

**EAST NORRITON TOWNSHIP
MONTGOMERY COUNTY, PENNSYLVANIA**

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

YEAR ENDED DECEMBER 31, 2021

EAST NORRITON TOWNSHIP
MONTGOMERY COUNTY, PENNSYLVANIA
December 31, 2021

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INDEPENDENT AUDITORS' REPORT

Board of Township Supervisors
East Norriton Township, Pennsylvania

Report on the Financial Statements

Opinions

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 (Township), Pennsylvania, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, 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 Township, as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund, fire tax fund and park and recreation fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of East Norriton Township and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the East Norriton Township, Pennsylvania's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 East Norriton Township, Pennsylvania's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about East Norriton Township, Pennsylvania's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and the historical trend information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Norriton Township, Pennsylvania's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit and the report of the other auditors, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



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

Warrington, PA
June 29, 2022

EAST NORRITON TOWNSHIP

Management's Discussion and Analysis

December 31, 2021

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, 2021. 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 2021

- Tax collections rebounded in 2021 from the lows of pandemic year 2020 although there were still negative pressures on charges for services, specifically in areas of recreation and fire protection.
- Federal Fiscal Recovery Funds received in 2021 were targeted for use as revenue replacement funds, as well funding for stormwater capital projects in 2022.
- The strong housing market resulted in a gain in real estate transfer taxes pushing year end totals to their highest levels (\$670,695) in the past ten years of reporting.
- Business activities began charting a path to normalcy as indicated by non-audit Business Privilege Tax collections of \$1,074,054, an increase of 10.5% over 2020 (\$971,426). Collections were still lower than the pre-pandemic three-year average (2017-2019) of \$1,108,648.
- The pandemic-initiated shift to work from home continued to impact the Township's Local Services Tax collections in 2021. Revenue totaled \$426,520 - an increase over 2020 but the lowest total since 2017 (excluding 2020).
- The same trend of work from home, along with an active business recovery, brought about record numbers in Earned Income Tax revenue. Collections jumped to \$3,256,960 - not only a substantial increase over 2020's total of \$2,929,647 but also the highest level in the past ten years.
- 2021's steady stock market performance resulted in annual net returns of 10.58% (police) and 8.84% (non-uniformed) for the Township's two defined benefit pension plans. This helped decrease net pension liability to \$1,942,527 in 2021 compared to \$3,219,134 in 2020. Net OPEB liability rose \$288,004 or 13.7% compared to 2020. The Township's sole OPEB obligation consists of post-retirement health-care benefits contractually available to retired police personnel.

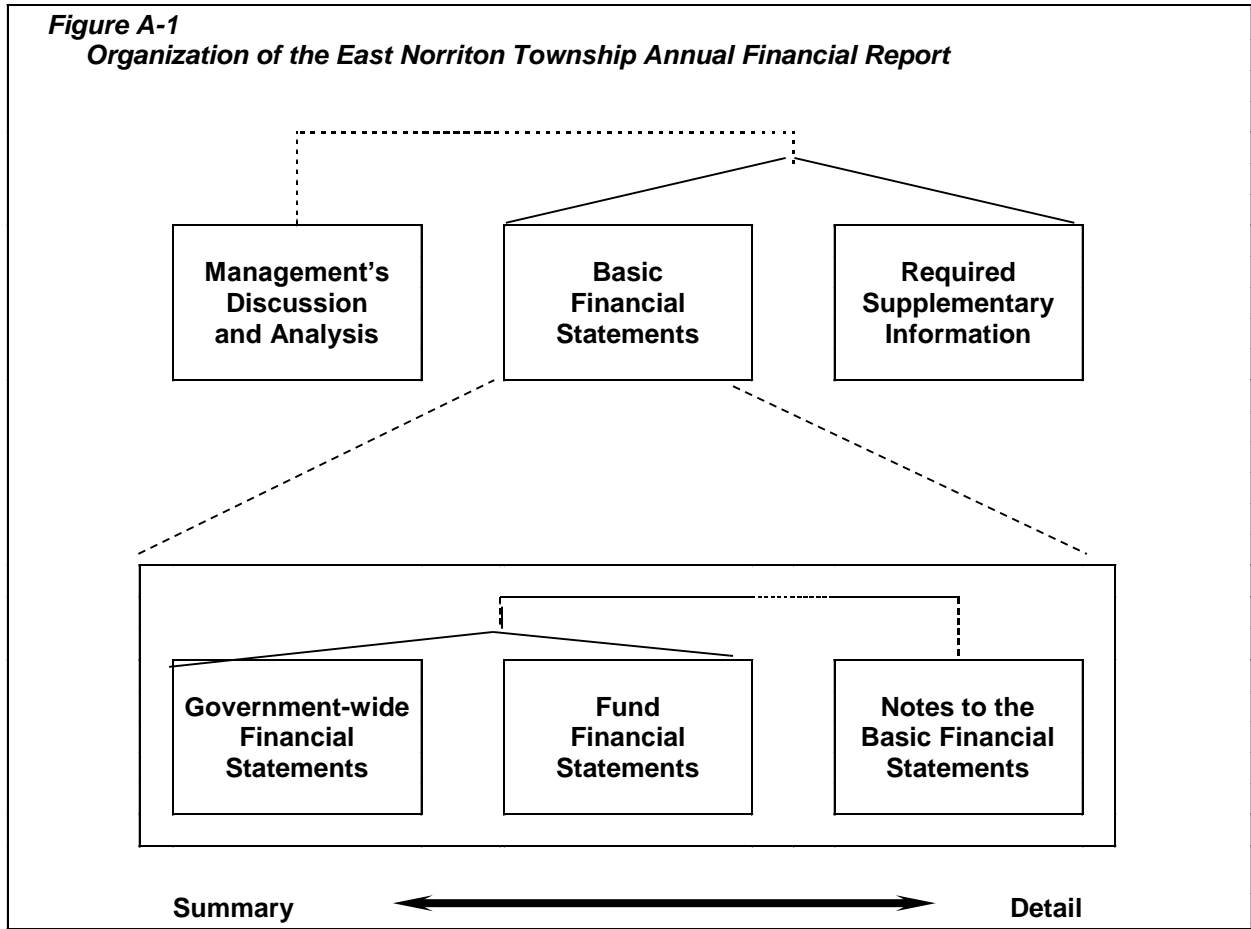
Overview of the Financial Statements

This discussion and analysis document 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, 2021



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, 2021

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, 2021

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, 2021

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 \$33,948,437.

Figure A-3 Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current and Other Assets	\$ 30,426,197	\$ 29,678,196	\$ (238,350)	\$ 184,170	\$ 30,187,847	\$ 29,862,366
Capital Assets	<u>10,508,132</u>	<u>10,472,746</u>	-	-	<u>10,508,132</u>	<u>10,472,746</u>
Total Assets	<u>40,934,329</u>	<u>40,150,942</u>	<u>(238,350)</u>	<u>184,170</u>	<u>40,695,979</u>	<u>40,335,112</u>
Deferred Outflows of Resources	<u>906,694</u>	<u>907,268</u>	-	<u>10,928</u>	<u>906,694</u>	<u>918,196</u>
Long-Term Liabilities	4,447,308	5,468,189	-	-	4,447,308	5,468,189
Other Liabilities	<u>1,586,553</u>	<u>1,011,043</u>	<u>2,262</u>	<u>13,773</u>	<u>1,588,815</u>	<u>1,024,816</u>
Total Liabilities	<u>6,033,861</u>	<u>6,479,232</u>	<u>2,262</u>	<u>13,773</u>	<u>6,036,123</u>	<u>6,493,005</u>
Deferred Inflows of Resources	<u>1,618,113</u>	<u>1,018,207</u>	-	<u>10,572</u>	<u>1,618,113</u>	<u>1,028,779</u>
Net Assets						
Net Investment in Capital Assets	10,367,530	10,193,042	-	-	10,367,530	10,193,042
Restricted	947,925	915,444	-	-	947,925	915,444
Unrestricted (restated)	<u>22,873,594</u>	<u>22,452,285</u>	<u>(240,612)</u>	<u>170,753</u>	<u>22,632,982</u>	<u>22,623,038</u>
Total Net Assets	<u>\$ 34,189,049</u>	<u>\$ 33,560,771</u>	<u>\$ (240,612)</u>	<u>\$ 170,753</u>	<u>\$ 33,948,437</u>	<u>\$ 33,731,524</u>

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

- Freezing of the Township's non-uniformed defined benefit pension plan and positioning of all new non-uniformed employees into a defined contribution retirement plan effective 1/1/2021.
- Reorganization of public lobby areas and personnel to reduce services backlogs and enhance service deliveries.
- 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, 2021

Figure A-4 Condensed Statement of Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 1,261,755	\$ 675,078	\$ 8,700	\$ 1,506,461	\$ 1,270,455	\$ 2,181,539
Operating grants and contributions	987,819	922,040	167,706	123,190	1,155,525	1,045,230
Capital grants and contributions	301,083	91,199	-	-	301,083	91,199
General revenues:						
Property taxes	2,689,958	2,565,746	-	-	2,689,958	2,565,746
Other taxes	5,813,149	5,125,161	-	-	5,813,149	5,125,161
Grants and contributions not restricted to specific programs	17,827	12,024	-	-	17,827	12,024
Investment income and rent	10,854	71,838	163	6,597	11,017	78,435
Miscellaneous	715,529	679,336	2,251	-	717,780	679,336
Total Revenues	<u>11,797,974</u>	<u>10,142,422</u>	<u>178,820</u>	<u>1,636,248</u>	<u>11,976,794</u>	<u>11,778,670</u>
Expenses:						
General government	1,300,684	1,057,430	-	-	1,300,684	1,057,430
Public safety	4,803,322	4,665,001	-	-	4,803,322	4,665,001
Highways and streets	1,274,833	1,905,321	-	-	1,274,833	1,905,321
Culture and recreation	653,420	496,838	-	-	653,420	496,838
Miscellaneous	3,248,540	2,708,957	-	-	3,248,540	2,708,957
Debt service interest	8,897	11,160	-	-	8,897	11,160
Sewer	-	-	470,185	2,373,151	470,185	2,373,151
Total Expenses	<u>11,289,696</u>	<u>10,844,707</u>	<u>470,185</u>	<u>2,373,151</u>	<u>11,759,881</u>	<u>13,217,858</u>
Change in Net Position Before Transfers and Special Item	508,278	(702,285)	(291,365)	(736,903)	216,913	(1,439,188)
Gain (loss) on sale of assets	-	19,875,182	-	-	-	-
Transfers, Net	<u>120,000</u>	<u>1,922,709</u>	<u>(120,000)</u>	<u>(1,922,709)</u>	<u>-</u>	<u>-</u>
Change in Net Position	628,278	21,095,606	(411,365)	(2,659,612)	216,913	(1,439,188)
Net Position - Beginning of Year	<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>
Net Position - End of Year	<u>\$ 34,189,049</u>	<u>\$ 33,560,771</u>	<u>\$ (240,612)</u>	<u>\$ 170,753</u>	<u>\$ 33,948,437</u>	<u>\$ 13,856,342</u>

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. The lifting of pandemic restrictions resulted in higher total Act 511 Taxes collections especially when compared to 2020. Several categories reached higher than expected levels with Earned Income tax collections surpassing \$3.2 million and Real Estate Transfer taxes surpassing \$670,000. In aggregate, Act 511 Tax revenue exceeded original budget projections. Real Estate Tax collections remained strong totaling \$2,710,174, a jump from 2020's total of \$2,552,878.

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, 2021

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 opened up in 2021 after being effectively eliminated in 2020 due to pandemic restrictions.

Controlled spending, aggressive tax collection, licenses and permits, improvements, and scheduled debt reduction resulted in a successful 2021 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 (\$240,612) in 2021 as the Township continued expensing costs associated with closing down the sewer collection system. After all costs are reallocated and system activities cease, the Township's business type activities will have ended.

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 2021, 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 grew to \$34,189,049, an increase from the prior year total of \$33,560,771. As stated elsewhere, the increase is attributed largely to economic rebounding from pandemic year 2020 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, 2021 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 is 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.

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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, 2021, the sewer revenue fund total net position was (\$240,612), a decrease from the 2020 net position of \$170,753. The net position decline is attributed largely to continued expenses associated with the closing down the 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 \$10,508,132 (net of accumulated depreciation) as of December 31, 2021. 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, 2021.

	Beginning <u>Balance</u>	Net Additions <u>(Deletions)</u>	Ending <u>Balance</u>
Non-Depreciable Assets			
Land	\$ 1,479,105	\$ -	\$ 1,479,105
Infrastructure	5,090,699	-	5,090,699
Other Capital Assets			
Land improvements	5,538,517	(29,922)	5,508,595
Buildings and improvements	2,703,986	102,741	2,806,727
Machinery and equipment	3,539,586	(207,176)	3,332,410
Vehicles	3,278,548	(74,292)	3,204,256
Infrastructure	-	-	-
Less: accumulated depreciation on capital assets	<u>(11,157,695)</u>	<u>244,035</u>	<u>(10,913,660)</u>
Totals	<u>\$ 10,472,746</u>	<u>\$ 35,386</u>	<u>\$ 10,508,132</u>

EAST NORRITON TOWNSHIP

Management's Discussion and Analysis

December 31, 2021

Debt Administration. Total non-pension and OPEB related long-term debt for the Township decreased \$136,931 at the end of 2021 compared to year end 2020. The largest portion of this debt are capital leases associated with major equipment purchases.

East Norriton Township's total debt decreased by 19.59 percent largely attributable to decreases in net pension 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, 2021

	Beginning Balance	Additions	Deletions	Ending Balance
Capital leases	\$ 279,704	\$ -	\$ (139,102)	\$ 140,602
Compensated absences	137,644	2,171	-	139,815
Net pension liability	3,219,134	1,939,658	(3,216,265)	1,942,527
Net OPEB liability	<u>2,108,453</u>	<u>407,351</u>	<u>(119,347)</u>	<u>2,396,457</u>
	<u>\$ 5,744,935</u>	<u>\$ 2,349,180</u>	<u>\$ (3,474,714)</u>	<u>\$ 4,619,401</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 2022 will include:

- Opening of a major distribution center creating dozens of new jobs
- Construction of a luxury apartment complex in the Township
- Growth of the residential construction market with two new townhome developments
- Renewed commitment to sustainable development
- Recognition of East Norriton Township as a desirable place to live and work
- Maintain consistently high tax collection rate
- Continued oversight, management and reform of pension and OPEB liabilities
- Effective use of the Township reserves

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, 2021

	<u>Primary Government</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 27,922,924	\$ 218,702	\$ 28,141,626
Cash - restricted	454,418	-	454,418
Internal balances	457,052	(457,052)	-
Taxes receivable	1,304,198	-	1,304,198
Sewer rents receivable	-	-	-
Other receivables	283,207	-	283,207
Total Current Assets	<u>30,421,799</u>	<u>(238,350)</u>	<u>30,183,449</u>
Capital Assets (net of accumulated depreciation)			
Land	1,479,105	-	1,479,105
Infrastructure	5,090,699	-	5,090,699
Site improvements	5,508,595	-	5,508,595
Sewer systems	-	-	-
Buildings and building improvements	2,806,727	-	2,806,727
Machinery and equipment	3,332,410	-	3,332,410
Vehicles	3,204,256	-	3,204,256
Accumulated depreciation	(10,913,660)	-	(10,913,660)
Total Capital Assets (net)	<u>10,508,132</u>	<u>-</u>	<u>10,508,132</u>
Net pension asset	<u>4,398</u>	<u>-</u>	<u>4,398</u>
TOTAL ASSETS	<u>40,934,329</u>	<u>(238,350)</u>	<u>40,695,979</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows - OPEB	418,831	-	418,831
Deferred Outflows - Pension	487,863	-	487,863
Total Deferred Outflows of Resources	<u>\$ 906,694</u>	<u>\$ -</u>	<u>\$ 906,694</u>

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	\$ 320,105	\$ 2,262	\$ 322,367
Payroll and withholding taxes payable	205,297	-	205,297
Escrow deposits	454,418	-	454,418
Unearned revenue	434,640	-	434,640
Compensated absences, current maturity	139,815	-	139,815
Capital lease payable, current maturity	32,278	-	32,278
Total Current Liabilities	<u>1,586,553</u>	<u>2,262</u>	<u>1,588,815</u>
Long-term Liabilities			
Capital lease payable	108,324	-	108,324
Net OPEB liability	2,396,457	-	2,396,457
Net pension liability	1,942,527	-	1,942,527
Total Long-term Liabilities	<u>4,447,308</u>	<u>-</u>	<u>4,447,308</u>
TOTAL LIABILITIES	<u>6,033,861</u>	<u>2,262</u>	<u>6,036,123</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows - OPEB	241,028	-	241,028
Deferred Inflows - Pension	1,377,085	-	1,377,085
Total Deferred Inflows of Resources	<u>1,618,113</u>	<u>-</u>	<u>1,618,113</u>
<u>NET POSITION</u>			
Net investment in capital assets	10,367,530	-	10,367,530
Restricted	947,925	-	947,925
Unrestricted	22,873,594	(240,612)	22,632,982
TOTAL NET POSITION	<u>\$ 34,189,049</u>	<u>\$ (240,612)</u>	<u>\$ 33,948,437</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, 2021

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental Activities:				
General government	\$ 1,300,684	\$ 741,125	\$ 7,375	\$ -
Public safety	4,803,322	80,472	488,065	-
Public works - highways and streets	1,274,833	-	492,379	-
Culture and recreation	653,420	440,158	-	-
Miscellaneous	3,248,540	-	-	301,083
Debt service interest	8,897	-	-	-
Total Governmental Activities	<u>11,289,696</u>	<u>1,261,755</u>	<u>987,819</u>	<u>301,083</u>
Business -Type Activities				
Sewer operations	<u>470,185</u>	<u>8,700</u>	<u>167,706</u>	<u>-</u>
Total Business-Type Activities	<u>470,185</u>	<u>8,700</u>	<u>167,706</u>	<u>-</u>
Total Primary Government	<u>\$ 11,759,881</u>	<u>\$ 1,270,455</u>	<u>\$ 1,155,525</u>	<u>\$ 301,083</u>

General Revenues

Taxes:

Real estate taxes

Real estate transfer tax

Earned income taxes

Local services taxes

Business Privilege

Street light assessment

Grants and contributions not
restricted to specific programs

Investment income

Miscellaneous revenues

Gain on sale of capital assets

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning, restated

Net Position - Ending

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (552,184)	\$ -	\$ (552,184)
(4,234,785)	-	(4,234,785)
(782,454)	-	(782,454)
(213,262)	-	(213,262)
(2,947,457)	-	(2,947,457)
(8,897)	-	(8,897)
<u>(8,739,039)</u>	<u>-</u>	<u>(8,739,039)</u>
<u>-</u>	<u>(293,779)</u>	<u>(293,779)</u>
<u>-</u>	<u>(293,779)</u>	<u>(293,779)</u>
<u>(8,739,039)</u>	<u>(293,779)</u>	<u>(9,032,818)</u>
2,689,958	-	2,689,958
670,695	-	670,695
3,278,905	-	3,278,905
426,520	-	426,520
1,354,337	-	1,354,337
82,692	-	82,692
17,827	-	17,827
10,854	163	11,017
684,529	2,251	686,780
31,000	-	31,000
120,000	(120,000)	-
<u>9,367,317</u>	<u>(117,586)</u>	<u>9,249,731</u>
628,278	(411,365)	216,913
<u>33,560,771</u>	<u>170,753</u>	<u>33,731,524</u>
<u>\$ 34,189,049</u>	<u>\$ (240,612)</u>	<u>\$ 33,948,437</u>

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

EAST NORRITON TOWNSHIP

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2021

	General	Fire Tax	Park and Recreation	Capital Projects	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash and cash equivalents	\$ 4,063,136	\$ 99,644	\$ 14,078	\$ 21,931,723	\$ 1,814,343	\$ 27,922,924
Restricted cash	454,418	-	-	-	-	454,418
Taxes receivable	1,032,855	14,109	7,595	8,526	-	1,063,085
Other receivables	280,646	-	-	-	2,561	283,207
Due from other funds	911,797	150	-	-	2,450	914,397
Total Assets	\$ 6,742,852	\$ 113,903	\$ 21,673	\$ 21,940,249	\$ 1,819,354	\$ 30,638,031
<u>LIABILITIES</u>						
Accounts payable	\$ 243,168	\$ -	\$ 7,861	\$ 52,210	\$ 16,866	\$ 320,105
Accrued payroll and related liabilities	202,657	-	2,640	-	-	205,297
Due to other funds	450	137,705	152,983	33,363	132,844	457,345
Escrow deposits	454,418	-	-	-	-	454,418
Unearned revenue	-	-	-	107	434,533	434,640
Total Liabilities	900,693	137,705	163,484	85,680	584,243	1,871,805
<u>FUND BALANCES</u>						
Restricted:						
Street light	-	-	-	-	119,922	119,922
Culture and recreation	10,136	-	-	-	-	10,136
Highways and streets	-	-	-	-	875,666	875,666
Capital	-	-	-	-	296,791	296,791
Assigned:						
Capital	-	-	-	21,854,569	-	21,854,569
Unassigned	5,832,023	(23,802)	(141,811)	-	(57,268)	5,609,142
Total Fund Balances	5,842,159	(23,802)	(141,811)	21,854,569	1,235,111	28,766,226
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,742,852	\$ 113,903	\$ 21,673	\$ 21,940,249	\$ 1,819,354	\$ 30,638,031

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, 2021

TOTAL GOVERNMENTAL FUND BALANCES \$ 28,766,226

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

Cost of capital assets	\$ 21,421,792	
Accumulated depreciation	<u>(10,913,660)</u>	10,508,132

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	37,583	
Earned income taxes receivable	203,530	
Pension asset	<u>4,398</u>	245,511

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

Deferred OPEB	177,803	
Deferred Pension	<u>(889,222)</u>	(711,419)

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:

Capital lease	(140,602)	
Net OPEB liability	(2,396,457)	
Net pension liability	(1,942,527)	
Compensated absences	<u>(139,815)</u>	<u>(4,619,401)</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 34,189,049

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, 2021

Revenues	General	Fire Tax	Park and Recreation	Capital Projects	Other Governmental Funds	Total Governmental Funds
Taxes:						
Property	\$ 1,753,595	\$ 274,540	\$ 310,778	\$ 348,887	\$ 22,374	\$ 2,710,174
Real estate transfer	670,695	-	-	-	-	670,695
Earned income	3,256,960	-	-	-	-	3,256,960
Local service	426,520	-	-	-	-	426,520
Business privilege	1,354,337	-	-	-	-	1,354,337
Street light assessment	-	-	-	-	82,692	82,692
Fees, licenses and permits	1,066,108	10,800	-	-	-	1,076,908
Fines and forfeitures	50,906	-	-	-	-	50,906
Investment income	10,227	26	13	198	390	10,854
Intergovernmental revenues	499,759	88,674	-	-	697,460	1,285,893
Charges for services	18,781	-	100,098	-	340,060	458,939
Other	348,903	-	6,141	16,544	8,779	380,367
Total Revenues	9,456,791	374,040	417,030	365,629	1,151,755	11,765,245
Expenditures						
Current:						
General government	1,142,260	-	-	204,529	-	1,346,789
Public safety	4,370,075	322,139	-	6,377	-	4,698,591
Highways and streets	639,916	-	-	105,032	241,635	986,583
Culture and recreation	-	-	445,570	122,160	403,929	971,659
Payroll taxes and employee benefits	3,247,680	-	-	-	-	3,247,680
Insurance	127,938	33,630	-	-	-	161,568
Miscellaneous	94,883	7,594	-	9,650	-	112,127
Debt service:						
Principal	-	69,537	-	-	71,377	140,914
Interest	-	1,454	-	-	5,631	7,085
Total Expenditures	9,622,752	434,354	445,570	447,748	722,572	11,672,996
Excess (Deficiency) of Revenues Over Expenditures	(165,961)	(60,314)	(28,540)	(82,119)	429,183	92,249
Other Financing Sources (Uses)						
Proceeds from sale of capital assets	-	-	-	31,000	-	31,000
Transfers in	269,337	-	-	21,062,803	-	21,332,140
Transfers out	(21,062,803)	-	(99,337)	-	(50,000)	(21,212,140)
Total Other Financing Sources (Uses)	(20,793,466)	-	(99,337)	21,093,803	(50,000)	151,000
Net Change in Fund Balance	(20,959,427)	(60,314)	(127,877)	21,011,684	379,183	243,249
Fund Balance - Beginning	26,801,586	36,512	(13,934)	842,885	855,928	28,522,977
Fund Balance - Ending	\$ 5,842,159	\$ (23,802)	\$ (141,811)	\$ 21,854,569	\$ 1,235,111	\$ 28,766,226

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, 2021

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 243,249

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 593,800	
Depreciation expense	<u>(558,414)</u>	35,386

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.

1,729

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of debt		139,102
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Net OPEB liability and deferred items	(20,628)	
Net pension liability and deferred items	231,611	
Compensated absences	<u>(2,171)</u>	<u>208,812</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 628,278

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, 2021

	GENERAL FUND			
	Budgeted Amounts		ACTUAL	Variance with Final Budget
	Original	Final		
Revenues				
Taxes				
Property	\$ 1,630,000	\$ 1,630,000	\$ 1,753,595	\$ 123,595
Real estate transfer	400,000	400,000	670,695	270,695
Earned income	2,900,000	2,900,000	3,256,960	356,960
Local service	415,000	415,000	426,520	11,520
Business privilege	1,225,000	1,225,000	1,354,337	129,337
Fees, licenses and permits	1,095,500	1,095,500	1,066,108	(29,392)
Fines and forfeitures	58,000	58,000	50,906	(7,094)
Investment income	60,350	60,350	10,227	(50,123)
Intergovernmental revenues	461,400	461,400	499,759	38,359
Charges for services	36,500	36,500	18,781	(17,719)
Other	359,233	359,233	348,903	(10,330)
Total Revenues	<u>8,640,983</u>	<u>8,640,983</u>	<u>9,456,791</u>	<u>815,808</u>
Expenditures				
Current:				
General government	1,179,887	1,179,887	1,142,260	37,627
Public safety	4,113,771	4,113,771	4,370,075	(256,304)
Highways and streets	585,668	585,668	639,916	(54,248)
Culture and recreation	7,000	7,000	-	7,000
Payroll taxes and employee benefits	3,347,190	3,347,190	3,247,680	99,510
Insurance	118,770	118,770	127,938	(9,168)
Miscellaneous	50,000	50,000	94,883	(44,883)
Total Expenditures	<u>9,402,286</u>	<u>9,402,286</u>	<u>9,622,752</u>	<u>(220,466)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(761,303)</u>	<u>(761,303)</u>	<u>(165,961)</u>	<u>595,342</u>
Other Financing Sources (Uses)				
Transfers in	419,337	419,337	269,337	(150,000)
Transfers out	-	-	(21,062,803)	(21,062,803)
Total Other Financing Sources (Uses)	<u>419,337</u>	<u>419,337</u>	<u>(20,793,466)</u>	<u>(21,212,803)</u>
Net Change in Fund Balance	(341,966)	(341,966)	(20,959,427)	(20,617,461)
Fund Balance - Beginning	341,966	341,966	26,801,586	
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,842,159</u>	

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

EAST NORRITON TOWNSHIP

FIRE TAX FUND

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

For the Year Ended December 31, 2021

	<u>FIRE TAX FUND</u>			<u>Variance with Final Budget</u>
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Property	\$ 267,000	\$ 267,000	\$ 274,540	\$ 7,540
Fees, licenses and permits	21,500	21,500	10,800	(10,700)
Fines and forfeitures	-	-	-	-
Investment income	-	-	26	26
Intergovernmental revenues	<u>95,000</u>	<u>95,000</u>	<u>88,674</u>	<u>(6,326)</u>
Total Revenues	<u>383,500</u>	<u>383,500</u>	<u>374,040</u>	<u>(9,460)</u>
Expenditures				
Current:				
Public safety	340,116	340,116	322,139	17,977
Insurance	35,000	35,000	33,630	1,370
Debt service	71,000	71,000	70,991	9
Miscellaneous	<u>-</u>	<u>-</u>	<u>7,594</u>	<u>(7,594)</u>
Total Expenditures	<u>446,116</u>	<u>446,116</u>	<u>434,354</u>	<u>11,762</u>
Net Change in Fund Balance	(62,616)	(62,616)	(60,314)	2,302
Fund Balance - Beginning	<u>62,616</u>	<u>62,616</u>	<u>36,512</u>	
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (23,802)</u>	

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

EAST NORRITON TOWNSHIP

PARK AND RECREATION FUND

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

For the Year Ended December 31, 2021

	<u>PARK AND RECREATION FUND</u>			<u>Variance with Final Budget</u>
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Property	\$ 302,000	\$ 302,000	\$ 310,778	\$ 8,778
Investment income	-	-	13	13
Charges for services	-	-	100,098	100,098
Other	-	-	6,141	6,141
Total Revenues	<u>302,000</u>	<u>302,000</u>	<u>417,030</u>	<u>115,030</u>
Expenditures				
Current:				
Culture and recreation	<u>355,130</u>	<u>355,130</u>	<u>445,570</u>	<u>(90,440)</u>
Total Expenditures	<u>355,130</u>	<u>355,130</u>	<u>445,570</u>	<u>(90,440)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(53,130)</u>	<u>(53,130)</u>	<u>(28,540)</u>	<u>24,590</u>
Other Financing Sources (Uses)				
Transfers out	<u>(99,337)</u>	<u>(99,337)</u>	<u>(99,337)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(99,337)</u>	<u>(99,337)</u>	<u>(99,337)</u>	<u>-</u>
Net Change in Fund Balance	(152,467)	(152,467)	(127,877)	24,590
Fund Balance - Beginning	<u>152,467</u>	<u>152,467</u>	<u>(13,934)</u>	
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (141,811)</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, 2021

	Business-type Activities Sewer Fund
<u>ASSETS</u>	
Current Assets	
Cash and cash equivalents	\$ 218,702
Total Current Assets	218,702
Total Assets	\$ 218,702
 <u>LIABILITIES</u>	
Current Liabilities	
Accounts payable	\$ 2,262
Accrued payroll	-
Due to other funds	457,052
Total Current Liabilities	459,314
Total Liabilities	459,314
 <u>NET POSITION</u>	
Unrestricted	(240,612)
Total Net Position	(240,612)
Total Liabilities and Net Position	\$ 218,702

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, 2021

	Business-type Activities
	<u>Sewer Fund</u>
Operating Revenues	
Charges for services	\$ 8,700
Total Operating Revenues	<u>8,700</u>
Operating Expenses	
Administration	18,440
Contracted services	447,336
Salaries and benefits	1,095
Repairs and maintenance	2,390
Supplies	<u>924</u>
Total Operating Expenses	<u>470,185</u>
Operating Income (Loss)	<u>(461,485)</u>
Nonoperating Revenues (Expense)	
Investment income	163
Grant	167,706
Settlements	2,251
Gain on sale of assets	<u>-</u>
Total Nonoperating Revenues (Expense)	<u>170,120</u>
Income (Loss) before Transfers	(291,365)
Transfers out	<u>(120,000)</u>
Net transfers	<u>(120,000)</u>
Changes in Net Position	(411,365)
Total Net Position - Beginning	<u>170,753</u>
Total Net Position - Ending	<u>\$ (240,612)</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, 2021

	<u>Business-type Activities Sewer Fund</u>
Cash flows from operating activities	
Cash received from customers	\$ 90,474
Cash paid to employees	(19,587)
Cash paid to suppliers	<u>(986,609)</u>
Net cash provided by (used in) operating activities	<u>(915,722)</u>
Cash flows from non-capital financing activities	
Settlements	2,251
Transfers to other funds	<u>(120,000)</u>
Net cash provided by (used in) non-capital	
Cash flows from capital and related financing activities	
Grant proceeds	<u>167,706</u>
Net cash provided by (used in) capital and related financing activities	<u>167,706</u>
Cash flows from investing activities	
Earnings on investments	<u>163</u>
Net cash provided by (used in) investing activities	<u>163</u>
Net increase (decrease) in cash and cash equivalents	(865,602)
Beginning cash and cash equivalents	<u>1,084,304</u>
Ending cash and cash equivalents	<u><u>\$ 218,702</u></u>
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Net operating income (loss)	<u>\$ (461,485)</u>
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities	
(Increase) decrease in receivables	81,774
Increase (decrease) in accrued wages	(52)
Increase (decrease) in accounts payables	(11,459)
Increase (decrease) in due to other funds	(536,034)
Increase (decrease) in pension liability and deferred items	<u>11,534</u>
Net adjustments	<u>(454,237)</u>
Cash provided by (used in) operating activities	<u><u>\$ (915,722)</u></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, 2021

	<u>Pension</u> <u>Trust Funds</u>	<u>Health</u> <u>Benefits Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 30,257	\$ 386,316	\$ 416,573
Investments, at fair value:			
Mutual Funds - Equity	21,438,345	-	21,438,345
Mutual Funds - International Equity	1,584,443	-	1,584,443
Mutual Funds - Fixed Income	3,528,053	-	3,528,053
Mutual Funds - Real Estate	769,604	-	769,604
Total Investments	<u>27,320,445</u>	<u>-</u>	<u>27,320,445</u>
Total Assets	<u>\$ 27,350,702</u>	<u>\$ 386,316</u>	<u>\$ 27,737,018</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 94,700	\$ -	\$ 94,700
Total Liabilities	<u>\$ 94,700</u>	<u>\$ -</u>	<u>\$ 94,700</u>
<u>NET POSITION</u>			
Net Position - Restricted for:			
Pension benefits	\$ 27,256,002	\$ -	\$ 27,256,002
Post-employment benefits	<u>-</u>	<u>386,316</u>	<u>386,316</u>
Total Net Position	<u>\$ 27,256,002</u>	<u>\$ 386,316</u>	<u>\$ 27,642,318</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, 2021

	<u>Pension</u> <u>Trust Funds</u>	<u>Health</u> <u>Benefits Fund</u>	<u>Total</u>
Additions			
Contributions			
Employee contributions	\$ 256,458	\$ -	\$ 256,458
Employer contributions	1,131,905	-	1,131,905
State aid	<u>369,391</u>	<u>-</u>	<u>369,391</u>
Total Contributions	<u>1,757,754</u>	<u>-</u>	<u>1,757,754</u>
Investment Income			
Net appreciation (depreciation) in fair value of investments	1,318,985	-	1,318,985
Interest and dividend income	<u>1,272,980</u>	<u>90</u>	<u>1,273,070</u>
Total investment earnings	2,591,965	90	2,592,055
Less investment expense	<u>(35,899)</u>	<u>-</u>	<u>(35,899)</u>
Net Investment Income	<u>2,556,066</u>	<u>90</u>	<u>2,556,156</u>
Total Additions	<u>4,313,820</u>	<u>90</u>	<u>4,313,910</u>
Deductions			
Benefits	1,543,998	-	1,543,998
Administrative expenses	<u>22,971</u>	<u>78,433</u>	<u>101,404</u>
Total Deductions	<u>1,566,969</u>	<u>78,433</u>	<u>1,645,402</u>
Change in Net Position	2,746,851	(78,343)	2,668,508
Net Position - Fiduciary:			
Beginning of Year	<u>24,509,151</u>	<u>464,659</u>	<u>24,973,810</u>
End of Year	<u>\$ 27,256,002</u>	<u>\$ 386,316</u>	<u>\$ 27,642,318</u>

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

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

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, 2021

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 *Fire Tax Fund* is used to account for resources accumulated to be used to fund local fire protection needs.

The *Park and Recreation Fund* is used to account for resources accumulated to fund local park and recreation needs.

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, and Park and Recreation Capital 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, 2021

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 Custodial Funds - Are used to account for assets held by the Township in a trustee or custodial 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.

There are no custodial funds

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, 2021

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, 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, 2021

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, 2021

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, 2021, 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, 2021.

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, 2021 are recognized as revenue for the year ending December 31, 2021.

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, 2021

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, 2021

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 carryover up to ten days of unused vacation time into the next year, upon written request, as well as exchange up to ten days of unused vacation time for paid wages in any one calendar year. Non-uniformed personnel can carryover up to five days of unused vacation time into the next year, upon written request, as well as exchange up to five days of unused vacation time for paid wages in any one calendar year.

Non-uniformed Township employees accrue up to ten days sick leave per year for a maximum of thirty days. Personnel covered by the police contract 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. 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.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

I. Summary of significant accounting policies (Continued)

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

7. Deferred outflows/inflows of resources (continued)

The Township has the following items that qualify for reporting in these categories.

1. *Change in assumptions -pension plan* -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 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 in the period that the amounts become available.
3. *Net difference between projected and actual earnings on pension plan investments* is reported in the government-wide statement of net position. A net difference results from the actual earnings in the plan either exceeding or falling short of projected earnings. These amounts are deferred and recognized in the period that the amounts become available.
4. *Change in assumptions - OPEB* - 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 in the period that the amounts become available.
5. *Differences between expected and actual experience on OPEB 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 in the period that the amounts become available.
6. *OPEB contribution made after the measurement date* is reported in the government-wide statement of net position. The OPEB measurement date is January 1, 2021. These amounts are deferred and recognized in the next period.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

I. Summary of significant accounting policies (Continued)

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

8. *Net position*

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

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Capital assets not being depreciated	\$ 1,479,105	\$ -	\$ 1,479,105
Capital assets being depreciated, net of accumulated depreciation	9,029,027	-	9,029,027
Less: long-term outstanding debt	(140,602)	-	(140,602)
Net investment in capital assets	<u>\$ 10,367,530</u>	<u>\$ -</u>	<u>\$ 10,367,530</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, 2021

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, 2021

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. Subsequent to year end, the Township expects to receive additional funding under the American Rescue Plan Act in the amount of \$731,328. No other subsequent events have been recognized or disclosed.

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 2021. 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, 2021

II. Stewardship, compliance, and accountability (Continued)

A. *Budgetary information (continued)*

Excess of Expenditures Over Appropriations - For the year ended December 31, 2021, expenditures over appropriations for the General Fund were as follows: Public Safety \$256,304, Highway and streets \$54,248, Insurance expenses \$9,168 and Miscellaneous \$44,883. The over expenditures were covered through revenues in excess of budget. For the year ended December 31, 2021, expenditures over appropriations for the Fire Tax Fund were as follows: Miscellaneous \$7,594. The over expenditures were covered through future revenues. For the year ended December 31, 2021, expenditures over appropriations for the Park and Recreation Fund were as follows: Culture and recreation \$90,440. The over expenditures were covered through revenues in excess of budget.

Deficit Fund Balance - The Fire Tax fund, Park and Recreation fund, Sewer fund, and Park and Recreation Capital fund had a deficit fund balance of \$23,802, \$141,881, \$240,612, and \$57,368 at December 31, 2021. The deficit is expected to be eliminated in 2022 by a transfer from the general fund.

III. Detailed notes on all funds

A. *Taxes*

For 2021, the following tax was levied on assessed value of real estate:

- 1.717 mills for general 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, 2021 was \$959,021,633.

Other taxes levied in 2021:

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, 2021

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 \$28,596,044 and the bank balance was \$28,616,252. Of the bank balance, \$203,167 was covered by federal depository insurance and \$28,413,085 was invested in eternally pooled investments, which are not subject to credit risk. 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, 2021

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)	\$ 28,394,093	AAAm	30 days
Total Governmental Activities	<u>\$ 28,394,093</u>		
FIDUCIARY FUNDS			
Externally Pooled Investments (PLGIT)	\$ 395,423	AAAm	30 days
Mutual Funds - Equity	21,438,345	not applicable	not applicable
Mutual Funds - International Equity	1,584,443	not applicable	not applicable
Mutual Funds - Fixed Income	3,528,053	not applicable	not applicable
Mutual Funds - Real Estate	<u>769,604</u>	not applicable	not applicable
Total Fiduciary Funds	<u>\$ 27,715,868</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, 2021, 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, 2021

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, 2021:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
GOVERNMENTAL ACTIVITIES			
Externally Pooled Investments (PLGIT)	\$ 28,394,093	\$ -	\$ 28,394,093
Total Governmental Activities	<u>\$ 28,394,093</u>	<u>\$ -</u>	<u>\$ 28,394,093</u>
FIDUCIARY FUNDS			
Externally Pooled Investments (PLGIT)	\$ 395,423	\$ -	\$ 395,423
Mutual Funds - Equity	21,438,345	21,438,345	-
Mutual Funds - Fixed Income	3,528,053	3,528,053	-
Mutual Funds - Real Estate	769,604	769,604	-
Total Fiduciary Funds	<u>\$ 26,131,425</u>	<u>\$ 25,736,002</u>	<u>\$ 395,423</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>Fire Tax</u>	<u>Park & Rec</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receivables:						
Taxes receivable	\$ 1,032,855	\$ 14,109	\$ 7,595	\$ 8,526	\$ -	\$ 1,063,085
Other receivable	280,646	-	-	-	2,561	283,207
Total Receivables	<u>\$ 1,313,501</u>	<u>\$ 14,109</u>	<u>\$ 7,595</u>	<u>\$ 8,526</u>	<u>\$ 2,561</u>	<u>\$ 1,346,292</u>

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

III. Detailed notes on all funds (Continued)

D. *Capital assets*

Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,479,105	\$ -	\$ -	\$ 1,479,105
Infrastructure	<u>5,090,699</u>	<u>-</u>	<u>-</u>	<u>5,090,699</u>
Total capital assets, not being depreciated	<u>6,569,804</u>	<u>-</u>	<u>-</u>	<u>6,569,804</u>
Capital assets, being depreciated:				
Site improvements	5,538,517	-	(29,922)	5,508,595
Building and improvements	2,703,986	111,425	(8,684)	2,806,727
Machinery and equipment	3,539,586	452,500	(659,676)	3,332,410
Vehicles	<u>3,278,548</u>	<u>29,875</u>	<u>(104,167)</u>	<u>3,204,256</u>
Total capital assets being depreciated	<u>15,060,637</u>	<u>593,800</u>	<u>(802,449)</u>	<u>14,851,988</u>
Less accumulated depreciation for:				
Site improvements	3,554,813	148,891	(29,922)	3,673,782
Building and improvements	2,407,169	73,322	(8,684)	2,471,807
Machinery and equipment	2,845,893	151,120	(659,676)	2,337,337
Vehicles	<u>2,349,820</u>	<u>185,081</u>	<u>(104,167)</u>	<u>2,430,734</u>
Total accumulated depreciation	<u>11,157,695</u>	<u>558,414</u>	<u>(802,449)</u>	<u>10,913,660</u>
Total capital assets, being depreciated, net	<u>3,902,942</u>	<u>35,386</u>	<u>-</u>	<u>3,938,328</u>
Governmental activities capital assets, net	<u>\$ 10,472,746</u>	<u>\$ 35,386</u>	<u>\$ -</u>	<u>\$ 10,508,132</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 99,381
Public safety	61,824
Highway and streets	388,114
Culture and recreation	<u>9,095</u>
Total depreciation expense-governmental activities	<u>\$ 558,414</u>

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

III. Detailed notes on all funds (Continued)

E. Interfund receivables, payables, and transfers

The composition of interfund balances as of December 31, 2021 are as follows:

	Due From <u>Other Funds</u>	Due To <u>Other Funds</u>
General fund	\$ 911,797	\$ 450
Fire tax	150	137,705
Capital projects	-	33,363
Park & Rec	-	152,983
Other governmental funds	2,450	132,844
Sewer	-	457,052
Total	<u>\$ 914,397</u>	<u>\$ 914,397</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	\$ 269,337	\$ 21,062,803
Capital projects	21,062,803	-
Park & Rec	-	99,337
Other governmental funds	-	50,000
Sewer	-	120,000
Total	<u>\$ 21,332,140</u>	<u>\$ 21,332,140</u>

Interfund transfers are primarily a result of:

- (1) to fund capital projects and acquisitions

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

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>(484,183)</u>
Total	<u>\$ 453,566</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>	
2022	\$ 36,428
2023	34,616
2024	34,616
2025	34,616
2026	<u>11,689</u>
Total minimum lease payments	151,965
Less: amount representing interest	<u>(11,363)</u>
Net present value of minimum lease payments	<u>\$ 140,602</u>

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

III. Detailed notes on all funds (Continued)

G. Long-term debt

Long-term liability activity for the year ended December 31, 2021 was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
Governmental activities:					
Capital leases	\$ 279,704	\$ -	\$ (139,102)	\$ 140,602	\$ 32,278
Compensated absences	137,644	2,171	-	139,815	-
Net pension liability	3,219,134	1,939,658	(3,216,265)	1,942,527	-
Net OPEB liability	<u>2,108,453</u>	<u>407,351</u>	<u>(119,347)</u>	<u>2,396,457</u>	<u>-</u>
Governmental activity					
Long-Term Liabilities	<u>\$ 5,744,935</u>	<u>\$ 2,349,180</u>	<u>\$ (3,474,714)</u>	<u>\$ 4,619,401</u>	<u>\$ 32,278</u>

Debt service for capital leases 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 liabilities and OPEB liabilities 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, 2021

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, 2021 was \$127,938. The pooling agreement permits the pool to make additional assessments to its members. At December 31, 2021, there were no additional assessments due or anticipated; instead, the pool declared a dividend of which the Township's share was \$10,215.

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, 2021 was \$147,143. The Township also received \$6,208 as a result from a payroll audit of the 2020 coverage year. There were no additional assessments due or anticipated. An audit of the 2021 payroll will be performed in 2022. For the year ended December 31, 2021, the pool declared a dividend of which the Township's share was \$31,573.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

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, 2021 was \$1,176,601. There were no additional assessments due or anticipated. At December 31, 2021, 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, 2021

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, 2021. 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, 2021, Defined Benefit Pension Plans consisted of the following:

	<u>Police</u>	Non- <u>Uniformed</u>
Inactive employees (or their beneficiaries) currently receiving benefits (1)	24	31
Inactive employees entitled to benefits but not yet receiving them	3	7
Active employees	<u>27</u>	<u>22</u>
	<u>54</u>	<u>60</u>

(1) Includes DROP - 1 Police

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

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, 2021, the pension plan had total DROP account balances of \$122,807 and no accumulated DROP payments payable.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

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. For employees hired before August 1, 2014, a member is eligible for normal retirement at or after attainment of age 58 with ten years of continuous service or after attainment of age 55 and completion of 25 years of continuous service. For employees hired on or after August 1, 2014, a member is eligible for normal retirement at or after attainment of age 62 with ten years of continuous service. For non-management employees, the normal retirement benefit is equal to 1.65% of average monthly compensation multiplied by the number of years and months of benefit service completed, up to a maximum benefit of sixty (60) percent of average monthly compensation. For management employees, the amount of monthly pension is equal to 50% of average monthly compensation, based upon the final five years of employment. If a member continues to work after the normal retirement date, the pension benefit does not start until the employee actual retires. The monthly late retirement pension benefit is equal to the benefit accrued to the late retirement date. 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 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. Benefit provisions are established and amended in accordance with Pennsylvania law. Administrative costs of the Plan are financed through investment earnings.

A Deferred Retirement Option Plan ("DROP") was previously available to active members. The DROP program was frozen as of December 31, 2020 and no longer available to non-uniformed employees who had not entered the program as of December 31, 2020. No non-uniformed employees were able to enter the program on or after January 1, 2021. At December 31, 2021, the pension plan had total DROP account balances of \$0 and no accumulated DROP payments payable.

Effective January 1, 2021, the Township transitioned from a defined benefit plan to a defined contribution plan for all non-uniformed employees hired on or after that date. This is a trust management plan with the Township responsible for contributing 5% of eligible employees' wages into the plan. All 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, 2021

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 \$ 369,391 for the pensions for the year ended December 31, 2021.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

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, 2021, the annual money-weighted rate of return on Plan investments, net of investment expense was 10.58% for the Police Plan and 8.84% 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, 2021 were as follows:

	<u>Police</u>	<u>Non-Uniformed</u>
Total pension liability	\$ 20,404,757	\$ 8,883,235
Plan fiduciary net position	<u>(18,462,230)</u>	<u>(8,887,633)</u>
Net Pension Liability	<u>\$ 1,942,527</u>	<u>\$ (4,398)</u>
Plan fiduciary net position as a percentage of the total pension liability	90.5%	100.0%

Actuarial Assumptions: The total pension liability in the January 1, 2021 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, 2021

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, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2019 to December 31, 2020.

The net pension liability for Police was measured as of December 31, 2021 and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2021.

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, 2021 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, 2021

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 <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net Pension <u>Liability</u>
<u>Police Pension Plan</u>			
Balance at December 31, 2020	\$ 19,601,274	\$ 16,382,140	\$ 3,219,134
Changes for the year:			
Service cost	485,197	-	485,197
Interest	1,454,461	-	1,454,461
Change of benefit terms	-	-	-
Differences between expected and actual experience	(180,331)	-	(180,331)
Change of assumptions	-	-	-
Contributions - employer	-	1,077,942	(1,077,942)
Contributions - employee	-	160,444	(160,444)
Net investment income	-	1,797,548	(1,797,548)
Benefit payments, including refunds of employee contributions	(955,844)	(955,844)	-
Administrative expense	-	-	-
Other changes	-	-	-
Net Changes	<u>803,483</u>	<u>2,080,090</u>	<u>(1,276,607)</u>
Balance at December 31, 2021	<u>\$ 20,404,757</u>	<u>\$ 18,462,230</u>	<u>\$ 1,942,527</u>

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

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, 2020	\$ 8,011,322	\$ 8,204,038	\$ (192,716)
Changes for the year:			
Service cost	287,065	-	287,065
Interest	639,377	-	639,377
Change of benefit terms	647,786	-	647,786
Differences between expected and actual experience	(114,493)	-	(114,493)
Change of assumptions	-	-	-
Contributions - employer	-	416,357	(416,357)
Contributions - employee	-	95,014	(95,014)
Net investment income	-	760,046	(760,046)
Benefit payments, including refunds of employee contributions	(587,822)	(587,822)	-
Administrative expense	-	-	-
Other changes	-	-	-
Net Changes	871,913	683,595	188,318
Balance at December 31, 2021	\$ 8,883,235	\$ 8,887,633	\$ (4,398)

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

	1%	Current	1%
	Decrease	Discount	Increase
	(6.5%)	Rate (7.5%)	(8.5%)
Net pension liability			
Police	\$ 4,452,078	\$ 1,942,527	\$ (145,976)
Non-Uniformed	957,574	(4,398)	(819,057)

Deferred Outflows and Inflows of Resources: For the year ended December 31, 2021, the Township recognized pension expense of \$415,578 for Police Pension and \$858,644 for Non-Uniformed Pension.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

IV. Other information (Continued)

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

At December 31, 2021, the Township reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Police Pension</u>		
Differences between expected and actual experience	\$ 91,452	\$ 213,178
Change in assumptions	306,815	-
Net difference between projected and actual earnings on pension plan investments	-	826,474
Total	<u>\$ 398,267</u>	<u>\$ 1,039,652</u>
<u>Non-Uniformed Pension</u>		
Differences between expected and actual experience	\$ -	\$ 92,466
Change in assumptions	89,596	-
Net difference between projected and actual earnings on pension plan investments	-	244,967
Total	<u>\$ 89,596</u>	<u>\$ 337,433</u>

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

Year Ended		
<u>December 31:</u>	<u>Police</u>	<u>Non-Uniformed</u>
2022	\$ 40,443	\$ 12,323
2023	(336,340)	(146,290)
2024	(188,732)	(84,348)
2025	(105,232)	(29,522)
2026	(25,759)	-
Thereafter	(25,765)	-
Total	<u>\$ (641,385)</u>	<u>\$ (247,837)</u>

Payable to the Defined Benefit Pension Plans: For the year ended December 31, 2021 there were no amounts payable for contributions to the pension plans.

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

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, 2021:

	<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, 2021

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, 2021

IV. Other information (Continued)

D. Post-retirement benefits (continued)

Net OPEB Liability

The Township's net OPEB liability was measured as of January 1, 2021, 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	\$ 2,396,457
Plan fiduciary net position	<u>-</u>
Net OPEB liability	<u>\$ 2,396,457</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	1.93% (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 Actuaries 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, 2021

IV. Other information (Continued)

D. Post-retirement benefits (continued)

The net OPEB liability was measured as of December 31, 2021 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 discount rate decreased from 3.26% to 1.93%.

Discount Rate: The discount rate used to measure the total OPEB liability was 1.93 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, 2020	\$ 2,108,453	\$ -	\$ 2,108,453
Changes for the year:			
Service cost	65,832	-	65,832
Interest	68,774	-	68,774
Change of benefit terms	16,362	-	16,362
Differences between expected and actual experience	-	-	-
Change of assumptions	256,383	-	256,383
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of employee contributions	(119,347)	-	(119,347)
Administrative expense	-	-	-
Other changes	-	-	-
Net Changes	<u>288,004</u>	<u>-</u>	<u>288,004</u>
Balance at January 1, 2021	<u>\$ 2,396,457</u>	<u>\$ -</u>	<u>\$ 2,396,457</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability calculated using the discount rate of 1.93 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, 2021

IV. Other information (Continued)

D. Post-retirement benefits (continued)

	1% Decrease	Current Discount	1% Increase
	(0.93%)	Rate (1.93%)	(2.93%)
Net OPEB liability	\$ 2,619,368	\$ 2,396,457	\$ 2,199,653

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	Healthcare Cost Trend	1% Increase Valuation
	<u>Rates</u>	<u>Valuation Rates</u>	<u>Rates</u>
Net OPEB liability	\$ 2,132,865	\$ 2,396,457	\$ 2,706,577

OPEB Expense, and Deferred Outflows and Inflows of Resources

For December 31, 2021, 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	\$ -	\$ 169,897
Changes in assumptions	344,398	71,131
Net difference between projected and actual earnings on OPEB plan investments	-	-
Benefit Payments subsequent to the measurement date	74,433	-
Total	<u>\$ 418,831</u>	<u>\$ 241,028</u>

EAST NORRITON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

IV. Other information (Continued)

D. Post-retirement benefits (continued)

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

Year Ended <u>December 31:</u>	Governmental- Activities <u>OPEB</u>
2022	\$ 9,818
2023	9,818
2024	9,818
2025	9,818
2026	9,818
Thereafter	<u>54,280</u>
Total	<u>\$ 103,370</u>

For the year ended December 31, 2021, the actuarial determined expense for the OPEB Plan was \$160,786.

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, 2021 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, 2021, \$454,418 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability				
Service cost	\$ 485,197	\$ 405,439	\$ 386,132	\$ 393,450
Interest	1,454,461	1,402,735	1,393,451	1,267,245
Changes of benefit terms	-	57,420	-	-
Differences between expected and actual experience	(180,331)	-	(102,565)	-
Changes of assumptions	-	-	327,874	-
Benefit payments, including refunds of employee contributions	(955,844)	(1,483,621)	(767,218)	(764,914)
Net change in total pension liability	803,483	381,973	1,237,674	895,781
Total pension liability - beginning	19,601,274	19,219,301	17,981,627	17,085,846
Total pension liability - ending (a)	<u>\$ 20,404,757</u>	<u>\$ 19,601,274</u>	<u>\$ 19,219,301</u>	<u>\$ 17,981,627</u>
 Plan fiduciary net position				
Contributions - employer	\$ 1,077,942	\$ 851,172	\$ 826,028	\$ 715,184
Contributions - employee	160,444	149,277	133,323	129,139
Net investment income	1,797,548	1,548,170	2,276,113	(830,858)
Benefit payments, including refunds of employee contributions	(955,844)	(1,483,621)	(767,218)	(764,914)
Administrative expense	-	-	-	(35,859)
Other	-	-	-	-
Net change in plan fiduciary net position	2,080,090	1,064,998	2,468,246	(787,308)
 Plan fiduciary net position - beginning	<u>16,382,140</u>	<u>15,317,142</u>	<u>12,848,896</u>	<u>13,636,204</u>
Plan fiduciary net position - ending (b)	<u>\$ 18,462,230</u>	<u>\$ 16,382,140</u>	<u>\$ 15,317,142</u>	<u>\$ 12,848,896</u>
 Township's net pension liability - ending (a)-(b)	<u>\$ 1,942,527</u>	<u>\$ 3,219,134</u>	<u>\$ 3,902,159</u>	<u>\$ 5,132,731</u>
 Plan fiduciary net position as a percentage of the total pension liability	90.5%	83.6%	79.7%	71.5%
 Covered payroll	\$ 3,223,042	\$ 3,021,417	\$ 2,666,434	\$ 2,539,013
 Net pension liability as a percentage of covered payroll	60.3%	106.5%	146.3%	202.2%
 Annual money weighted return, net of investment expenses	10.58%	10.70%	17.50%	-6.14%

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.

<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 374,714	\$ 410,899	\$ 391,332
1,216,430	1,104,270	1,040,841
-	-	-
320,087	-	(389,307)
418,103	-	-
<u>(827,733)</u>	<u>(539,388)</u>	<u>(694,180)</u>
1,501,601	975,781	348,686
<u>15,584,245</u>	<u>14,608,464</u>	<u>14,259,778</u>
<u>\$ 17,085,846</u>	<u>\$ 15,584,245</u>	<u>\$ 14,608,464</u>

\$ 749,645	\$ 706,098	\$ 727,687
161,049	147,502	136,620
1,471,741	966,594	(175,723)
(827,733)	(539,388)	(694,180)
(34,938)	(5,700)	(8,800)
<u>-</u>	<u>-</u>	<u>600</u>
1,519,764	1,275,106	(13,796)

<u>12,116,440</u>	<u>10,841,334</u>	<u>10,855,130</u>
<u>\$ 13,636,204</u>	<u>\$ 12,116,440</u>	<u>\$ 10,841,334</u>

<u>\$ 3,449,642</u>	<u>\$ 3,467,805</u>	<u>\$ 3,767,130</u>
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79.8%	77.7%	74.2%
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\$ 2,563,390	\$ 3,017,483	\$ 2,732,355
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134.6%	114.9%	137.9%
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12.34%	9.26%	-1.47%
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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>
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%
2021	1,076,887	1,077,942	(1,055)	3,223,042	33.44%

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	1/1/2019
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Remaining amortization period	7 years
Asset valuation method	Smoothed value with a corridor of 80% to 120% of Market Value
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	PubS-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2018 to reflect mortality improvement

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 PubS-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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability				
Service cost	\$ 287,065	\$ 157,083	\$ 149,603	\$ 162,843
Interest	639,377	574,817	559,412	540,812
Changes of benefit terms	647,786	-	-	-
Differences between expected and actual experience	(114,493)	-	(16,493)	-
Changes of assumptions	-	-	223,987	-
Benefit payments, including refunds of employee contributions	<u>(587,822)</u>	<u>(472,606)</u>	<u>(733,135)</u>	<u>(644,313)</u>
Net change in total pension liability	871,913	259,294	183,374	59,342
Total pension liability - beginning	<u>8,011,322</u>	<u>7,752,028</u>	<u>7,568,654</u>	<u>7,509,312</u>
Total pension liability - ending (a)	<u>\$ 8,883,235</u>	<u>\$ 8,011,322</u>	<u>\$ 7,752,028</u>	<u>\$ 7,568,654</u>
Plan fiduciary net position				
Contributions - employer	\$ 416,357	\$ 1,897,737	\$ 383,764	\$ 317,716
Contributions - employee	95,014	102,068	101,957	97,927
Net investment income	760,046	640,966	910,890	(344,120)
Benefit payments, including refunds of employee contributions	<u>(587,822)</u>	<u>(472,606)</u>	<u>(733,135)</u>	<u>(644,313)</u>
Administrative expense	-	-	-	(10,851)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	683,595	2,168,165	663,476	(583,641)
Plan fiduciary net position - beginning	<u>8,204,038</u>	<u>6,035,873</u>	<u>5,372,397</u>	<u>5,956,038</u>
Plan fiduciary net position - ending (b)	<u>\$ 8,887,633</u>	<u>\$ 8,204,038</u>	<u>\$ 6,035,873</u>	<u>\$ 5,372,397</u>
Township's net pension liability - ending (a)-(b)	<u>\$ (4,398)</u>	<u>\$ (192,716)</u>	<u>\$ 1,716,155</u>	<u>\$ 2,196,257</u>
Plan fiduciary net position as a percentage of the total pension liability	100.0%	102.4%	77.9%	71.0%
Covered payroll	\$ 1,729,269	\$ 1,880,210	\$ 2,015,008	\$ 1,674,814
Net pension liability as a percentage of covered payroll	-0.3%	-10.2%	85.2%	131.1%
Annual money weighted return, net of investment expenses	8.84%	11.00%	17.50%	-8.62%

Notes to Schedule:

Changes in benefit terms: Effective 1/1/21, there were changes in plan eligibility, benefit formula, preretirement death benefit, vesting and DROP. 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.

<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 155,089	\$ 136,256	\$ 129,768
528,547	505,942	491,548
-	-	-
(130,464)	-	(171,363)
270,077	-	-
<u>(512,445)</u>	<u>(519,641)</u>	<u>(297,519)</u>
310,804	122,557	152,434
<u>7,198,508</u>	<u>7,075,951</u>	<u>6,923,517</u>
<u>\$ 7,509,312</u>	<u>\$ 7,198,508</u>	<u>\$ 7,075,951</u>

\$ 311,370	\$ 311,980	\$ 315,228
90,445	80,403	78,999
666,868	439,232	(86,296)
(512,445)	(519,641)	(297,519)
(22,434)	-	(9,200)
-	-	-
<u>533,804</u>	<u>311,974</u>	<u>1,212</u>

<u>5,422,234</u>	<u>5,110,260</u>	<u>5,109,048</u>
<u>\$ 5,956,038</u>	<u>\$ 5,422,234</u>	<u>\$ 5,110,260</u>

<u>\$ 1,553,274</u>	<u>\$ 1,776,274</u>	<u>\$ 1,965,691</u>
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79.3%	75.3%	72.2%
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\$ 1,852,610	\$ 1,613,204	\$ 1,619,489
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83.8%	110.1%	121.4%
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12.30%	9.25%	-1.53%
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EAST NORRITON TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS – NON-UNIFORMED PENSION PLAN

Fiscal Year Ended December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
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%
2021	416,357	416,357	-	1,729,269	24.08%

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	1/1/2019
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Remaining amortization period	8 years
Asset valuation method	Smoothed value with a corridor of 80% to 120% of Market Value
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	PubG-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2018 to reflect mortality improvement

Changes in benefit terms: Effective January 1, 2021, there were changes to plan eligibility, benefit formula, preretirement death benefit, vesting and DROP

(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 January 1,			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability				
Service cost	\$ 65,832	\$ 71,664	\$ 74,811	\$ 65,499
Interest	68,774	80,673	71,381	77,525
Changes of benefit terms	16,362	-	-	-
Differences between expected and actual experience	-	(207,653)	-	-
Changes of assumptions	256,383	62,536	(97,804)	94,533
Benefit payments, including refunds of employee contributions	(119,347)	(94,705)	(79,684)	(75,174)
Net change in total pension liability	288,004	(87,485)	(31,296)	162,383
Total pension liability - beginning	<u>2,108,453</u>	<u>2,195,938</u>	<u>2,227,234</u>	<u>2,064,851</u>
Total pension liability - ending (a)	<u>\$ 2,396,457</u>	<u>\$ 2,108,453</u>	<u>\$ 2,195,938</u>	<u>\$ 2,227,234</u>
Plan fiduciary net position				
Contributions - employer	\$ 119,347	\$ 94,705	\$ 79,684	\$ 75,174
Contributions - employee	-	-	-	-
Net investment income	-	-	-	-
Benefit payments, including refunds of employee contributions	(119,347)	(94,705)	(79,684)	(75,174)
Administrative expense	-	-	-	-
Other	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-
Plan fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Township's net pension liability - ending (a)-(b)	<u>\$ 2,396,457</u>	<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%	0.0%
Covered payroll	\$ 3,117,589	\$ 3,117,589	\$ 2,930,384	\$ 2,930,384
Net pension liability as a percentage of covered payroll	76.9%	67.6%	74.9%	76.0%

Notes to Schedule:

The discount rate changed from 3.16% to 3.64% in 2018, from 3.64% to 3.26% in 2020, and from 3.26% to 1.93% in 2021. For Officers hired before 6/1/2020, the Township now pays 60% of the premium cost for the first 5 years and 45% thereafter until retiree's Medicare eligible age.

SUPPLEMENTARY INFORMATION

EAST NORRITON TOWNSHIP

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

December 31, 2021

	<u>Special Revenue Funds</u>				Total Nonmajor Governmental Funds
	<u>Street Light Tax</u>	<u>Park and Recreation Capital</u>	<u>Highway Aid</u>	<u>Fiscal Recovery</u>	
<u>ASSETS</u>					
Cash and cash equivalents	\$ 177,659	\$ 32,085	\$ 873,275	\$ 731,324	\$ 1,814,343
Other receivable	1,937	-	624	-	2,561
Due from other funds	-	-	2,450	-	2,450
Total Assets	<u>\$ 179,596</u>	<u>\$ 32,085</u>	<u>\$ 876,349</u>	<u>\$ 731,324</u>	<u>\$ 1,819,354</u>
<u>LIABILITIES</u>					
Accounts payable	\$ 11,575	\$ 4,608	\$ 683	\$ -	\$ 16,866
Unearned revenue	-	-	-	434,533	434,533
Due to other funds	48,099	84,745	-	-	132,844
Total Liabilities	<u>59,674</u>	<u>89,353</u>	<u>683</u>	<u>434,533</u>	<u>584,243</u>
<u>FUND BALANCES</u>					
Restricted:					
Street light	119,922	-	-	-	119,922
Highways and streets	-	-	875,666	-	875,666
Capital	-	-	-	296,791	296,791
Unassigned	-	(57,268)	-	-	(57,268)
Total Fund Balances	<u>119,922</u>	<u>(57,268)</u>	<u>875,666</u>	<u>296,791</u>	<u>1,235,111</u>
Total Liabilities and Fund Balances	<u>\$ 179,596</u>	<u>\$ 32,085</u>	<u>\$ 876,349</u>	<u>\$ 731,324</u>	<u>\$ 1,819,354</u>

EAST NORRITON TOWNSHIP

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

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2021

	<u>Street Light Tax</u>	<u>Park and Recreation Capital</u>	<u>Highway Aid</u>	<u>Fiscal Recovery</u>	<u>Nonmajor Governmental Funds</u>
Revenues					
Taxes:					
Property	\$ 22,374	\$ -	\$ -	\$ -	\$ 22,374
Street light assessment	82,692	-	-	-	82,692
Investment income	215	2	173	-	390
Intergovernmental revenues	-	-	400,669	296,791	697,460
Charges for services	-	340,060	-	-	340,060
Other	4,487	4,292	-	-	8,779
	<u>109,768</u>	<u>344,354</u>	<u>400,842</u>	<u>296,791</u>	<u>1,151,755</u>
Expenditures					
Current:					
Highways and streets	104,458	-	137,177	-	241,635
Culture and recreation	-	403,929	-	-	403,929
Debt service					
Principal	-	-	71,377	-	71,377
Interest	-	-	5,631	-	5,631
Total Expenditures	<u>104,458</u>	<u>403,929</u>	<u>214,185</u>	<u>-</u>	<u>722,572</u>
Excess (Deficiency) of Revenues Over Expenditures					
	5,310	(59,575)	186,657	296,791	429,183
Other Financing Sources (Uses)					
Transfers out	(50,000)	-	-	-	(50,000)
Total Other Financing Sources (Uses)	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>
Net Change in Fund Balance					
	(44,690)	(59,575)	186,657	296,791	379,183
Fund Balance - Beginning	<u>164,612</u>	<u>2,307</u>	<u>689,009</u>	<u>-</u>	<u>855,928</u>
Fund Balance - Ending	<u>\$ 119,922</u>	<u>\$ (57,268)</u>	<u>\$ 875,666</u>	<u>\$ 296,791</u>	<u>\$ 1,235,111</u>

EAST NORRITON TOWNSHIP

COMBINING STATEMENT OF NET POSITION

FIDUCIARY FUNDS

	Police Pension <u>Trust Fund</u>	Non-Uniformed Pension <u>Trust Fund</u>	Health <u>Benefits Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 19,739	\$ 10,518	\$ 386,316	\$ 416,573
Investments, at fair value:				
Mutual Funds - Equity	14,055,579	7,382,766	-	21,438,345
Mutual Funds - International Equity	967,962	616,481	-	1,584,443
Mutual Funds - Fixed Income	2,886,285	641,768	-	3,528,053
Mutual Funds - Real Estate	532,667	236,937	-	769,604
Total Investments	<u>18,442,493</u>	<u>8,877,952</u>	<u>-</u>	<u>27,320,445</u>
Total Assets	<u>\$ 18,462,232</u>	<u>\$ 8,888,470</u>	<u>\$ 386,316</u>	<u>\$ 27,737,018</u>
 <u>LIABILITIES</u>				
Accounts payable	<u>\$ 41,700</u>	<u>\$ 53,000</u>	<u>\$ -</u>	<u>\$ 94,700</u>
Total Liabilities	<u>41,700</u>	<u>53,000</u>	<u>-</u>	<u>94,700</u>
 <u>NET POSITION</u>				
Net Position - Restricted for:				
Pension benefits	18,420,532	8,835,470	-	27,256,002
Post-Employment Benefits	<u>-</u>	<u>-</u>	<u>386,316</u>	<u>386,316</u>
Total Net Position	<u>\$ 18,420,532</u>	<u>\$ 8,835,470</u>	<u>\$ 386,316</u>	<u>\$ 27,642,318</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	\$ 161,444	\$ 95,014	\$ -	\$ 256,458
Employer contributions	715,548	416,357	-	1,131,905
State aid	<u>369,391</u>	<u>-</u>	<u>-</u>	<u>369,391</u>
Total Contributions	<u>1,246,383</u>	<u>511,371</u>	<u>-</u>	<u>1,757,754</u>
Investment Income				
Net appreciation (depreciation) in fair value of investments	937,027	381,958	-	1,318,985
Interest and dividend income	<u>883,417</u>	<u>389,563</u>	<u>90</u>	<u>1,273,070</u>
Total investment earnings	1,820,444	771,521	90	2,592,055
Less investment expense	<u>(25,379)</u>	<u>(10,520)</u>	<u>-</u>	<u>(35,899)</u>
Net Investment Income	<u>1,795,065</u>	<u>761,001</u>	<u>90</u>	<u>2,556,156</u>
Total Additions	<u>3,041,448</u>	<u>1,272,372</u>	<u>90</u>	<u>4,313,910</u>
Deductions				
Benefits	955,445	588,553	-	1,543,998
Administrative expenses	<u>6,516</u>	<u>16,455</u>	<u>78,433</u>	<u>101,404</u>
Total Deductions	<u>961,961</u>	<u>605,008</u>	<u>78,433</u>	<u>1,645,402</u>
Change in Net Position	2,079,487	667,364	(78,343)	2,668,508
Net Position - Restricted for Pension Benefits:				
Beginning of Year	<u>16,341,045</u>	<u>8,168,106</u>	<u>464,659</u>	<u>24,973,810</u>
End of Year	<u>\$ 18,420,532</u>	<u>\$ 8,835,470</u>	<u>\$ 386,316</u>	<u>\$ 27,642,318</u>