,678	402,293	(42,385)
Charges for services	36,500	36,500	30,130	(6,370)
Other	226,943	226,943	344,775	117,832
Total Revenues	<u>8,079,821</u>	<u>8,079,821</u>	<u>8,127,087</u>	<u>47,266</u>
Expenditures				
Current:				
General government	1,281,112	1,281,112	1,080,752	200,360
Public safety	3,922,246	3,922,246	4,121,330	(199,084)
Highways and streets	509,786	509,786	445,294	64,492
Sanitation	-	-	1,129,219	(1,129,219)
Culture and recreation	8,500	8,500	7,000	1,500
Payroll taxes and employee benefits	3,242,657	3,242,657	4,522,635	(1,279,978)
Insurance	113,865	113,865	119,847	(5,982)
Debt service	104,647	104,647	-	104,647
Miscellaneous	124,389	124,389	15,903	108,486
Total Expenditures	<u>9,307,202</u>	<u>9,307,202</u>	<u>11,441,980</u>	<u>(2,134,778)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,227,381)</u>	<u>(1,227,381)</u>	<u>(3,314,893)</u>	<u>(2,087,512)</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	21,000,000	21,000,000
Transfers in	695,725	695,725	1,834,395	1,138,670
Transfers out	-	-	(25,000)	(25,000)
Total Other Financing Sources (Uses)	<u>695,725</u>	<u>695,725</u>	<u>22,809,395</u>	<u>22,113,670</u>
Net Change in Fund Balance	(531,656)	(531,656)	19,494,502	20,026,158
Fund Balance - Beginning	<u>531,656</u>	<u>531,656</u>	<u>7,307,084</u>	
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,801,586</u>	

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

EAST NORRITON TOWNSHIP
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

December 31, 2020

	Business-type Activities Sewer Fund
<u>ASSETS</u>	
Current Assets	
Cash and cash equivalents	\$ 1,084,304
Sewer rents receivable	81,774
Total Current Assets	1,166,078
Net pension asset	11,178
Total Assets	\$ 1,177,256
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows - pension	\$ 10,928
 <u>LIABILITIES</u>	
Current Liabilities	
Accounts payable	\$ 13,721
Accrued payroll	52
Due to other funds	993,086
Total Current Liabilities	1,006,859
Total Liabilities	1,006,859
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred inflows - pension	10,572
 <u>NET POSITION</u>	
Unrestricted	170,753
Total Net Position	170,753
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,188,184

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

EAST NORRITON TOWNSHIP

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

For the Year Ended December 31, 2020

	<u>Business-type Activities Sewer Fund</u>
Operating Revenues	
Charges for services	\$ 1,506,461
Total Operating Revenues	<u>1,506,461</u>
Operating Expenses	
Administration	558,586
Contracted services	1,384,665
Salaries and benefits	96,767
Repairs and maintenance	215,446
Supplies	1,485
Utilities	58,077
Depreciation	<u>58,125</u>
Total Operating Expenses	<u>2,373,151</u>
Operating Income (Loss)	<u>(866,690)</u>
Nonoperating Revenues (Expense)	
Investment income	6,597
Connection fees	2,214
Settlements	120,976
Gain on sale of assets	<u>-</u>
Total Nonoperating Revenues (Expense)	<u>129,787</u>
Income (Loss) before Transfers	(736,903)
Transfers in	-
Transfers out	<u>(1,922,709)</u>
Net transfers	<u>(1,922,709)</u>
Changes in Net Position	(2,659,612)
Total Net Position - Beginning	<u>2,830,365</u>
Total Net Position - Ending	<u>\$ 170,753</u>

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

EAST NORRITON TOWNSHIP

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For the Year Ended December 31, 2020

	<u>Business-type Activities Sewer Fund</u>
Cash flows from operating activities	
Cash received from customers	\$ 2,312,303
Cash paid to employees	(560,597)
Cash paid to suppliers	<u>(951,202)</u>
Net cash provided by (used in) operating activities	<u>800,504</u>
Cash flows from non-capital financing activities	
Connections fees	2,214
Settlements	120,976
Transfers to other funds	<u>(728,675)</u>
Net cash provided by (used in) financing activities	<u>(605,485)</u>
Cash flows from investing activities	
Earnings on investments	<u>6,597</u>
Net cash provided by (used in) investing activities	<u>6,597</u>
Net increase (decrease) in cash and cash equivalents	201,616
Beginning cash and cash equivalents	<u>882,688</u>
Ending cash and cash equivalents	<u>\$ 1,084,304</u>
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Net operating income (loss)	<u>\$ (866,690)</u>
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities	
Depreciation	58,125
Changes in assets and liabilities	
(Increase) decrease in receivables	805,842
(Increase) decrease in due from other funds	(2,011)
Increase (decrease) in accounts payables	(68,924)
Increase (decrease) in due to other funds	973,600
Increase (decrease) in pension liability and deferred items	<u>(99,438)</u>
Net adjustments	<u>1,667,194</u>
Cash provided by (used in) operating activities	<u>\$ 800,504</u>

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

EAST NORRITON TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

December 31, 2020

	<u>Pension</u> <u>Trust Funds</u>	<u>Health</u> <u>Benefits Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,017,569	\$ 469,183	\$ 2,486,752
Investments, at fair value:			
Mutual Funds - Equity	18,748,681	-	18,748,681
Mutual Funds - Fixed Income	3,029,496	-	3,029,496
Mutual Funds - Real Estate	628,189	-	628,189
Total Investments	<u>22,406,366</u>	<u>-</u>	<u>22,406,366</u>
Receivable	<u>156,416</u>	<u>-</u>	<u>156,416</u>
Total Assets	<u>\$ 24,580,351</u>	<u>\$ 469,183</u>	<u>\$ 25,049,534</u>
 <u>LIABILITIES</u>			
Accounts payable	<u>\$ 71,200</u>	<u>\$ 4,524</u>	<u>\$ 75,724</u>
Total Liabilities	<u>\$ 71,200</u>	<u>\$ 4,524</u>	<u>\$ 75,724</u>
 <u>NET POSITION</u>			
Net Position - Restricted for:			
Pension benefits	\$ 24,509,151	\$ -	\$ 24,509,151
Post-employment benefits	<u>-</u>	<u>464,659</u>	<u>464,659</u>
Total Net Position	<u>\$ 24,509,151</u>	<u>\$ 464,659</u>	<u>\$ 24,973,810</u>

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

EAST NORRITON TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the Year Ended December 31, 2020

	<u>Pension</u> <u>Trust Funds</u>	<u>Health</u> <u>Benefits Fund</u>	<u>Total</u>
Additions			
Contributions			
Employee contributions	\$ 251,346	\$ -	\$ 251,346
Employer contributions	2,362,777	-	2,362,777
State aid	379,135	-	379,135
Total Contributions	<u>2,993,258</u>	<u>-</u>	<u>2,993,258</u>
Investment Income			
Net appreciation (depreciation) in fair value of investments	1,318,985	-	1,318,985
Interest and dividend income	904,092	3,003	907,095
Total investment earnings	<u>2,223,077</u>	<u>3,003</u>	<u>2,226,080</u>
Less investment expense	<u>(35,899)</u>	<u>-</u>	<u>(35,899)</u>
Net Investment Income	<u>2,187,178</u>	<u>3,003</u>	<u>2,190,181</u>
Total Additions	<u>5,180,436</u>	<u>3,003</u>	<u>5,183,439</u>
Deductions			
Benefits	1,954,186	-	1,954,186
Administrative expenses	29,616	69,589	99,205
Total Deductions	<u>1,983,802</u>	<u>69,589</u>	<u>2,053,391</u>
Change in Net Position	3,196,634	(66,586)	3,130,048
Net Position - Fiduciary:			
Beginning of Year	<u>21,312,517</u>	<u>531,245</u>	<u>21,843,762</u>
End of Year	<u>\$ 24,509,151</u>	<u>\$ 464,659</u>	<u>\$ 24,973,810</u>

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

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

I. Summary of significant accounting policies

A. *Reporting entity*

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

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

B. *Basis of presentation*

Entity-wide Financial Statements

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

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

The entity-wide statement of activities presents a comparison between expenses and program revenues for each different identifiable activity of the business-type activities of the Township and for each governmental program. Expenses are those that are specifically associated with a service or program and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the Township.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

I. Summary of significant accounting policies (Continued)

B. Basis of presentation (continued)

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

Fund Financial Statements

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

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

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

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

The Township reports the following major proprietary funds. These funds are used to account for operations that are organized to be self-supporting through user charges.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

I. Summary of significant accounting policies (Continued)

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

The *Sewer Fund* is used to account for operations related to the collection of wastewater and the operation of sewage pumping stations. The sewage is transported to a sewer treatment plant jointly owned by East Norriton Township, Plymouth Township, and Whitpain Township.

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

Pension Trust Funds - These funds are used to account for resources required to be held in trust for the members and beneficiaries of the Township's defined benefit pension plans - the Police Pension Fund and Non-Uniformed Pension Fund.

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

Governmental Funds

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

Revenue Recognition

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

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

I. Summary of significant accounting policies (Continued)

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

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

Expenditure Recognition

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

Proprietary Funds

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

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

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

I. Summary of significant accounting policies (Continued)

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

Fiduciary Funds

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

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

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

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

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

I. Summary of significant accounting policies (Continued)

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

1. Deposits and investments (continued)

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

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

2. Receivables and payables

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

At December 31, 2020, all trade receivables were deemed to be fully collectible. The property tax receivable allowance is immaterial and therefore is not included in outstanding property taxes at December 31, 2020.

Property taxes are levied as of March 1 on property values assessed as of the same date. Taxes are billed March 1 and payable under the following terms: a 2% discount March 1 through April 30; face amount May 1 through July 1; and a 10% penalty after July 1. Any unpaid taxes are attached as an enforceable lien on such property as of January 15 of the following year. The Township employs an elected tax collector to collect the property tax levied. Property taxes collected within sixty days subsequent to December 31, 2020 are recognized as revenue for the year ending December 31, 2020.

3. Use of estimates

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

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

I. Summary of significant accounting policies (Continued)

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

4. Capital assets

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

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

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

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

Infrastructure

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

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

I. Summary of significant accounting policies (Continued)

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

5. Compensated absences

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

Non-uniformed Township employees accrue up to ten days sick leave per year for a maximum of thirty days. Police Township employees are entitled to unlimited sick leave.

6. Long-term obligations

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

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

7. Deferred outflows/inflows of resources

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

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

I. Summary of significant accounting policies (Continued)

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

7. Deferred outflows/inflows of resources (continued)

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

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

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

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

I. Summary of significant accounting policies (Continued)

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

8. Net position

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

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net investment in capital assets			
Capital assets not being depreciated	\$ 1,479,105	\$ -	\$ 1,479,105
Capital assets being depreciated, net of accumulated depreciation	8,993,641	-	8,993,641
Less: long-term debt outstanding	<u>(279,704)</u>	<u>-</u>	<u>(279,704)</u>
	<u>\$ 10,193,042</u>	<u>\$ -</u>	<u>\$ 10,193,042</u>

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

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

9. Fund balance

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

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

I. Summary of significant accounting policies (Continued)

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

9. *Fund balance (continued)*

Fund balance for governmental funds consists of the following:

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

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

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

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

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

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

I. Summary of significant accounting policies (Continued)

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

9. Fund balance (continued)

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

10. Subsequent events

The Township has evaluated events and transactions for potential recognition or disclosure in the financial statements through the date of this report, which is the date the statements were available for release. No items were identified which required adjustment to or disclosure in the financial statements.

II. Stewardship, compliance, and accountability

A. Budgetary information

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

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

The Township makes available to the public its proposed operating budget for all funds. The operating budget includes proposed expenditures and the means of financing them. The Board holds public hearings and a final budget must be prepared and adopted no later than December 31 through the passage of an ordinance. Any budget revisions require the approval of the Board of Supervisors. The Board authorized the use of unallocated fund balance in 2020. Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders) outstanding at year end lapse.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

II. Stewardship, compliance, and accountability (Continued)

A. *Budgetary information (continued)*

Excess of Expenditures Over Appropriations - For the year ended December 31, 2020, expenditures over appropriations for the General Fund were as follows: Public Safety \$199,084, Sanitation \$1,129,219, Payroll taxes and Employee benefits \$1,279,978, and Insurance expenses \$5,982. The over expenditures were covered through revenues in excess of budget.

Deficit Fund Balance - The Park and Recreation fund had a deficit fund balance of \$13,934 at December 31, 2020. The deficit is expected to be eliminated in 2021 by a transfer from the general fund.

III. Detailed notes on all funds

A. *Taxes*

For 2020, 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, 2020 was \$955,157,333.

Other taxes levied in 2020:

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

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

III. Detailed notes on all funds (Continued)

B. Deposits and investments

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

As of year-end, the carrying amount of deposits for the governmental and business-type activities was \$28,197,955 and the bank balance was \$28,194,371. Of the bank balance, \$148,408 was covered by federal depository insurance. The remaining amount is not subject to credit risk b/c in investment pool. Any balances exceeding depository insurance are exposed to custodial credit risk because it is uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the government's name.

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

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

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

III. Detailed notes on all funds (Continued)

B. Deposits and investments (continued)

At year-end balances were as follows:

	<u>Amount</u>	<u>Average Rating</u>	<u>Average Maturity</u>
GOVERNMENTAL ACTIVITIES			
Externally Pooled Investments (PLGIT)	\$ 27,887,110	AAAm	30 days
Total Governmental Activities	<u>\$ 27,887,110</u>		
FIDUCIARY FUNDS			
Externally Pooled Investments (PLGIT)	\$ 478,284	AAAm	30 days
Mutual Funds - Equity	18,748,681	not applicable	not applicable
Mutual Funds - Fixed Income	3,029,496	not applicable	not applicable
Mutual Funds - Real Estate	628,189	not applicable	not applicable
Total Fiduciary Funds	<u>\$ 22,884,650</u>		

Interest Rate Risk. This is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Township's policy regarding its fixed income investments generally limits the maximum maturity of a security to ten years. As of December 31, 2020, the Township did not have any investments maturing beyond the ten year period. See above maturities.

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

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

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

III. Detailed notes on all funds (Continued)

B. Deposits and investments (continued)

Fair Value Measurements: The Township categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Township has the following recurring fair value measurements as of December 31, 2020:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
GOVERNMENTAL ACTIVITIES			
Externally Pooled Investments (PLGIT)	\$ 27,887,110	\$ -	\$ 27,887,110
Total Governmental Activities	<u>\$ 27,887,110</u>	<u>\$ -</u>	<u>\$ 27,887,110</u>
FIDUCIARY FUNDS			
Externally Pooled Investments (PLGIT)	\$ 478,284	\$ -	\$ 478,284
Mutual Funds - Equity	18,748,681	18,748,681	-
Mutual Funds - Fixed Income	3,029,496	3,029,496	-
Mutual Funds - Real Estate	628,189	628,189	-
Total Fiduciary Funds	<u>\$ 22,884,650</u>	<u>\$ 22,406,366</u>	<u>\$ 478,284</u>

C. Receivables and due from other governments

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

	<u>General</u>	<u>Park & Rec Capital</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Sewer</u>	<u>Pension Trust Fund</u>	<u>Total</u>
Receivables:							
Taxes receivable	\$ 984,533	\$ -	\$ 8,960	\$ 15,765	\$ -	\$ -	\$ 1,009,258
Other receivable	20,638	125,000	20,000	26,830	-	-	192,468
Accounts receivable	-	-	-	-	81,774	-	81,774
Contributions receivable	-	-	-	-	-	156,416	156,416
Interest receivable	-	-	-	-	-	-	-
Total Receivables	<u>\$ 1,005,171</u>	<u>\$ 125,000</u>	<u>\$ 28,960</u>	<u>\$ 42,595</u>	<u>\$ 81,774</u>	<u>\$ 156,416</u>	<u>\$ 1,439,916</u>

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

III. Detailed notes on all funds (Continued)

D. Capital assets

Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,479,105	\$ -	\$ -	\$ -	\$ 1,479,105
Infrastructure	5,090,699	-	-	-	5,090,699
Total capital assets, not being depreciated	<u>6,569,804</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,569,804</u>
Capital assets, being depreciated:					
Site improvements	5,353,673	184,844	-	-	5,538,517
Building and improvements	2,547,235	104,645	-	52,106	2,703,986
Machinery and equipment	3,223,170	197,095	-	119,321	3,539,586
Vehicles	3,161,867	44,915	-	71,766	3,278,548
Total capital assets being depreciated	<u>14,285,945</u>	<u>531,499</u>	<u>-</u>	<u>243,193</u>	<u>15,060,637</u>
Less accumulated depreciation for:					
Site improvements	3,397,562	157,251	-	-	3,554,813
Building and improvements	2,286,502	68,561	-	52,106	2,407,169
Machinery and equipment	2,623,718	102,854	-	119,321	2,845,893
Vehicles	2,086,329	191,725	-	71,766	2,349,820
Total accumulated depreciation	<u>10,394,111</u>	<u>520,391</u>	<u>-</u>	<u>243,193</u>	<u>11,157,695</u>
Total capital assets, being depreciated, net	<u>3,891,834</u>	<u>11,108</u>	<u>-</u>	<u>-</u>	<u>3,902,942</u>
Governmental activities capital assets, net	<u>\$ 10,461,638</u>	<u>\$ 11,108</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,472,746</u>

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

III. Detailed notes on all funds (Continued)

D. Capital assets (continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, being depreciated:					
Building and building improvements	\$ 2,402,339	\$ -	\$ (2,350,233)	\$ (52,106)	\$ -
Sewer systems	5,108,125	-	(5,108,125)	-	-
Fixtures and equipment	990,987	-	(799,900)	(191,087)	-
Vehicles	59,105	-	(59,105)	-	-
Total capital assets being depreciated	<u>8,560,556</u>	<u>-</u>	<u>(8,317,363)</u>	<u>(243,193)</u>	<u>-</u>
Less accumulated depreciation:	<u>7,310,406</u>	<u>58,125</u>	<u>(7,125,338)</u>	<u>(243,193)</u>	<u>-</u>
Total capital assets, being depreciated, net	<u>1,250,150</u>	<u>(58,125)</u>	<u>(1,192,025)</u>	<u>-</u>	<u>-</u>
Business-type activities capital assets, net	<u>\$ 1,250,150</u>	<u>\$ (58,125)</u>	<u>\$ (1,192,025)</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 102,598
Public safety	33,750
Highway and streets	380,227
Culture and recreation	<u>3,816</u>
	<u>\$ 520,391</u>
Total depreciation expense-governmental activities	
Business-type activities:	
Sewer	<u>\$ 58,125</u>
Total depreciation expense-business-type activities	<u>\$ 58,125</u>

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

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

III. Detailed notes on all funds (Continued)

E. Interfund receivables, payables, and transfers

The composition of interfund balances as of December 31, 2020 are as follows:

	<u>Due From</u> <u>Other Funds</u>	<u>Due To</u> <u>Other Funds</u>
General fund	\$ 1,367,199	\$ 31,324
Capital projects	90	86,486
Park & Rec capital	-	118,039
Other governmental funds	47,266	185,620
Sewer	-	993,086
Total	<u>\$ 1,414,555</u>	<u>\$ 1,414,555</u>

Interfund balances are primarily a result of:

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

Interfund transfers:

	<u>Transfer in</u>	<u>Transfer out</u>
General fund	\$ 1,834,395	\$ 25,000
Debt service	98,038	-
Other governmental funds	25,000	9,724
Sewer	-	1,922,709
Total	<u>\$ 1,957,433</u>	<u>\$ 1,957,433</u>

Interfund transfers are primarily a result of:

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

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

III. Detailed notes on all funds (Continued)

F. Leases

Capital Leases

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

Equipment and vehicles acquired through capital leases	\$ 937,749
Less: accumulated depreciation	<u>(394,092)</u>
Total	<u>\$ 543,657</u>

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

<u>Year Ending</u> <u>December 31,</u>	
2021	\$ 147,999
2022	36,428
2023	34,616
2024	34,616
2025	34,616
2026	<u>11,689</u>
Total minimum lease payments	299,964
Less: amount representing interest	<u>(20,260)</u>
Net present value of minimum lease payments	<u>\$ 279,704</u>

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

III. Detailed notes on all funds (Continued)

G. Long-term debt

General Obligation Bonds and Notes

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

Amounts outstanding at December 31, 2020 are as follows:

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

Long-term liability activity for the year ended December 31, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 335,000	\$ -	\$ (335,000)	\$ -	\$ -
Bond Premium	3,121	-	(3,121)	-	-
Notes payable	<u>27,320</u>	<u>-</u>	<u>(27,320)</u>	<u>-</u>	<u>-</u>
Subtotal	365,441	-	(365,441)	-	-
Capital leases	218,169	197,095	(135,560)	279,704	139,102
Compensated absences	73,307	64,337	-	137,644	-
Net pension liability	5,522,209	2,597,494	(4,900,569)	3,219,134	-
Net OPEB liability	<u>2,195,938</u>	<u>152,337</u>	<u>(239,822)</u>	<u>2,108,453</u>	<u>-</u>
Governmental activity					
Long-Term Liabilities	<u>\$ 8,375,064</u>	<u>\$ 3,011,263</u>	<u>\$ (5,641,392)</u>	<u>\$ 5,744,935</u>	<u>\$ 139,102</u>
Business-type activities:					
Net pension liability	<u>\$ 96,105</u>	<u>\$ 11,018</u>	<u>\$ (107,123)</u>	<u>\$ -</u>	<u>\$ -</u>
Business-type activity					
Long-Term Liabilities	<u>\$ 96,105</u>	<u>\$ 11,018</u>	<u>\$ (107,123)</u>	<u>\$ -</u>	<u>\$ -</u>

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

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

IV. Other information

A. Risk management

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

The Delaware Valley Property & Liability Trust is a public entity risk pool operated for the benefit of the member entities. Trust underwriting and rate-setting policies are established after consultation with independent insurance consultants. Any member may withdraw from the Trust by giving 150 days written notice to the Executive Committee. The insurance expense for the year ended December 31, 2020 was \$119,847. The pooling agreement permits the pool to make additional assessments to its members. At December 31, 2020, there were no additional assessments due or anticipated; instead, the pool declared a dividend of which the Township's share was \$26,425.

The Delaware Valley Workers' Compensation Trust is a public entity risk pool operated for the benefit of approximately 95 member entities. Trust underwriting and rate-setting policies are established after consultation with independent insurance consultants. Any member may withdraw from the Trust by giving 150 days written notice to the Executive Committee. The insurance expense for the year ended December 31, 2020 was \$149,529. The Township also received \$15,586 as a result from a payroll audit of the 2019 coverage year. There were no additional assessments due or anticipated. An audit of the 2020 payroll will be performed in 2021. For the year ended December 31, 2020, the pool declared a dividend of which the Township's share was \$22,344.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

IV. Other information (Continued)

A. Risk management (continued)

The Delaware Valley Health Trust is a public entity risk pool operated for the benefit of approximately 33 municipalities. Trust underwriting and rate-setting policies are established after consultation with independent insurance consultants. Any member may withdraw from the Trust by giving 150 days written notice to the Executive Committee. The insurance expense for the year ended December 31, 2020 was \$1,223,813. There were no additional assessments due or anticipated. At December 31, 2020, the pool did not declare a dividend.

B. Contingent liabilities and Uncertainties

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

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

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

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

IV. Other information (Continued)

C. *Employee retirement systems and pension plans*

Plan Description and Membership

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

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

Non-Uniformed Defined Benefit Pension Plan - The plan is a contributory, single employer defined benefit plan that covers all full-time permanent, non-uniformed employees of the Township who join the Plan upon employment. This plan was frozen as of December 31, 2020 and all new non-uniformed employees hired after that date will enter into a defined contribution plan.

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

At December 31, 2020, Defined Benefit Pension Plans consisted of the following:

	<u>Police</u>	Non- <u>Uniformed</u>
Inactive employees (or their beneficiaries) currently receiving benefits (1)	25	31
Inactive employees entitled to benefits but not yet receiving them	2	8
Active employees	<u>26</u>	<u>24</u>
	<u>53</u>	<u>63</u>

(1) Includes DROP - 1 Police and 1 Non-Uniformed

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

IV. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

Benefits Provided

Police Pension Defined Benefit Pension Plan: The plan provides retirement, death, and disability to the plan members and their beneficiaries. Members who retire at or after age 50 with 25 years of continuous service are eligible for normal retirement and are entitled to 50 percent of the average total monthly compensation during the last 36 months of employment. If a member continues to work after the normal retirement date, the pension benefit does not start until the employee actually retires. The monthly postponed retirement pension benefits is the same as the normal benefit amount. All benefits are vested after twelve years of continued service. If a participant is totally and permanently disabled in the line of duty he is eligible for disability pension. The disability pension is equal to 50% of the member's monthly salary at the time of disability and shall be reduced by any benefits payable under the federal social security laws. If a disabled participant dies before he has received disability benefits in an amount equal to the total contributions made by him to the pension fund, then the unpaid balance shall be paid in a lump sum to his designated beneficiary. Benefit provisions are established and amended by Pennsylvania law. Administrative costs of the Plan are financed through investment earnings.

Effective January 1, 2020, a member is eligible for early retirement after completion of 20 years of vesting service. The monthly early retirement is equal to the actuarial equivalent of the benefit accrued at the early retirement date.

A Deferred Retirement Option Plan ("DROP") is available to the Township's police officers who have fulfilled the age and service requirements of the Police Pension Plan as described in the above paragraph. Under the DROP program a participant may elect to defer receipt of normal retirement benefits while continuing employment with the Township for a period of not less than one year nor more than three years. The monthly pension shall be calculated as of the date of participation in the program and shall be accumulated with 4.5 percent annual interest and distributed in a lump sum at retirement. At December 31, 2020, the pension plan had total DROP account balances of \$54,569 and no accumulated DROP payments payable.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

IV. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

Non-Uniformed Defined Benefit Pension Plan: The plan provides retirement, death, and disability benefits to plan members and their beneficiaries. A member is eligible for normal retirement at or after attainment of age 58 with 10 years of continuous service and entitled to 1.0 percent of average monthly compensation up to \$750, plus 1.5 percent of average monthly compensation in excess of \$750, multiplied by the number of years and months of benefit service completed. If a member continues to work after the normal retirement date, the pension benefit does not start until the employee actually retires. The monthly postponed retirement pension benefit is the same as the normal retirement benefit amount. Members are eligible for early retirement at age 55 with 10 years of service. The monthly early retirement pension benefit is equal to the actuarial equivalent of the accrued benefit amount multiplied by the percentage specified in the plan. An active member is eligible for a disability benefit if the member is totally and permanently disabled in accordance with the Federal Social Security Act. The disability retirement benefit is equal to the accrued retirement benefit amount and shall commence at the normal retirement date. If a member dies prior to retirement, the member's designated beneficiary will receive a monthly pension equal to 50 percent of the member's accrued pension at the time of his death, payable immediately. Benefits and Contribution provisions are established by Pennsylvania law. All benefits are vested after ten years of continued service. Benefit provisions are established and amended by Pennsylvania law. Administrative costs of the Plan are financed through investment earnings.

A Deferred Retirement Option Plan ("DROP") is available to active members hired before August 1, 2014, who have fulfilled the age and service requirements for normal retirement 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. 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, 2020, the pension plan had total DROP account balances of \$28,442 and no accumulated DROP payments payable.

Effective January 1, 2021, the Township will transition from a defined benefit plan to a defined contribution for all non-uniformed employees hired after that date. This will be a trust managed plan with the Township responsible for contributing 3% of eligible employees wages into the plan. Employees continue to have the option to defer wages through the Township 457b deferred compensation plan.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

IV. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

Measurement Focus and Basis of Accounting

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

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

Contributions

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

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

The Township's annual required contribution is equal to its minimum municipal obligation ("MMO") as calculated in accordance with Pennsylvania law (Act 205 of 1984) less state aid and employee contributions deposited in the pension fund during the year. State law requires that state aid be used first to fund the plan, then employee contributions and finally general Township funds. The Township received state aid, which is recognized as revenue and expenses, in the amount of \$379,135 for the pensions for the year ended December 31, 2020.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

IV. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

Investments

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

Rate of Return: For the year ended December 31, 2020, the annual money-weighted rate of return on Plan investments, net of investment expense was 10.7% for the Police Plan and 11.0% for the Non-Uniformed Plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The components of the net pension liability of participating entities at December 31, 2020 were as follows:

	<u>Police</u>	<u>Non-Uniformed</u>
Total pension liability	\$ 19,601,274	\$ 8,011,322
Plan fiduciary net position	(16,382,140)	(8,204,038)
Net Pension Liability	<u>\$ 3,219,134</u>	<u>\$ (192,716)</u>
Plan fiduciary net position as a percentage of the total pension liability	83.6%	102.4%

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

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

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

IV. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

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

Effective January 1, 2020, a police member is eligible for early retirement after completion of 20 years of vesting service. The monthly early retirement is equal to the actuarial equivalent of the benefit accrued at the early retirement date.

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

The net pension liability for Police was measured as of December 31, 2020 and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2019. In 2019, the mortality rates were based on the PubG-2010 mortality table, including rates for disabled retirees and contingent survivor. Incorporated into the table are rates projected generationally using MP-2018 to reflect mortality improvements.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2019 as summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	42.0%	5.5%-7.5%
International Equity	15.0%	4.5%-6.5%
Fixed Income	40.0%	1.0%-3.0%
Real Estate	3.0%	4.5%-6.5%
Cash	0.0%	0.00%

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

IV. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.5% for both the Non-Uniformed and Police Pension Plans. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of active and inactive Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer's funding policy requires the full funding of the entry age normal cost plus plan expenses, as well as an amortization of the unfunded liability. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<u>Police Pension Plan</u>			
Balance at December 31, 2019	\$ 19,219,301	\$ 15,317,142	\$ 3,902,159
Changes for the year:			
Service cost	405,439	-	405,439
Interest	1,402,735	-	1,402,735
Change of benefit terms	57,420	-	57,420
Differences between expected and actual experience	-	-	-
Change of assumptions	-	-	-
Contributions - employer	-	851,172	(851,172)
Contributions - employee	-	149,277	(149,277)
Net investment income	-	1,548,170	(1,548,170)
Benefit payments, including refunds of employee contributions	(1,483,621)	(1,483,621)	-
Administrative expense	-	-	-
Other changes	-	-	-
Net Changes	381,973	1,064,998	(683,025)
Balance at December 31, 2020	\$ 19,601,274	\$ 16,382,140	\$ 3,219,134

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

IV. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<u>Non-Uniformed Pension Plan</u>			
Balance at December 31, 2019	\$ 7,752,028	\$ 6,035,873	\$ 1,716,155
Changes for the year:			
Service cost	157,083	-	157,083
Interest	574,817	-	574,817
Change of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Change of assumptions	-	-	-
Contributions - employer	-	1,897,737	(1,897,737)
Contributions - employee	-	102,068	(102,068)
Net investment income	-	640,966	(640,966)
Benefit payments, including refunds of employee contributions	(472,606)	(472,606)	-
Administrative expense	-	-	-
Other changes	-	-	-
Net Changes	<u>259,294</u>	<u>2,168,165</u>	<u>(1,908,871)</u>
Balance at December 31, 2020	<u>\$ 8,011,322</u>	<u>\$ 8,204,038</u>	<u>\$ (192,716)</u>

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability			
Police	\$ 5,593,528	\$ 3,219,134	\$ 1,144,262
Non-Uniformed	677,920	(192,716)	(927,245)

Deferred Outflows and Inflows of Resources: For the year ended December 31, 2020, the Township recognized pension expense of \$570,723 for Police Pension and \$129,175 for Non-Uniformed Pension. At December 31, 2020, the Township reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

IV. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Police Pension</u>		
Differences between expected and actual experience	\$ 137,179	\$ 128,878
Change in assumptions	413,383	-
Net difference between projected and actual earnings on pension plan investments	-	448,826
Total	<u>\$ 550,562</u>	<u>\$ 577,704</u>
 <u>Non-Uniformed Pension</u>		
Differences between expected and actual experience	\$ -	\$ 35,987
Change in assumptions	188,410	-
Net difference between projected and actual earnings on pension plan investments	-	146,291
Total	<u>\$ 188,410</u>	<u>\$ 182,278</u>

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

Year Ended		
December 31:	<u>Police</u>	<u>Non-Uniformed</u>
2021	\$ 13,040	\$ 50,011
2022	177,863	70,468
2023	(198,920)	(88,145)
2024	(51,312)	(26,202)
2025	32,187	-
Thereafter	-	-
Total	<u>\$ (27,142)</u>	<u>\$ 6,132</u>

Payable to the Defined Benefit Pension Plans: For the year ended December 31, 2020 there were no amounts payable for contributions to the pension plans.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

IV. Other information (Continued)

D. Post-retirement benefits

The Township administers a single-employer defined benefit plan to provide for certain postretirement healthcare benefits (OPEB) to eligible retired police officers. The Plan was established and is governed through Board Resolution and Police Labor Contract, to provide post-retirement medical and dental benefits to uniformed and employees. The plan is funded on a pay-as-you-go basis and there is no irrevocable trust established for the plan. The most recent valuation was as of January 1, 2020.

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

Membership of the plan consisted of the following at December 31, 2020:

	<u>OPEB</u>
Inactive employees (or their beneficiaries)	
currently receiving benefits	5
Inactive employees entitled to benefits	
but not yet receiving them	0
Active employees	<u>28</u>
	<u>33</u>

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

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

Insurance for Retirees and Spouse - For retired officers electing coverage prior to January 1, 2020, 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.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

IV. Other information (Continued)

D. Post-retirement benefits (continued)

Effective January 1, 2020, the Township agrees to pay 60% of the cost of premium for scheduled health insurance coverage of the Township's choice (medical, dental, prescription and vision) for a retiree and spouse for five years following the date of retirement and then 45% until the retiree's Medicare eligibility age. All Officer's hired after June 1, 2020 will be provided 40% of the cost of premium for scheduled health insurance coverage of the Township's choice (medical, dental, prescription and vision) for a retiree and spouse following the date of retirement until the retiree's Medicare eligibility age.

Any officer who is eligible for medical insurance through other employment or through his or her spouse shall not receive post-retirement health payments.

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

Coordination with Medicare Plan benefits pay primary to Medicare.

Contributions: The Township negotiates the contribution percentage between the Township and employees through union contracts and personnel policy. The required contribution rates of the employer and the members vary depending on the applicable agreement. The funding of these benefits will be covered by annual appropriation by the Township. The Township currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the Township. The contribution requirements of plan members have been established and may be amended through Board Resolution and Police Labor Contracts.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

IV. Other information (Continued)

D. Post-retirement benefits (continued)

Net OPEB Liability

The Township's net OPEB liability was measured as of January 1, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

	<u>OPEB</u>
Total OPEB liability	\$ 2,108,453
Plan fiduciary net position	<u>-</u>
Net OPEB liability	<u>\$ 2,108,453</u>
Plan fiduciary net position as a percentage of the total OPEB liability	 0%

Actuarial Assumptions: The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

	<u>OPEB</u>
Inflation	2.50%
Salary Increases	5.0% (including inflation)
Investment Rate of Return	3.26% (net of OPEB plan investment expense, including inflation)
Healthcare Cost Trend Rates	Medical trend rates is 5.5% 2020 through 2023. Rates are assumed to decrease gradually from 5.4% in 2024 to 34.0% in 2075 and later based on the Society of Actaries Long-Run Medical Cost Trend Model.

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

The actuarial assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study from the period January 1, 2018 to December 31, 2019.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

IV. Other information (Continued)

D. Post-retirement benefits (continued)

The net OPEB liability was measured as of December 31, 2020 and the total OPEB liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2020. Significant events or changes in assumptions occurred between the valuation date and the fiscal year end: The inflation rate decreased from 3.64% to 3.26%.

Discount Rate: The discount rate used to measure the total OPEB liability was 3.26 percent, based upon 20-year AA/Aa municipal bond rates, for the plan. No assets have been accumulated in an irrevocable trust, so the municipal rate has been applied to all periods.

Change in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
<u>OPEB Plan</u>			
Balance at January 1, 2019	\$ 2,195,938	\$ -	\$ 2,195,938
Changes for the year:			
Service cost	71,664	-	71,664
Interest	80,673	-	80,673
Change of benefit terms	-	-	-
Differences between expected and actual experience	(207,653)	-	(207,653)
Change of assumptions	62,536	-	62,536
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of employee contributions	(94,705)	-	(94,705)
Administrative expense	-	-	-
Other changes	-	-	-
Net Changes	(87,485)	-	(87,485)
Balance at January 1, 2020	\$ 2,108,453	\$ -	\$ 2,108,453

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability calculated using the discount rate of 3.26 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

IV. Other information (Continued)

D. Post-retirement benefits (continued)

	1% Decrease <u>(2.26%)</u>	Current Discount Rate <u>(3.26%)</u>	1% Increase <u>(4.26%)</u>
Net OPEB liability	\$ 2,300,986	\$ 2,108,453	\$ 1,938,563

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

	1% Decrease Valuation Rates	Healthcare Cost Trend Valuation Rates	1% Increase Valuation Rates
Net OPEB liability	\$ 1,903,773	\$ 2,108,453	\$ 2,347,338

OPEB Expense, and Deferred Outflows and Inflows of Resources

For December 31, 2020, the Township reported the following deferred outflows and inflows of resources related to OPEB.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>OPEB Plan</u>		
Differences between expected and actual experience	\$ -	\$ 188,775
Changes in assumptions	125,602	80,022
Net difference between projected and actual earnings on OPEB plan investments	-	-
Benefit Payments subsequent to the measurement date	<u>53,622</u>	<u>-</u>
Total	<u>\$ 179,224</u>	<u>\$ 268,797</u>

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

IV. Other information (Continued)

D. Post-retirement benefits (continued)

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

Year Ended December 31:	Governmental- Activities OPEB
2021	\$ (13,490)
2022	(13,490)
2023	(13,490)
2024	(13,490)
2025	(13,490)
Thereafter	(75,745)
Total	<u>\$ (143,195)</u>

For the year ended December 31, 2020, the actuarial determined expense for the OPEB Plan was \$138,847.

E. Restricted assets

During 1990, proceeds of the Norris City Cemetery Trust were transferred to the Township. These monies are to be used for the maintenance, upkeep, and repair of the Norris City Cemetery. As of December 31, 2020 general fund assets of \$10,136 have been restricted for this purpose.

Escrow cash deposits - The Township acts in a custodial capacity with respect to monies deposited with it by developers and others. These monies are held by the Township and used to pay legal, engineering, and other fees incurred on behalf of a specific project. Any unused deposits are returned to the developer upon completion of the project, except for an administrative handling fee. None of the monies received from or expended on behalf of the developers are recorded in the revenues or expenses of the Township. At December 31, 2020, \$75,098 represents the balance of these monies held in escrow.

**REQUIRED
SUPPLEMENTARY INFORMATION**

EAST NORRITON TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability						
Service cost	\$ 405,439	\$ 386,132	\$ 393,450	\$ 374,714	\$ 410,899	\$ 391,332
Interest	1,402,735	1,393,451	1,267,245	1,216,430	1,104,270	1,040,841
Changes of benefit terms	57,420	-	-	-	-	-
Differences between expected and actual experience	-	(102,565)	-	320,087	-	(389,307)
Changes of assumptions	-	327,874	-	418,103	-	-
Benefit payments, including refunds of employee contributions	<u>(1,483,621)</u>	<u>(767,218)</u>	<u>(764,914)</u>	<u>(827,733)</u>	<u>(539,388)</u>	<u>(694,180)</u>
Net change in total pension liability	381,973	1,237,674	895,781	1,501,601	975,781	348,686
Total pension liability - beginning	<u>19,219,301</u>	<u>17,981,627</u>	<u>17,085,846</u>	<u>15,584,245</u>	<u>14,608,464</u>	<u>14,259,778</u>
Total pension liability - ending (a)	<u>\$ 19,601,274</u>	<u>\$ 19,219,301</u>	<u>\$ 17,981,627</u>	<u>\$ 17,085,846</u>	<u>\$ 15,584,245</u>	<u>\$ 14,608,464</u>
Plan fiduciary net position						
Contributions - employer	\$ 851,172	\$ 826,028	\$ 715,184	\$ 749,645	\$ 706,098	\$ 727,687
Contributions - employee	149,277	133,323	129,139	161,049	147,502	136,620
Net investment income	1,548,170	2,276,113	(830,858)	1,471,741	966,594	(175,723)
Benefit payments, including refunds of employee contributions	<u>(1,483,621)</u>	<u>(767,218)</u>	<u>(764,914)</u>	<u>(827,733)</u>	<u>(539,388)</u>	<u>(694,180)</u>
Administrative expense	-	-	(35,859)	(34,938)	(5,700)	(8,800)
Other	-	-	-	-	-	600
Net change in plan fiduciary net position	1,064,998	2,468,246	(787,308)	1,519,764	1,275,106	(13,796)
Plan fiduciary net position - beginning	<u>15,317,142</u>	<u>12,848,896</u>	<u>13,636,204</u>	<u>12,116,440</u>	<u>10,841,334</u>	<u>10,855,130</u>
Plan fiduciary net position - ending (b)	<u>\$ 16,382,140</u>	<u>\$ 15,317,142</u>	<u>\$ 12,848,896</u>	<u>\$ 13,636,204</u>	<u>\$ 12,116,440</u>	<u>\$ 10,841,334</u>
Township's net pension liability - ending (a)-(b)	<u>\$ 3,219,134</u>	<u>\$ 3,902,159</u>	<u>\$ 5,132,731</u>	<u>\$ 3,449,642</u>	<u>\$ 3,467,805</u>	<u>\$ 3,767,130</u>
Plan fiduciary net position as a percentage of the total pension liability	83.6%	79.7%	71.5%	79.8%	77.7%	74.2%
Covered payroll	\$ 3,021,417	\$ 2,666,434	\$ 2,539,013	\$ 2,563,390	\$ 3,017,483	\$ 2,732,355
Net pension liability as a percentage of covered payroll	106.5%	146.3%	202.2%	134.6%	114.9%	137.9%
Annual money weighted return, net of investment expenses	10.70%	17.50%	-6.14%	12.34%	9.26%	-1.47%

Notes to Schedule:

Changes in benefit terms: Act 600 early retirement benefit for 20+ years of service, effective 1/1/20

Assumption change: in 2019, Mortality rates were based on the PubG-2010 mortality table, including rates for disabled retirees and contingent survivor. Incorporated into the table are rates projected generationally using MP-2018 to reflect mortality improvements.

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

EAST NORRITON TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS – POLICE PENSION PLAN

<u>Fiscal</u> <u>Year Ended</u> <u>December 31,</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Employer</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Payroll</u>	<u>Contribution as</u> <u>a Percentage</u> <u>of Covered</u> <u>Payroll</u>
2011	\$ 354,772	\$ 354,772	\$ -	\$ 2,404,010	(1) 14.76%
2012	354,474	354,475	(1)	2,404,010	(1) 14.75%
2013	519,812	519,812	-	2,295,702	(1) 22.64%
2014	532,716	532,716	-	2,549,836	20.89%
2015	727,687	727,687	-	2,732,355	26.63%
2016	706,098	706,098	-	3,017,483	23.40%
2017	729,768	749,645	(19,877)	2,563,390	29.24%
2018	683,318	715,184	(31,866)	2,539,013	28.17%
2019	826,028	826,028	-	2,666,434	30.98%
2020	844,175	851,172	(6,997)	3,021,417	28.17%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

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

Changes in benefit terms: Act 600 early retirement benefit for 20+ years of service, effective 1/1/20

Assumption change: In 2019, Mortality rates were based on the PubG-2010 mortality table, including rates for disabled retirees and contingent survivor. Incorporated into the table are rates projected generationally using MP-2018 to reflect mortality improvements.

(1) - covered employee payroll taken from 1/1/2011 through 1/1/2013 actuarial valuations

EAST NORRITON TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability						
Service cost	\$ 157,083	\$ 149,603	\$ 162,843	\$ 155,089	\$ 136,256	\$ 129,768
Interest	574,817	559,412	540,812	528,547	505,942	491,548
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	-	(16,493)	-	(130,464)	-	(171,363)
Changes of assumptions	-	223,987	-	270,077	-	-
Benefit payments, including refunds of employee contributions	<u>(472,606)</u>	<u>(733,135)</u>	<u>(644,313)</u>	<u>(512,445)</u>	<u>(519,641)</u>	<u>(297,519)</u>
Net change in total pension liability	259,294	183,374	59,342	310,804	122,557	152,434
Total pension liability - beginning	<u>7,752,028</u>	<u>7,568,654</u>	<u>7,509,312</u>	<u>7,198,508</u>	<u>7,075,951</u>	<u>6,923,517</u>
Total pension liability - ending (a)	<u>\$ 8,011,322</u>	<u>\$ 7,752,028</u>	<u>\$ 7,568,654</u>	<u>\$ 7,509,312</u>	<u>\$ 7,198,508</u>	<u>\$ 7,075,951</u>
Plan fiduciary net position						
Contributions - employer	\$ 1,897,737	\$ 383,764	\$ 317,716	\$ 311,370	\$ 311,980	\$ 315,228
Contributions - employee	102,068	101,957	97,927	90,445	80,403	78,999
Net investment income	640,966	910,890	(344,120)	666,868	439,232	(86,296)
Benefit payments, including refunds of employee contributions	(472,606)	(733,135)	(644,313)	(512,445)	(519,641)	(297,519)
Administrative expense	-	-	(10,851)	(22,434)	-	(9,200)
Other	-	-	-	-	-	-
Net change in plan fiduciary net position	2,168,165	663,476	(583,641)	533,804	311,974	1,212
Plan fiduciary net position - beginning	<u>6,035,873</u>	<u>5,372,397</u>	<u>5,956,038</u>	<u>5,422,234</u>	<u>5,110,260</u>	<u>5,109,048</u>
Plan fiduciary net position - ending (b)	<u>\$ 8,204,038</u>	<u>\$ 6,035,873</u>	<u>\$ 5,372,397</u>	<u>\$ 5,956,038</u>	<u>\$ 5,422,234</u>	<u>\$ 5,110,260</u>
Township's net pension liability - ending (a)-(b)	<u>\$ (192,716)</u>	<u>\$ 1,716,155</u>	<u>\$ 2,196,257</u>	<u>\$ 1,553,274</u>	<u>\$ 1,776,274</u>	<u>\$ 1,965,691</u>
Plan fiduciary net position as a percentage of the total pension liability	102.4%	77.9%	71.0%	79.3%	75.3%	72.2%
Covered payroll	\$ 1,880,210	\$ 2,015,008	\$ 1,674,814	\$ 1,852,610	\$ 1,613,204	\$ 1,619,489
Net pension liability as a percentage of covered payroll	-10.2%	85.2%	131.1%	83.8%	110.1%	121.4%
Annual money weighted return, net of investment expenses	11.00%	17.50%	-8.62%	12.30%	9.25%	-1.53%

Notes to Schedule:

Changes in benefit terms: None since 2017

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

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

EAST NORRITON TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS – NON-UNIFORMED PENSION PLAN

Fiscal Year Ended <u>December 31,</u>	Actuarially Determined <u>Contribution</u>	Actual Employer <u>Contribution</u>	Contribution Deficiency <u>(Excess)</u>	Covered <u>Payroll</u>	Contribution as a Percentage of Covered <u>Payroll</u>
2011	\$ 169,669	\$ 169,669	\$ -	\$ 1,740,017	(1) 9.75%
2012	137,467	137,467	-	1,740,017	(1) 7.90%
2013	227,365	227,365	-	1,743,851	(1) 13.04%
2014	225,902	225,902	-	1,531,039	14.75%
2015	315,228	315,228	-	1,619,489	19.46%
2016	311,980	311,980	-	1,613,204	19.34%
2017	311,370	311,370	-	1,852,610	16.81%
2018	317,716	317,716	-	1,674,814	18.97%
2019	383,764	383,764	-	2,015,008	19.05%
2020	397,737	1,897,737	(1,500,000)	1,880,210	100.93%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

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

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

(1) - covered employee payroll taken from 1/1/2011 through 1/1/2013 actuarial valuations

EAST NORRITON TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION

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

	Measurement Date December 1,		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability			
Service cost	\$ 71,664	\$ 74,811	\$ 65,499
Interest	80,673	71,381	77,525
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(207,653)	-	-
Changes of assumptions	62,536	(97,804)	94,533
Benefit payments, including refunds of employee contributions	<u>(94,705)</u>	<u>(79,684)</u>	<u>(75,174)</u>
Net change in total pension liability	(87,485)	(31,296)	162,383
Total pension liability - beginning	<u>2,195,938</u>	<u>2,227,234</u>	<u>2,064,851</u>
Total pension liability - ending (a)	<u>\$ 2,108,453</u>	<u>\$ 2,195,938</u>	<u>\$ 2,227,234</u>
 Plan fiduciary net position			
Contributions - employer	\$ 94,705	\$ 79,684	\$ 75,174
Contributions - employee	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of employee contributions	(94,705)	(79,684)	(75,174)
Administrative expense	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	-	-	-
 Plan fiduciary net position - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Township's net pension liability - ending (a)-(b)	<u>\$ 2,108,453</u>	<u>\$ 2,195,938</u>	<u>\$ 2,227,234</u>
 Plan fiduciary net position as a percentage of the total pension liability	0.0%	0.0%	0.0%
 Covered payroll	\$ 3,117,589	\$ 2,930,384	\$ 2,930,384
 Net pension liability as a percentage of covered payroll	67.6%	74.9%	76.0%

Notes to Schedule:

The discount rate changed from 3.16% to 3.64% in 2018 and from 3.64% to 3.26% in 2020.

No changes in benefit terms

SUPPLEMENTARY INFORMATION

EAST NORRITON TOWNSHIP

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

December 31, 2020

	<u>Special Revenue Funds</u>				Total Nonmajor Governmental Funds
	<u>Street Light Tax</u>	<u>Fire Tax</u>	<u>Park and Recreation</u>	<u>Highway Aid</u>	
<u>ASSETS</u>					
Cash and cash equivalents	\$ 170,259	\$ 148,952	\$ 43,047	\$ 708,868	\$ 1,071,126
Taxes receivable	734	7,050	7,981	-	15,765
Other receivable	6,966	19,240	-	624	26,830
Due from other funds	5,085	14,731	25,000	2,450	47,266
Total Assets	<u>\$ 183,044</u>	<u>\$ 189,973</u>	<u>\$ 76,028</u>	<u>\$ 711,942</u>	<u>\$ 1,160,987</u>
<u>LIABILITIES</u>					
Accounts payable	\$ 17,698	\$ 16,101	\$ 25,832	\$ 22,933	\$ 82,564
Accrued salaries and benefits	-	-	839	-	839
Due to other funds	-	130,310	55,310	-	185,620
Total Liabilities	<u>17,698</u>	<u>146,411</u>	<u>81,981</u>	<u>22,933</u>	<u>269,023</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable revenue - property taxes	734	7,050	7,981	-	15,765
Total Deferred Inflows of Resources	<u>734</u>	<u>7,050</u>	<u>7,981</u>	<u>-</u>	<u>15,765</u>
<u>FUND BALANCES</u>					
Restricted:					
Street light	164,612	-	-	-	164,612
Fire	-	36,512	-	-	36,512
Culture and recreation	-	-	-	-	-
Highways and streets	-	-	-	689,009	689,009
Unassigned	-	-	(13,934)	-	(13,934)
Total Fund Balances	<u>164,612</u>	<u>36,512</u>	<u>(13,934)</u>	<u>689,009</u>	<u>876,199</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 183,044</u>	<u>\$ 189,973</u>	<u>\$ 76,028</u>	<u>\$ 711,942</u>	<u>\$ 1,160,987</u>

EAST NORRITON TOWNSHIP

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

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2020

	<u>Special Revenue Funds</u>				Total Nonmajor Governmental Funds
	<u>Street Light Tax</u>	<u>Fire Tax</u>	<u>Park and Recreation</u>	<u>Highway Aid</u>	
Revenues					
Taxes:					
Property	\$ 27,555	\$ 264,549	\$ 299,469	\$ -	\$ 591,573
Street light assessment	82,151	-	-	-	82,151
Investment income	575	343	125	5,741	6,784
Intergovernmental revenues	-	100,563	-	431,208	531,771
Charges for services	-	17,800	50,959	-	68,759
Other	-	-	100	3,981	4,081
	<u>110,281</u>	<u>383,255</u>	<u>350,653</u>	<u>440,930</u>	<u>1,285,119</u>
Expenditures					
Current:					
Public safety	-	375,789	-	-	375,789
Highways and streets	62,944	-	-	730,954	793,898
Culture and recreation	-	-	412,309	-	412,309
Debt service					
Principal	-	66,898	-	68,661	135,559
Interest	-	4,093	-	8,347	12,440
Total Expenditures	<u>62,944</u>	<u>446,780</u>	<u>412,309</u>	<u>807,962</u>	<u>1,729,995</u>
Excess (Deficiency) of Revenues Over Expenditures	47,337	(63,525)	(61,656)	(367,032)	(444,876)
Other Financing Sources (Uses)					
Debt Proceeds	-	-	-	197,095	197,095
Transfers in	-	-	25,000	-	25,000
Transfers out	(9,724)	-	-	-	(9,724)
Total Other Financing Sources (Uses)	<u>(9,724)</u>	<u>-</u>	<u>25,000</u>	<u>197,095</u>	<u>212,371</u>
Net Change in Fund Balance	37,613	(63,525)	(36,656)	(169,937)	(232,505)
Fund Balance - Beginning	<u>126,999</u>	<u>100,037</u>	<u>22,722</u>	<u>858,946</u>	<u>1,108,704</u>
Fund Balance - Ending	<u>\$ 164,612</u>	<u>\$ 36,512</u>	<u>\$ (13,934)</u>	<u>\$ 689,009</u>	<u>\$ 876,199</u>

EAST NORRITON TOWNSHIP

COMBINING STATEMENT OF NET POSITION

FIDUCIARY FUNDS

	Police Pension Trust Fund	Non-Uniformed Pension Trust Fund	Health Benefits Fund	<u>Total</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 435,955	\$ 1,581,614	\$ 469,183	\$ 2,486,752
Investments, at fair value:				
Mutual Funds - Equity	12,893,385	5,855,296	-	18,748,681
Mutual Funds - Fixed Income	2,510,944	518,552	-	3,029,496
Mutual Funds - Real Estate	444,335	183,854	-	628,189
Total Investments	<u>15,848,664</u>	<u>6,557,702</u>	<u>-</u>	<u>22,406,366</u>
Receivable	<u>90,126</u>	<u>66,290</u>	<u>-</u>	<u>156,416</u>
Total Assets	<u>\$ 16,374,745</u>	<u>\$ 8,205,606</u>	<u>\$ 469,183</u>	<u>\$ 25,049,534</u>
 <u>LIABILITIES</u>				
Accounts payable	\$ 33,700	\$ 37,500	\$ 4,524	\$ 75,724
Total Liabilities	<u>33,700</u>	<u>37,500</u>	<u>4,524</u>	<u>75,724</u>
 <u>NET POSITION</u>				
Net Position - Restricted for:				
Pension benefits	16,341,045	8,168,106	-	24,509,151
Post-Employment Benefits	-	-	464,659	464,659
Total Net Position	<u>\$ 16,341,045</u>	<u>\$ 8,168,106</u>	<u>\$ 464,659</u>	<u>\$ 24,973,810</u>

EAST NORRITON TOWNSHIP

COMBINING STATEMENT OF CHANGES IN NET POSITION

FIDUCIARY FUNDS

	Police Pension <u>Trust Fund</u>	Non-Uniformed Pension <u>Trust Fund</u>	Health Benefits Fund	<u>Total</u>
Additions				
Contributions				
Employee contributions	\$ 149,278	\$ 102,068	\$ -	\$ 251,346
Employer contributions	465,040	1,897,737	-	2,362,777
State aid	379,135	-	-	379,135
Total Contributions	<u>993,453</u>	<u>1,999,805</u>	<u>-</u>	<u>2,993,258</u>
Investment Income				
Net appreciation (depreciation) in fair value of investments	937,027	381,958	-	1,318,985
Interest and dividend income	635,239	268,853	3,003	907,095
Total investment earnings	1,572,266	650,811	3,003	2,226,080
Less investment expense	(25,379)	(10,520)	-	(35,899)
Net Investment Income	<u>1,546,887</u>	<u>640,291</u>	<u>3,003</u>	<u>2,190,181</u>
Total Additions	<u>2,540,340</u>	<u>2,640,096</u>	<u>3,003</u>	<u>5,183,439</u>
Deductions				
Benefits	1,483,149	471,037	-	1,954,186
Administrative expenses	14,289	15,327	69,589	99,205
Total Deductions	<u>1,497,438</u>	<u>486,364</u>	<u>69,589</u>	<u>2,053,391</u>
Change in Net Position	1,042,902	2,153,732	(66,586)	3,130,048
Net Position - Restricted for Pension Benefits:				
Beginning of Year	15,298,143	6,014,374	531,245	21,843,762
End of Year	<u>\$ 16,341,045</u>	<u>\$ 8,168,106</u>	<u>\$ 464,659</u>	<u>\$ 24,973,810</u>