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EXHIBIT J1

EAST NORRITON TOWNSHIP  
ANNUAL FINANCIAL REPORT FOR 2016

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**EAST NORRITON TOWNSHIP**  
**BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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EAST NORRITON TOWNSHIP  
EAST NORRITON, PENNSYLVANIA

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EAST NORRITON TOWNSHIP  
EAST NORRITON, PENNSYLVANIA

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INDEPENDENT AUDITOR'S REPORT

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May 22, 2017

Board of Township Supervisors  
East Norriton Township  
East Norriton, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East Norriton Township, East Norriton, Pennsylvania, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Board of Township Supervisors  
East Norriton Township

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East Norriton Township, East Norriton, Pennsylvania, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Township's 2015 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated April 27, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Township has adopted the requirements of GASB Statement No. 72, "Fair Value Measurement and Application." This statement addresses accounting and financial reporting issues related to fair value measurements. Our opinion is not modified with respect to this matter.

Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 and pension funds schedules of changes in the Township's net pension liability, investment returns, and related ratios and schedules of Township contributions on pages 55 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Township Supervisors  
East Norriton Township

*Other Information*

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2017 on our consideration of East Norriton Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Norriton Township's internal control over financial reporting and compliance.

*Barbacane, Thornton & Company LLP*

BARBACANE, THORNTON & COMPANY LLP

## **EAST NORRITON TOWNSHIP**

### **Management's Discussion and Analysis (Unaudited)**

**December 31, 2016**

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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, East Norriton, Pennsylvania for the fiscal year ended December 31, 2016. Readers are encouraged to consider the information here in conjunction with the Township's financial statements, which immediately follow this section.

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

#### **Financial Highlights of 2016**

- The assets and deferred outflows of resources of the Township exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$12,422,301, an increase of 10.4% over 2015.
- East Norriton Township's total net position increased by \$1,174,003, primarily due to reductions in long-term debt and pension liabilities combined with enhanced tax collections.
- As of December 31, 2016, the Township's governmental funds reported combined ending fund balances of \$5,228,688 with a net increase of \$575,140 in fund balance.
- The Township's general fund's unassigned fund balance increased to \$2,778,426 at year end representing 32.7% of total general fund budgeted expenditures for the fiscal year.
- Tax revenue, which accounts for 72.1% of total governmental fund revenue, had another year of solid performance and exceeded budget projections by \$933,342 or 13.7%.
- Real estate tax collection rates remained high at just under 100% of projected budget. The Township collected close to \$2.6 million government-wide.
- Other taxes (commonly referred to as Act 511 taxes) performed extremely well, reaching a historic high. Actual collections exceeded budget projections by 21.0% or \$830,901.
- The Township's Proprietary Fund continued its year-on-year improvement with a positive net position change for 2016. The net change, while modest, reversed two years of negative net change - (\$99,599) in 2015 and (\$235,644) in 2014.
- New formalized purchasing regulations were implemented in 2016, which helped control spending and create cost savings across all departments and funds.
- The combination of strong revenue and controlled expenses negated the anticipated use of fund balance in the General Fund for 2016.
- The Township's total debt decreased 26.2% or \$696,828 as of December 31, 2016.

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

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



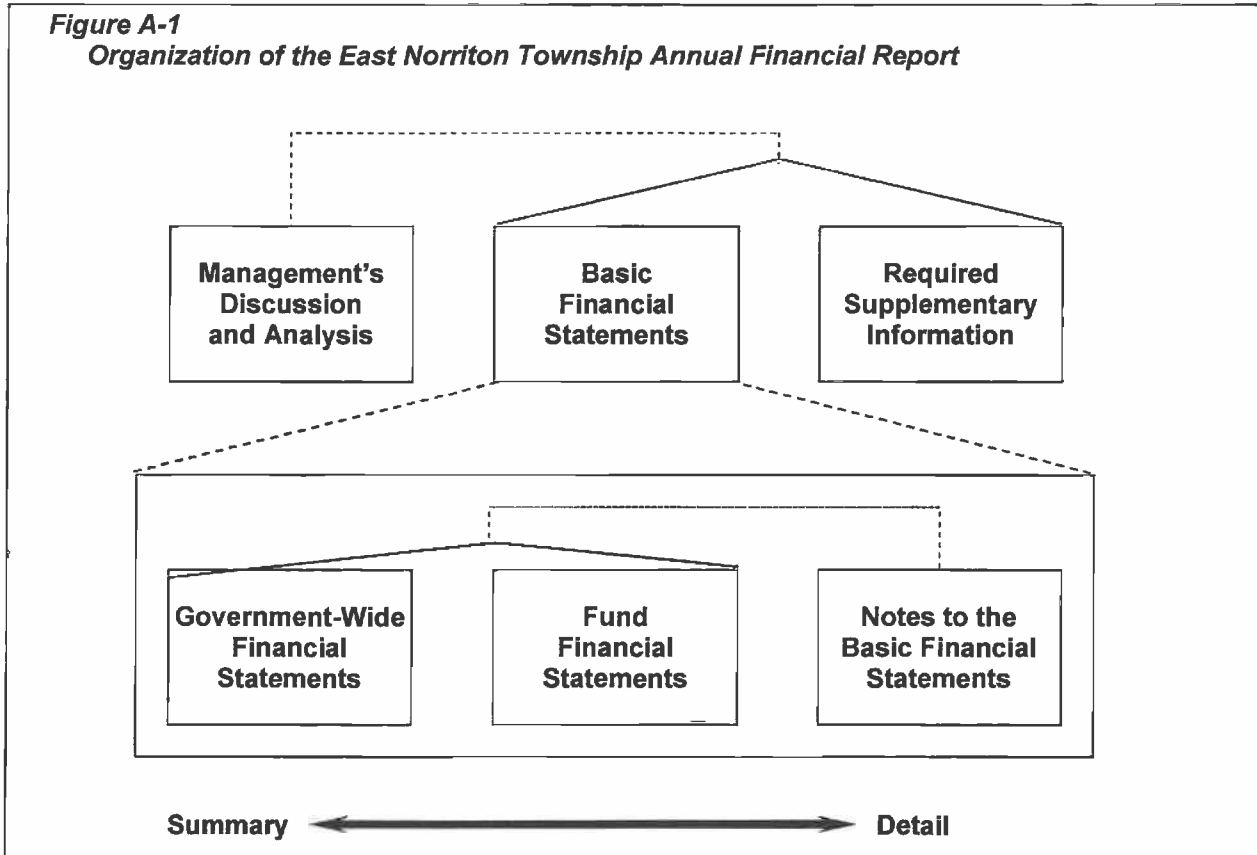
# EAST NORRITON TOWNSHIP

Management's Discussion and Analysis (Unaudited)

December 31, 2016

## FINANCIAL STATEMENTS

Figure A-1 illustrates how the various sections of this annual report are arranged and related to each other.



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

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

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

## **EAST NORRITON TOWNSHIP**

### **Management's Discussion and Analysis (Unaudited)**

**December 31, 2016**

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the financial position of the Township is improving or deteriorating. To assess the Township's overall financial health, you need to consider additional non-financial factors such as changes in the Township's property tax base and the condition of highways and other infrastructures.

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

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

**FUND FINANCIAL STATEMENTS.** The fund financial statements provide more detailed information about the Township's funds, focusing on its most significant or 'major' funds – not the Township as a whole. East Norriton Township, like other local governments, 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 sewer enterprise fund is the same as its business-type activities but provide 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 fiduciary net position and changes in fiduciary net position. (The Township's two fiduciary funds are pension trust funds for the police and non-uniformed personnel.)

# EAST NORRITON TOWNSHIP

## Management's Discussion and Analysis (Unaudited)

December 31, 2016

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

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

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

**EAST NORRITON TOWNSHIP**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2016**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

At the end of the fiscal year, the Township is able to report positive balances of net position, both for the government as a whole, as well as for its separate governmental and business-type activities (there are no restricted assets in the Township's business-type activities). As indicated in Figure A-3, the assets and deferred outflows of resources for East Norriton Township as a whole exceeded its liabilities and deferred inflows of resources at the end of the year by \$12,422,301, an increase of 10.4% over fiscal year 2015.

Significantly, the net position increase is attributable to a) an increase in current assets along with b) a decrease in long-term debt and pension liabilities. Of particular note is the increase in total net position for the Township's business-type activities. While the increase itself is modest, it represents the reversal of prior years' net position decreases of the Township's sewer revenue fund.

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

	Governmental Activities		Business-type Activities		Total Township		Total Percentage Change 2015-2016
	2016	2015	2016	2015	2016	2015	
Current and other assets	\$ 5,786	\$ 4,992	\$ 2,180	\$ 2,145	\$ 7,966	\$ 7,137	
Capital assets, net	10,780	11,051	1,502	1,600	12,282	12,651	
<b>Total Assets</b>	<b>16,566</b>	<b>16,043</b>	<b>3,682</b>	<b>3,745</b>	<b>20,248</b>	<b>19,788</b>	<b>2.32%</b>
Deferred pension	866	1,153	16	24	882	1,177	
Deferred equipment purchase	137	-	-	-	137	-	
Deferred charge on bond refunding	-	8	-	-	-	8	
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 17,569</b>	<b>\$ 17,204</b>	<b>\$ 3,698</b>	<b>\$ 3,769</b>	<b>\$ 21,267</b>	<b>\$ 20,973</b>	<b>1.39%</b>
Long-term debt outstanding	2,319	3,034	-	-	2,319	3,034	
Net pension liability	5,145	5,608	99	125	5,244	5,733	
Other liabilities	659	359	70	123	729	482	
<b>Total Liabilities</b>	<b>8,123</b>	<b>9,001</b>	<b>169</b>	<b>248</b>	<b>8,292</b>	<b>9,249</b>	<b>(10.35%)</b>
Deferred Pension	544	467	9	9	553	476	
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>8,667</b>	<b>9,468</b>	<b>178</b>	<b>257</b>	<b>8,845</b>	<b>9,725</b>	
Net investment in capital assets	8,792	8,360	1,502	1,600	10,294	9,960	
Restricted	558	538	-	-	558	538	
Unrestricted (Deficit)	(448)	(1,162)	2,018	1,912	1,570	750	
<b>TOTAL NET POSITION</b>	<b>8,902</b>	<b>7,736</b>	<b>3,520</b>	<b>3,512</b>	<b>12,422</b>	<b>11,248</b>	<b>10.43%</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 17,569</b>	<b>\$ 17,204</b>	<b>\$ 3,698</b>	<b>\$ 3,769</b>	<b>\$ 21,267</b>	<b>\$ 20,973</b>	

## EAST NORRITON TOWNSHIP

### Management's Discussion and Analysis (Unaudited)

December 31, 2016

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

- Expansion of the Township's business privilege tax audit program to ensure proper business reporting and tax collection. In 2016, the audit program resulted in one-time collections of \$789,202 and a substantial increase in annually recurring revenue.
- Implementation of a new sewer collection policy targeting chronically delinquent sewer customers, transferring over \$328,000 in uncollectible debt into payment plans.
- Continued enhancement of the Township's sewer collections procedures to improve customer communications, encourage use of the Township's automatic payment programs, and enhance the number of one-time payments.
- Enactment of new purchasing regulations designed to ensure the efficient procurement of goods and services at appropriate prices and promote efficient cash management. The regulations helped create cost savings across all departments and funds.
- Restructuring of the Township fee schedule resulting in a 3.7% increase in license and permits revenue over 2015.

**Governmental activities.** East Norriton Township receives the majority of its operating revenues from taxes commonly referred to as Act 511 Taxes (Earned Income, Business Privilege, Local Services, and Real Estate Transfer Taxes) and Real Estate Taxes. Total Act 511 Taxes reached historic highs exceeding budget projections by \$830,901. Earned Income Taxes totaled \$2.67 million, while Business Privilege Taxes and related Business Privilege Tax audits generated \$1.67 million and Local Services Taxes over \$439,000. Real Estate Transfer Taxes also had another strong year generating over \$396,000. Taxes collected across all governmental funds totaled \$7.72 million - representing 72% of total revenue.

Net Change in Fund Balance for all governmental funds increased \$575,140, an improvement over 2015's decline (\$24,195). Most significant was the net change in fund balance for the General Fund which increased \$505,249 to \$3,363,582. Increased efforts to maximize tax collections along with controlled spending contributed to the favorable net change in fund balance.

The Township consistently receives a significant amount of revenues each year in the form of Pennsylvania State grants. These annual revenues are Liquid Fuels Grant, Pension State Aid Grant, Recycling Performance Grant, and the Fireman's Relief Fund Grant. Liquid Fuels revenues increased over 2016 - we are now in year four of a series of annual increases in Liquid Fuels revenues to municipalities under Act 89. Also in 2016, the Township continued to receive funding for the School Resource Officer Grant program from the Commonwealth of Pennsylvania and the Norristown Area School District.

East Norriton Township operates a substantial parks and recreation program throughout the Township. The Township provides its residents an extensive offering of recreation programs. Participation in these programs reached a high in 2016 and are funded through user fees.

## EAST NORRITON TOWNSHIP

### Management's Discussion and Analysis (Unaudited)

December 31, 2016

Controlled spending, aggressive tax collection, licenses and permits improvements, and scheduled debt reduction resulted in a successful 2016 and will remain the focus of a long-term strategy to realize confined fiscal health.

**Business-type activities.** East Norriton Township is the owner and operator of the sanitary sewer collection system which provides service to almost five thousand (5,000) Township properties. The Township is also a member of the East Norriton-Plymouth-Whitpain Joint Sewer Authority (JSA) which provides 100% 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 rose to \$3,519,873 in 2016, an increase over the 2015 net position of \$3,511,871. While the net position change is modest in value, it is significant in that it reversed a two-year trend of net change declines.

Sewer user fees, the primary source of revenue for the Sewer Revenue Fund, rose 11.4% to \$3,254,705, largely attributed to a 2016 planned rate increase. Operating expense controlled by the Township decreased 18.6% over 2015 while non-controlled JSA treatment and debt expense increased 26.9%. Despite the increase in JSA contracted services, the growth in fees and commitment to cost containment enabled operating income to grow 24.8% to \$906,928.

The Township began actively addressing delinquent sewer collections in 2016. Chronically delinquent sewer customers were targeted with the goal of transferring previously uncollectible sewer debt into long-term repayment arrangements. At the end of 2016, over \$328,000 was transferred into managed monthly pay plans.

Figure A-4 details the changes in net position for the Township's governmental and business-type activities, as well as the change in net position for total Township operations. The net position for the Township as a whole improved 12.7%, including a 57.7% improvement in business-type activities (sewer operations).

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

	Governmental Activities		Business-type Activities		Total Township		Total Percentage Change 2015-2016
	2016	2015	2016	2015	2016	2015	
<b>REVENUES</b>							
Program revenues:							
Charges for services	\$ 771	\$ 761	\$ 3,255	\$ 2,920	\$ 4,026	\$ 3,681	9.37%
Operating grants and contributions	1,569	884	-	-	1,569	884	77.48%
General revenues:							
Taxes	7,724	7,236	-	-	7,724	7,236	6.74%
Other	636	724	17	41	653	765	(14.65)%
<b>TOTAL REVENUES</b>	<b>10,700</b>	<b>9,605</b>	<b>3,272</b>	<b>2,961</b>	<b>13,972</b>	<b>12,566</b>	<b>11.21%</b>

**EAST NORRITON TOWNSHIP**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2016**

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

	Governmental Activities		Business-type Activities		Total Township		Total Percentage Change
	2016	2015	2016	2015	2016	2015	2015-2016
<b>EXPENSES</b>							
General government	2,148	1,727	-	-	2,148	1,727	24.37%
Public safety	5,899	5,736	-	-	5,899	5,736	2.85%
Highways and streets	1,561	1,311	-	-	1,561	1,311	18.99%
Culture and recreation	791	716	-	-	791	716	10.47%
Miscellaneous	-	-	-	-	-	-	0.00%
Interest expense	51	72	-	-	51	72	(29.17)%
Sewer operations	-	-	2,348	2,194	2,348	2,194	7.01%
Transfers	(916)	(867)	916	867	-	-	0.00%
<b>TOTAL EXPENSES</b>	<b>9,534</b>	<b>8,695</b>	<b>3,264</b>	<b>3,061</b>	<b>12,798</b>	<b>11,756</b>	<b>8.86%</b>
<b>CHANGES IN NET POSITION</b>	<b>\$ 1,166</b>	<b>\$ 910</b>	<b>\$ 8</b>	<b>\$ (100)</b>	<b>\$ 1,174</b>	<b>\$ 810</b>	<b>44.75%</b>

**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 2016, 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 general fund is the chief operating fund of East Norriton Township. As of December 31, 2016, the total general fund assigned and unassigned fund balance was \$2,778,426. East Norriton Township's fiscal policy requires that the Township maintain an available fund balance equal to 16.7% 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, 2016 fund balance satisfies that policy.

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

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

**EAST NORRITON TOWNSHIP**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2016**

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

As of December 31, 2016, the sewer revenue fund total net position was \$3,519,873, a marginal increase over 2015. Significantly, this increase reversed a two-year trend of net position declines – (\$99,599) in 2015 and (\$235,644) in 2014.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** East Norriton Township's investment in capital assets for its governmental and business-type activities totaled \$12,281,698 (net of accumulated depreciation) as of December 31, 2016. The Township's capital assets include roads, land and land improvements, sewer system, machinery, equipment, and vehicles.

Capital assets are generally acquired through the Township's capital projects fund, which has a dedicated funding source via real estate taxes. Assets are additionally acquired through the use of funds received from the Commonwealth of Pennsylvania through its annual allocation of motor vehicle fuel tax monies. Pennsylvania Act 89 of 2013 restructured the funding source for this program, and the Township expects increased funding through fiscal year 2018. Figure A-5 summarizes the Township's capital assets as of December 31, 2016.

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

	Governmental Activities		Business-type Activities		Total Township		Total Percentage Change
	2016	2015	2016	2015	2016	2015	2015-2016
Infrastructure	\$ 5,091	\$ 5,091	\$ -	\$ -	\$ 5,091	\$ 5,091	0.00%
Land and improvements	6,648	6,648	-	-	6,648	6,648	0.00%
Buildings and building improvements	2,504	2,468	7,511	7,510	10,015	9,978	0.36%
Equipment and machinery	2,795	2,698	931	913	3,726	3,611	3.18%
Automobiles and trucks	2,784	2,793	59	104	2,843	2,897	(1.87)%
Accumulated depreciation	(9,042)	(8,648)	(6,999)	(6,928)	(16,041)	(15,576)	2.98%
<b>TOTAL</b>	<b>\$ 10,780</b>	<b>\$ 11,050</b>	<b>\$ 1,502</b>	<b>\$ 1,600</b>	<b>\$ 12,282</b>	<b>\$ 12,650</b>	<b>(2.91)%</b>



# EAST NORRITON TOWNSHIP

## Management's Discussion and Analysis (Unaudited)

December 31, 2016

**Debt Administration.** Total long-term debt for the Township equaled \$2,393,507 at the end of 2016. The largest portion of long-term debt is a general obligation bond originally issued in 2004, then refinanced in 2010. This general obligation bond continues through 2020. Real estate tax income along with sewer utility billing revenues are utilized for long-term debt repayment.

East Norriton Township's total debt decreased by \$660,304 (21.6%) during the 2016 fiscal year largely attributable to a scheduled reduction in bond payments. The Township's general obligation bond rating is AA+ from Moody's Investors Service, and the debt is backed by the full faith and credit of the Township.

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

	Total Township		Total Percentage Change
	2016	2015	2015-2016
General obligation bonds	\$ 1,436	\$ 1,928	(25.52)%
Net OPEB Obligation	332	271	22.50%
Net pension	5,244	5,733	(8.53)%
Capital leases	552	763	(17.66)%
Compensated absences	59	72	(18.06)%
Accrued interest	15	20	(0.25)%
	<u>\$ 7,638</u>	<u>\$ 8,787</u>	(21.62)%

### 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 2017 will include:

- Potential expansion of a hospital facility to include a trauma center
- Plans submitted for 250+ unit apartment complex
- Development plans submitted for 150+ residential units
- Growth in business privilege tax revenue
- Maintain consistently high real tax collection rate

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

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

**EAST NORRITON TOWNSHIP**

**Management's Discussion and Analysis (Unaudited)**

**December 31, 2016**

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While the Township's business-type activities (sanitary sewer collection system) benefited from a 2016 rate change, externally controlled operating increases will require continued collections diligence along with close monitoring of rate schedules. The Board of Supervisors continues to explore all options related to a possible sale of the sewer system.

**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, 2016  
(With Summarized Comparative Data for December 31, 2015)**

	Governmental	Business-type	Totals	
	Activities	Activities	2016	2015
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 4,287,227	\$ 847,734	\$ 5,134,961	\$ 4,754,802
Cash - restricted	1,008,600	-	1,008,600	1,053,905
Internal balances	(26,000)	26,000	-	-
Taxes receivable	40,851	-	40,851	69,430
Sewer rents receivable	-	1,306,686	1,306,686	1,251,794
Other receivables	475,594	-	475,594	7,735
<b>Total Current Assets</b>	<b>5,786,272</b>	<b>2,180,420</b>	<b>7,966,692</b>	<b>7,137,666</b>
Noncurrent Assets:				
Infrastructure (highways)	5,090,699	-	5,090,699	5,090,699
Land	1,479,105	-	1,479,105	1,479,105
Site improvements	5,169,214	-	5,169,214	5,169,214
Sewer systems	-	5,108,126	5,108,126	5,108,126
Buildings and building improvements	2,503,943	2,402,339	4,906,282	4,870,814
Equipment and machinery	2,794,720	931,333	3,726,053	3,612,214
Vehicles	2,784,026	59,105	2,843,131	2,897,403
Accumulated depreciation	(9,041,800)	(6,999,112)	(16,040,912)	(15,576,990)
<b>Total Noncurrent Assets</b>	<b>10,779,907</b>	<b>1,501,791</b>	<b>12,281,698</b>	<b>12,650,585</b>
<b>TOTAL ASSETS</b>	<b>16,566,179</b>	<b>3,682,211</b>	<b>20,248,390</b>	<b>19,788,251</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pension	866,623	15,841	882,464	1,176,618
Deferred amounts on bond refunding	-	-	-	8,778
Deferred equipment purchase	136,599	-	136,599	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,003,222</b>	<b>15,841</b>	<b>1,019,063</b>	<b>1,185,396</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 17,569,401</b>	<b>\$ 3,698,052</b>	<b>\$ 21,267,453</b>	<b>\$ 20,973,647</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>				
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	\$ 403,501	\$ 62,898	\$ 466,399	\$ 265,380
Accrued interest	14,831	-	14,831	20,130
Payroll and withholding taxes payable	166,616	6,988	173,604	136,841
Escrow deposits	14,787	-	14,787	60,002
Capital lease payable	203,112	-	203,112	211,107
Bonds and notes payable, net of premium	368,564	-	368,564	601,244
<b>Total Current Liabilities</b>	<b>1,171,411</b>	<b>69,886</b>	<b>1,241,297</b>	<b>1,294,704</b>
Noncurrent Liabilities:				
Compensated absences	58,909	-	58,909	71,532
Capital lease payable	348,759	-	348,759	551,871
Bonds and notes payable, net of premium	1,067,571	-	1,067,571	1,326,856
Other post-employment benefits obligation	331,761	-	331,761	271,071
Net pension liability	5,144,879	99,200	5,244,079	5,732,821
<b>Total Noncurrent Liabilities</b>	<b>6,951,879</b>	<b>99,200</b>	<b>7,051,079</b>	<b>7,954,151</b>
<b>TOTAL LIABILITIES</b>	<b>8,123,290</b>	<b>169,086</b>	<b>8,292,376</b>	<b>9,248,855</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred pension	543,683	9,093	552,776	476,494
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>543,683</b>	<b>9,093</b>	<b>552,776</b>	<b>476,494</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>8,666,973</b>	<b>178,179</b>	<b>8,845,152</b>	<b>9,725,349</b>
<b>NET POSITION</b>				
Net investment in capital assets	8,791,901	1,501,791	10,293,692	9,959,507
Restricted	558,396	-	558,396	538,319
Unrestricted (deficit)	(447,869)	2,018,082	1,570,213	750,472
<b>TOTAL NET POSITION</b>	<b>8,902,428</b>	<b>3,519,873</b>	<b>12,422,301</b>	<b>11,248,298</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 17,569,401</b>	<b>\$ 3,698,052</b>	<b>\$ 21,267,453</b>	<b>\$ 20,973,647</b>

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

**EAST NORRITON TOWNSHIP  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(With Summarized Comparative Data for the Year Ended December 31, 2015)**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
						2016	2015
<b>GOVERNMENTAL ACTIVITIES</b>							
General government	\$ 2,148,164	\$ 24,940	\$ 219,285	\$ (1,903,939)	\$ -	\$ (1,903,939)	\$ (1,690,709)
Public safety	5,899,424	547,397	445,916	(4,906,111)	-	(4,906,111)	(4,802,878)
Public works - highways and streets	1,560,473	-	742,442	(818,031)	-	(818,031)	(969,413)
Culture and recreation	790,503	198,306	161,081	(431,116)	-	(431,116)	(381,904)
Interest on long-term debt	50,916	-	-	(50,916)	-	(50,916)	(72,472)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>10,449,480</u>	<u>770,643</u>	<u>1,568,724</u>	<u>(8,110,113)</u>	<u>-</u>	<u>(8,110,113)</u>	<u>(7,917,376)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Sewer operations	<u>2,347,777</u>	<u>3,254,705</u>	<u>-</u>	<u>-</u>	<u>906,928</u>	<u>906,928</u>	<u>726,616</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<u>2,347,777</u>	<u>3,254,705</u>	<u>-</u>	<u>-</u>	<u>906,928</u>	<u>906,928</u>	<u>726,616</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 12,797,257</u>	<u>\$ 4,025,348</u>	<u>\$ 1,568,724</u>	<u>(8,110,113)</u>	<u>906,928</u>	<u>(7,203,185)</u>	<u>(7,190,760)</u>
<b>GENERAL REVENUES</b>							
Taxes:							
Real estate taxes				2,575,155	-	2,575,155	2,630,012
Real estate transfer taxes				368,286	-	368,286	334,402
Earned income taxes				2,669,822	-	2,669,822	2,736,391
Local services tax				439,714	-	439,714	423,373
Business privilege				882,163	-	882,163	848,203
Other				789,202	-	789,202	263,245
Street light assessment				84,357	-	84,357	86,939
Franchise fees				356,449	-	356,449	344,833
Fines and forfeits				72,650	-	72,650	86,379
Investment earnings				21,885	16,827	38,712	24,555
Gain on sale of asset				-	-	-	22,580
Miscellaneous				100,678	-	100,678	200,431
<b>TOTAL GENERAL REVENUES</b>				<u>8,360,361</u>	<u>16,827</u>	<u>8,377,188</u>	<u>8,001,343</u>
<b>CHANGE IN NET POSITION BEFORE TRANSFERS</b>				250,248	923,755	1,174,003	810,583
Transfers				<u>915,753</u>	<u>(915,753)</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>				1,166,001	8,002	1,174,003	810,583
<b>NET POSITION, BEGINNING OF YEAR</b>				<u>7,736,427</u>	<u>3,511,871</u>	<u>11,248,298</u>	<u>10,437,715</u>
<b>NET POSITION, END OF YEAR</b>				<u>\$ 8,902,428</u>	<u>\$ 3,519,873</u>	<u>\$ 12,422,301</u>	<u>\$ 11,248,298</u>

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

**EAST NORRITON TOWNSHIP  
BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2016  
(With Summarized Comparative Data for December 31, 2015)**

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total	
					2016	2015
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>						
Cash and cash equivalents	\$ 3,664,622	\$ -	\$ 45,352	\$ 577,253	\$ 4,287,227	\$ 3,887,384
Due from other funds	-	-	-	-	-	5,919
Taxes receivable	40,851	-	-	-	40,851	69,430
Accounts receivable	23,745	-	448,006	3,843	475,594	7,735
Restricted cash	19,181	-	989,419	-	1,008,600	1,053,905
<b>TOTAL ASSETS</b>	<b>3,748,399</b>	<b>-</b>	<b>1,482,777</b>	<b>581,096</b>	<b>5,812,272</b>	<b>5,024,373</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred equipment purchase	-	-	136,599	-	136,599	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>136,599</b>	<b>-</b>	<b>136,599</b>	<b>-</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 3,748,399</b>	<b>\$ -</b>	<b>\$ 1,619,376</b>	<b>\$ 581,096</b>	<b>\$ 5,948,871</b>	<b>\$ 5,024,373</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 180,780	\$ -	\$ 193,480	\$ 29,241	\$ 403,501	\$ 150,811
Due to other funds	26,000	-	-	-	26,000	31,919
Accrued payroll	163,250	-	-	3,366	166,616	128,093
Escrow deposits	14,787	-	-	-	14,787	60,002
<b>Total Liabilities</b>	<b>384,817</b>	<b>-</b>	<b>193,480</b>	<b>32,607</b>	<b>610,904</b>	<b>370,825</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Deferred note proceeds	-	-	109,279	-	109,279	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>109,279</b>	<b>-</b>	<b>109,279</b>	<b>-</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>384,817</b>	<b>-</b>	<b>302,759</b>	<b>32,607</b>	<b>720,183</b>	<b>370,825</b>
<b>FUND BALANCES:</b>						
Restricted	9,907	-	-	548,489	558,396	538,319
Committed to subsequent year's budget	575,249	-	-	-	575,249	1,090,506
Assigned	-	-	1,316,617	-	1,316,617	1,266,775
Unassigned	2,778,426	-	-	-	2,778,426	1,757,948
<b>Total Fund Balances</b>	<b>3,363,582</b>	<b>-</b>	<b>1,316,617</b>	<b>548,489</b>	<b>5,228,688</b>	<b>4,653,548</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,748,399</b>	<b>\$ -</b>	<b>\$ 1,619,376</b>	<b>\$ 581,096</b>	<b>\$ 5,948,871</b>	<b>\$ 5,024,373</b>

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

**EAST NORRITON TOWNSHIP  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS  
TO STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 5,228,688

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 10,779,907

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

Capital lease	\$ (551,871)	
Accrued interest	(14,831)	
Compensated absences	(58,909)	
Other post-employment benefits obligation	(331,761)	
Bonds and notes payable, net	(1,436,135)	
Net pension liability	<u>(5,144,879)</u>	(7,538,386)

Future debt proceeds associated with the Township's Promissory Note are recorded as deferred inflows in the funds. However, this amount is recognized as debt in governmental activities. 109,279

Deferred outflows and deferred inflows related to the Township's net pension liability are based on the differences between actuarially determined actual and expected investment returns and differences between actuarial expected and actual experience. These amounts will be amortized over the estimated remaining average service life of the employees. 322,940

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 8,902,428

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

**EAST NORRITON TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(With Summarized Comparative Data for the Year Ended December 31, 2015)**

	General Fund	Debt Service Fund	Capital Projects Funds	Nonmajor Governmental Funds	Totals	
					2016	2015
<b>REVENUES:</b>						
Taxes	\$ 6,533,101	\$ 251,160	\$ 340,655	599,426	\$ 7,724,342	\$ 7,235,626
Street light assessment	-	-	-	84,357	84,357	86,939
Licenses and permits	901,046	-	-	-	901,046	874,527
Fines, forfeits, and permits	72,650	-	-	-	72,650	86,379
Interest, dividends, and rents	13,514	-	5,230	3,141	21,885	5,561
Intergovernmental revenues	606,839	-	447,631	514,254	1,568,724	883,941
Charges for service/fees	24,940	-	-	201,106	226,046	231,316
Miscellaneous revenue/other	85,501	-	6,750	8,427	100,678	200,431
<b>TOTAL REVENUES</b>	<b>8,237,591</b>	<b>251,160</b>	<b>800,266</b>	<b>1,410,711</b>	<b>10,699,728</b>	<b>9,604,720</b>
<b>EXPENDITURES:</b>						
General government	1,427,465	-	176,026	-	1,603,491	1,282,716
Public safety	3,849,011	-	69,938	276,054	4,195,003	4,169,761
Highways and streets	545,437	-	30,294	331,818	907,549	1,033,253
Culture and recreation	15,500	-	7,553	532,361	555,414	509,281
Payroll taxes and employee benefits	2,514,621	-	-	117,818	2,632,439	2,604,006
Insurance	67,905	-	-	9,791	77,696	59,542
Debt service:						
Principal	-	595,000	27,320	-	622,320	570,000
Interest	-	53,681	-	-	53,681	76,481
Capital outlay	-	-	466,613	128,560	595,173	411,529
<b>TOTAL EXPENDITURES</b>	<b>8,419,939</b>	<b>648,681</b>	<b>777,744</b>	<b>1,396,402</b>	<b>11,242,766</b>	<b>10,716,569</b>
<b>(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES</b>	<b>(182,348)</b>	<b>(397,521)</b>	<b>22,522</b>	<b>14,309</b>	<b>(543,038)</b>	<b>(1,111,849)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds from long-term financing	-	-	27,320	-	27,320	188,151
Proceeds from sale of capital asset	-	-	-	7,655	7,655	22,090
Refund of prior year revenues	(35,375)	-	-	-	(35,375)	(23,955)
Refund of prior year expenditures	188,036	-	-	14,789	202,825	33,579
Interfund transfer out	(65,738)	-	-	(51,704)	(117,442)	(70,946)
Interfund transfer in	600,674	397,521	-	35,000	1,033,195	938,735
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>687,597</b>	<b>397,521</b>	<b>27,320</b>	<b>5,740</b>	<b>1,118,178</b>	<b>1,087,654</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>505,249</b>	<b>-</b>	<b>49,842</b>	<b>20,049</b>	<b>575,140</b>	<b>(24,195)</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>2,858,333</b>	<b>-</b>	<b>1,266,775</b>	<b>528,440</b>	<b>4,653,548</b>	<b>4,677,743</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 3,363,582</b>	<b>\$ -</b>	<b>\$ 1,316,617</b>	<b>\$ 548,489</b>	<b>\$ 5,228,688</b>	<b>\$ 4,653,548</b>

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

**EAST NORRITON TOWNSHIP  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 575,140

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

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

Capital outlays	\$ . 206,086	
Depreciation expense	<u>- (476,841)</u>	(270,755)

Capital lease proceeds are reported as financing sources in the governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, incurrence of a capital lease increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. This is the amount of capital lease repayments. 211,107

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and, thus, requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 5,299

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

Deferred proceeds from promissory note	109,279	
Deferred equipment purchase	(136,599)	
Bond issuance premium	6,244	
Deferred refunding	(8,778)	
Principal repayments	<u>622,320</u>	592,466

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

Compensated absences	12,623	
Other post-employment benefits	<u>(60,690)</u>	(48,067)

Pension expenses in the statement of activities differ from the amount reported in the governmental funds because pension expenses are recognized on the statement of activities based on the Township's actuarial determined contribution, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists. 100,811

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,166,001

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



**EAST NORRITON TOWNSHIP  
BUDGETARY COMPARISON STATEMENT - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Original and Final Budgeted Amounts	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Real estate	\$ 1,653,000	\$ 1,383,914	\$ (269,086)
Real estate - transfer	250,000	368,286	118,286
Earned income	2,600,000	2,669,822	69,822
Business privilege tax	900,000	882,163	(17,837)
Local services tax	400,000	439,714	39,714
Other	50,000	789,202	739,202
Licenses and permits	758,050	901,046	142,996
Fines, forfeits, and permits	81,000	72,650	(8,350)
Interest, dividends, and rents	1,925	13,514	11,589
Intergovernmental revenues	445,837	606,839	161,002
Charges for service/fees	17,400	24,940	7,540
Miscellaneous revenue/other	97,500	85,501	(11,999)
<b>TOTAL REVENUES</b>	<u>7,254,712</u>	<u>8,237,591</u>	<u>982,879</u>
<b>EXPENDITURES</b>			
General government	1,187,633	1,427,465	(239,832)
Public safety	3,865,151	3,849,011	16,140
Highways and streets	627,870	545,437	82,433
Culture and recreation	15,500	15,500	-
Miscellaneous:			
Payroll taxes and employee benefits	2,930,578	2,514,621	415,957
Insurance	68,000	67,905	95
<b>TOTAL EXPENDITURES</b>	<u>8,694,732</u>	<u>8,419,939</u>	<u>274,793</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,440,020)</u>	<u>(182,348)</u>	<u>1,257,672</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Cash carry over	1,090,506	-	(1,090,506)
Refund of prior year revenues	-	(35,375)	(35,375)
Refund of prior year expenditures	-	188,036	188,036
Interfund transfer out	(196,161)	(65,738)	130,423
Interfund transfer in	545,675	600,674	54,999
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>1,440,020</u>	<u>687,597</u>	<u>(752,423)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>505,249</u>	<u>\$ 505,249</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>		<u>2,858,333</u>	
<b>FUND BALANCE, END OF YEAR</b>		<u>\$ 3,363,582</u>	

**EAST NORRITON TOWNSHIP  
STATEMENTS OF NET POSITION - PROPRIETARY FUND  
DECEMBER 31, 2016 AND 2015**

	Sewer Fund	
	2016	2015
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
Current Assets:		
Cash and cash equivalents	\$ 847,734	\$ 867,418
Sewer rents receivable	1,306,686	1,251,794
Due from other funds	26,000	26,000
Total Current Assets	2,180,420	2,145,212
Noncurrent Assets:		
Depreciable capital assets, net	1,501,791	1,599,923
Total Noncurrent Assets	1,501,791	1,599,923
<b>TOTAL ASSETS</b>	<b>3,682,211</b>	<b>3,745,135</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred pension	15,841	24,032
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 3,698,052</b>	<b>\$ 3,769,167</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	\$ 62,898	\$ 114,569
Accrued payroll	6,988	8,748
Long-term Liabilities:		
Net pension liability	99,200	124,905
Total Liabilities	169,086	248,222
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred pension	9,093	9,074
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>9,093</b>	<b>9,074</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>178,179</b>	<b>257,296</b>
<b>NET POSITION</b>		
Net investment in capital assets	1,501,791	1,599,923
Unrestricted	2,018,082	1,911,948
Total Net Position	3,519,873	3,511,871
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 3,698,052</b>	<b>\$ 3,769,167</b>

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

**EAST NORRITON TOWNSHIP  
STATEMENTS OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION - PROPRIETARY FUND  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	Sewer Fund	
	2016	2015
<b>OPERATING REVENUES:</b>		
Fees	\$ 3,254,705	\$ 2,920,612
<b>Total Operating Revenues</b>	<u>3,254,705</u>	<u>2,920,612</u>
<b>OPERATING EXPENSES:</b>		
Administration	132,012	229,094
Contracted services	1,565,112	1,233,290
Depreciation	115,632	116,707
Repairs and maintenance	67,907	89,004
Salaries and wages	305,634	336,439
Supplies	9,982	17,515
Utilities	151,498	171,947
<b>Total Operating Expenses</b>	<u>2,347,777</u>	<u>2,193,996</u>
<b>OPERATING INCOME</b>	<u>906,928</u>	<u>726,616</u>
<b>NONOPERATING REVENUE:</b>		
Interest income	16,827	18,994
Gain on sale of asset	-	22,580
<b>Total Nonoperating Revenue</b>	<u>16,827</u>	<u>41,574</u>
<b>INCOME BEFORE TRANSFERS</b>	923,755	768,190
<b>TRANSFERS</b>		
Transfers out	<u>(915,753)</u>	<u>(867,789)</u>
<b>CHANGE IN NET POSITION</b>	8,002	(99,599)
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>3,511,871</u>	<u>3,611,470</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 3,519,873</u>	<u>\$ 3,511,871</u>

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

**EAST NORRITON TOWNSHIP  
STATEMENTS OF CASH FLOWS - PROPRIETARY FUND  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	Sewer Fund	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 3,199,813	\$ 2,971,734
Cash payments to suppliers for goods and services	(1,979,942)	(1,696,042)
Cash payments to employees for services	(323,129)	(341,788)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>896,742</u>	<u>933,904</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Transfers out	(915,753)	(867,789)
<b>NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>(915,753)</u>	<u>(867,789)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of capital asset	-	30,700
Purchase of capital assets	(17,500)	(41,847)
Interest received	16,827	18,994
<b>NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES</b>	<u>(673)</u>	<u>7,847</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(19,684)	73,962
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>867,418</u>	<u>793,456</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 847,734</u>	<u>\$ 867,418</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 906,928	\$ 726,616
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	115,632	116,707
(Increase) Decrease in sewer rents receivable	(54,892)	51,122
Increase in due from other funds	-	(26,000)
Decrease (Increase) in deferred outflow pension	8,191	(24,032)
Increase in deferred inflow pension	19	9,074
Decrease in due to other funds	-	(24,794)
(Decrease) Increase in accounts payable	(53,431)	95,602
(Decrease) Increase in net pension liability	(25,705)	9,609
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 896,742</u>	<u>\$ 933,904</u>

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

**EAST NORRITON TOWNSHIP  
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
DECEMBER 31, 2016**

	<u>Pension Trust Funds</u>	<u>Health Benefits Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,100	\$ 680,916
Investments	<u>17,537,274</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 17,543,374</u></u>	<u><u>\$ 680,916</u></u>
 <b>LIABILITIES AND FIDUCIARY NET POSITION</b>		
Accounts payable	\$ 4,700	\$ -
 <b>FIDUCIARY NET POSITION</b>		
Held in trust for pension benefits and other purposes	<u>17,538,674</u>	<u>680,916</u>
<b>TOTAL LIABILITIES AND FIDUCIARY NET POSITION</b>	<u><u>\$ 17,543,374</u></u>	<u><u>\$ 680,916</u></u>

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

**EAST NORRITON TOWNSHIP**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(With Summarized Comparative Data For the Year Ended December 31, 2015)**

	Pension Trust Funds	Health Benefits Fund	Totals	
			2016	2015
<b>ADDITIONS</b>				
Contributions - employee	\$ 205,189	\$ -	\$ 205,189	\$ 216,218
Contributions - state	328,098	-	328,098	282,300
Contributions - employer	689,980	-	689,980	760,615
Investment income (loss)	1,438,756	2,902	1,441,658	(230,326)
<b>TOTAL ADDITIONS</b>	<b>2,662,023</b>	<b>2,902</b>	<b>2,664,925</b>	<b>1,028,807</b>
<b>DEDUCTIONS</b>				
Benefits paid	1,059,028	40,610	1,099,638	969,475
Administrative expenses	43,329	400	43,729	49,260
<b>TOTAL DEDUCTIONS</b>	<b>1,102,357</b>	<b>41,010</b>	<b>1,143,367</b>	<b>1,018,735</b>
<b>CHANGE IN FIDUCIARY NET POSITION</b>	<b>1,559,666</b>	<b>(38,108)</b>	<b>1,521,558</b>	<b>10,072</b>
<b>FIDUCIARY NET POSITION</b>				
<b>BEGINNING OF YEAR</b>	<b>15,979,008</b>	<b>719,024</b>	<b>16,698,032</b>	<b>16,687,960</b>
<b>FIDUCIARY NET POSITION</b>				
<b>END OF YEAR</b>	<b>\$ 17,538,674</b>	<b>\$ 680,916</b>	<b>\$ 18,219,590</b>	<b>\$ 16,698,032</b>

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

EAST NORRITON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Basis of Presentation

*Entity-wide Financial Statements*

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

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

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

EAST NORRITON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

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

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

*Fund Financial Statements*

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

The Township reports the following major governmental funds:

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

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

The Township reports the following major proprietary fund:

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



EAST NORRITON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

*Governmental Funds*

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

Revenue Recognition

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

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

Expenditure Recognition

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

*Proprietary Funds*

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

EAST NORRITON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

management control. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The Township's only proprietary fund is an enterprise fund.

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

**Fiduciary Funds**

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

Budgets

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

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

Cash and Cash Equivalents

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

Investments

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

EAST NORRITON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

Receivables and Payables

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

Capital Assets

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

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

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

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

Buildings	20 - 50 years
Improvements	10 - 50 years
Machinery and equipment	5 - 50 years

EAST NORRITON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

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

Deferred Inflows/Outflows of Resources

In addition to assets and liabilities, the statement of net position and balance sheet - governmental funds will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense/expenditure) until that time. The Township currently has three items that qualify for reporting in this category. Certain changes to the net pension liability are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred outflows and inflows of resources on the entity-wide and proprietary fund statements of net position. In the entity-wide financial statements, the Township has a deferred outflow of resources related to a deferred charge on a bond refunding. This amount is deferred and amortized over the shorter of the life of the refund or refunding debt. In the governmental funds, the Township has a deferred inflow and outflow related to a promissory note with Montgomery County for the purchase of equipment. These deferrals will remain until the assets are received from the County. The deferred outflow related to this also appears on the entity-wide statement of net position.

Compensated Absences

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

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

Long-term Obligations

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

EAST NORRITON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

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

Fund Balances

As of December 31, 2016, fund balances of the governmental funds are classified, if applicable, as follows:

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

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

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

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

*Unassigned* – all other spendable amounts.

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

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be

EAST NORRITON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the Township's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Implementation of GASB Statement

During the year ended December 31, 2016, the Township implemented GASB Statement No. 72, "Fair Value Measurement and Application." GASB Statement No. 72 provides guidance for determining a fair value measurement for financial reporting purposes and applying fair value to certain investments, as well as improving disclosures related to all fair value measurements. The effects of this statement have been included in the Township's financial statement footnotes. The implementation of GASB Statement No. 72 has no impact on the Township's net position.

Use of Estimates in the Preparation of Financial Statements

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

NOTE 2      TAXES

For 2016, the following tax was levied on assessed value of real estate:

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

The taxable assessed valuation of property as of December 31, 2016 was \$957,779,853.

The real estate tax collection calendar is as follows:

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

EAST NORRITON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 2      TAXES (cont'd)

Other taxes levied in 2016:

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

NOTE 3      DEPOSITS AND INVESTMENTS

*Deposits*

Custodial Credit Risk

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

At December 31, 2016, the carrying amount of the Township's deposits was \$6,143,561, and the bank balance was \$6,171,757 (exclusive of the fiduciary funds). Of the bank balance, \$250,000 was covered by federal depository insurance, and \$109,321 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the Township's name.

The remaining deposits of \$5,812,436 were with the Pennsylvania Local Government Investment Trust ("PLGIT"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit. As of December 31, 2016, PLGIT was rated as AAAM by a nationally recognized statistical rating organization.

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

EAST NORRITON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 4 INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2016 is as follows:

<u>Receivable To:</u>	<u>Amount</u>	<u>Payable From:</u>	<u>Amount</u>
Sewer Fund	\$ 26,000	General Fund	\$ 26,000
	<u>\$ 26,000</u>		<u>\$ 26,000</u>

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

Interfund transfers for the year ended December 31, 2016 are as follows:

<u>Transfers In:</u>		<u>Transfers Out:</u>	
General Fund	\$ 600,674	General Fund	\$ 65,738
Nonmajor Governmental Fund	35,000	Nonmajor Governmental Fund	51,704
Debt Service Fund	<u>397,521</u>	Sewer Fund	<u>915,753</u>
	<u>\$ 1,033,195</u>		<u>\$ 1,033,195</u>

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

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	<u>Balance 01/01/16</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/16</u>
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Infrastructure	\$ 5,090,699	\$ -	\$ -	\$ 5,090,699
Land	1,479,105	-	-	1,479,105
Total capital assets not being depreciated	<u>6,569,804</u>	<u>-</u>	<u>-</u>	<u>6,569,804</u>
Capital assets being depreciated:				
Site improvements	5,169,214	-	-	5,169,214
Building and improvements	2,468,475	35,468	-	2,503,943
Machinery and equipment	2,698,381	98,816	2,477	2,794,720
Vehicles	2,793,246	71,802	81,022	2,784,026
Total capital assets being depreciated	<u>13,129,316</u>	<u>206,086</u>	<u>83,499</u>	<u>13,251,903</u>



EAST NORRITON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 5      CAPITAL ASSETS (cont'd)

	Balance 01/01/16	Increases	Decreases	Balance 12/31/16
Less accumulated depreciation for:				
Site improvements	2,854,673	136,074	-	2,990,747
Building and improvements	2,059,718	57,351	-	2,117,069
Machinery and equipment	2,262,808	80,781	2,477	2,341,112
Vehicles	1,471,259	202,635	81,022	1,592,872
Total accumulated depreciation	<u>8,648,458</u>	<u>476,841</u>	<u>83,499</u>	<u>9,041,800</u>
Total capital assets being depreciated, net	<u>4,480,858</u>	<u>(270,755)</u>	<u>-</u>	<u>4,210,103</u>
Governmental Activities, Net	<u>\$11,050,662</u>	<u>\$ (270,755)</u>	<u>\$ -</u>	<u>\$10,779,907</u>
 <u>Business-type Activities</u>				
Capital assets being depreciated:				
Plant costs financed by East Norriton				
Township Municipal Authority	\$ 2,196,513	\$ -	\$ -	\$ 2,196,513
Sewer garage	52,106	-	-	52,106
Sewer systems	5,108,126	-	-	5,108,126
Municipal Building improvements	153,720	-	-	153,720
Vehicles	104,157	-	45,052	59,105
Equipment and machinery	913,833	17,500	-	931,333
Total capital assets being depreciated	<u>8,528,455</u>	<u>17,500</u>	<u>45,052</u>	<u>8,500,903</u>
Total accumulated depreciation	<u>6,928,532</u>	<u>115,632</u>	<u>45,052</u>	<u>6,999,112</u>
Total capital assets being depreciated, net	<u>1,599,923</u>	<u>(98,132)</u>	<u>-</u>	<u>1,501,791</u>
Business-type Activities, Net	<u>\$ 1,599,923</u>	<u>\$ (98,132)</u>	<u>\$ -</u>	<u>\$ 1,501,791</u>

Depreciation expense was charged to the following functions:

<u>Governmental Activities:</u>	
General government	\$ 105,297
Public safety	275,475
Public works - highways and streets	59,596
Culture and recreation	<u>36,473</u>
Total Governmental Activities	<u>\$ 476,841</u>
 <u>Business-type Activities:</u>	
Sewer	<u>\$ 115,632</u>
Total Business-type Activities	<u>\$ 115,632</u>

EAST NORRITON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 6      CAPITAL LEASES - LESSEE

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

Equipment and vehicles acquired through capital leases	\$ 1,515,817
Less: accumulated depreciation	<u>(492,987)</u>
<b>TOTAL</b>	<b><u>\$ 1,022,830</u></b>

Future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2016 are as follows:

<u>Year Ending December 31,</u>	
2017	\$ 203,112
2018	110,563
2019	94,464
2020	94,463
2021	<u>94,463</u>
Total minimum lease payments	597,065
Less: amount representing interest	<u>(45,194)</u>
<b>Net present value of minimum lease payments</b>	<b><u>\$ 551,871</u></b>

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

NOTE 7      LONG-TERM DEBT

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

General Obligation Bond, Series of 2010, issued in the original amount of \$4,240,000. Interest rates range from 2.0% to 4.0% with interest payable semi-annually and principal payable annually from August 2010 through August 2020. \$ 1,305,000

EAST NORRITON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 7 LONG-TERM DEBT (cont'd)

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

Promissory note authorized in the amount of \$136,599. Interest free note with payments due annually from January 2016 through January 2020. \$ 109,279

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 362,320	\$ 39,550
2018	342,320	30,505
2019	347,320	21,055
2020	<u>362,319</u>	<u>11,055</u>
TOTAL	<u>\$ 1,414,279</u>	<u>\$ 102,165</u>

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

	<u>Outstanding 01/01/16</u>	<u>Increases</u>	<u>Decreases</u>	<u>Outstanding 12/31/16</u>	<u>Amounts Due in One Year</u>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 1,900,000	\$ -	\$ 595,000	\$ 1,305,000	\$ 335,000
Plus: Bond premium	28,100	-	6,244	21,856	6,244
Note payable	-	136,599	27,320	109,279	27,320
Subtotal	<u>1,928,100</u>	<u>136,599</u>	<u>628,564</u>	<u>1,436,135</u>	<u>368,564</u>
Capital leases	762,978	-	211,107	551,871	203,112
Compensated absences	71,532	-	12,623	58,909	-
Other post-employment benefits	<u>271,071</u>	<u>60,690</u>	<u>-</u>	<u>331,761</u>	<u>-</u>
<b>Total Governmental Activities</b>	<u>\$ 3,033,681</u>	<u>\$ 197,289</u>	<u>\$ 852,294</u>	<u>\$ 2,378,676</u>	<u>\$ 571,676</u>

For the year ended December 31, 2016, Interest expense on long-term debt was \$50,916.

EAST NORRITON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 8      POLICE PENSION FUND

Plan description and provisions:

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

Plan Membership

As of December 31, 2016, pension plan membership consisted of the following:

Active employees	27
Retirees and beneficiaries currently receiving benefits	19
Vested terminated members	<u>1</u>
Total	<u>47</u>

Eligibility Requirements and Benefit Provisions

Actuarial valuation report Form 205, filed with the Public Employee Retirement Study Commission and dated as of December 31, 2016, disclosed that the pension plan benefit provisions are as follows:

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

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

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

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

EAST NORRITON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION FUND (cont'd)

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

Deferred Retirement Option Program ("DROP")

An active member who has met the eligibility requirements for normal retirement may elect to participate in the deferred retirement option program for a period of not less than 12 months nor more than 36 months. The monthly pension shall be calculated as of the date of participation in the program and shall be accumulated with 4.5 percent annual interest and distributed in a lump sum at retirement. At December 31, 2016, the pension plan had total DROP account balances of \$458,026 and no accumulated DROP payments payable.

Method Used to Value Investments

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

*Deposits*

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2016, the carrying amount of the Police Pension Fund's deposits was \$1,427 and is in the form of a money market mutual fund and not subject to custodial credit risk.

*Investments*

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

As of December 31, 2016, the Township Police Pension Fund had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>
Domestic equity mutual funds	\$ 5,979,898	\$ 5,979,898
International equity mutual funds	1,241,659	1,241,659
Fixed income mutual funds	4,572,651	4,572,651
Real estate mutual funds	333,591	333,591
<b>TOTAL</b>	<b>\$ 12,127,799</b>	<b>\$ 12,127,799</b>

EAST NORRITON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION FUND (cont'd)

Investments in external investment pools, such as those in mutual funds, are disclosed but not subject to interest rate, custodial, credit, or concentration risks because they are not evidenced by securities that exist in physical or book entry form. At December 31, 2016, there were no investments in individual funds which exceeded five percent of net position.

Administrative Costs

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

Contributions

Act 205 requires that annual contributions be based upon the minimum municipal obligation ("MMO"). The MMO is based upon the plan's biennial actuarial valuation. Employees were required to contribute five percent of eligible compensation into the plan during the first nine months of 2016 and zero percent thereafter. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds the state contribution must be funded by the employer in accordance with Act 205.

Actuarial Methods and Assumptions

In the December 31, 2016 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a seven and one-half percent investment rate of return and a five percent annual salary increase. The UAAL is being amortized based on the level dollar, 30-year closed period. The remaining amortization period at December 31, 2016 was 10 years. Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate.

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

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

EAST NORRITON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION FUND (cont'd)

Discount Rate Determination

The discount rate used to measure the total pension liability was 7.5 percent. The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The Township has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

Changes in Net Pension Liability

The net pension liability was measured as of December 31, 2016, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2015. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2015	\$ 14,636,278	\$ 10,869,148	\$ 3,767,130
Service cost	410,899	-	410,899
Interest cost	1,104,270	-	1,104,270
Changes for experience	-	-	-
Contributions – employer	-	706,098	(706,098)
Contributions – member	-	147,502	(147,502)
Contributions – donations	-	-	-
Net investment income	-	966,594	(966,594)
Benefit payments, including refunds of member contributions	(539,388)	(539,388)	-
Administrative expense	-	(5,700)	5,700
Net changes	<u>975,781</u>	<u>1,275,106</u>	<u>(299,325)</u>
Balances at December 31, 2016	<u>\$ 15,612,059</u>	<u>\$ 12,144,254</u>	<u>\$ 3,467,805</u>

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

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

EAST NORRITON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION FUND (cont'd)

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Police Pension net pension liability	\$ 5,300,686	\$ 3,467,805	\$ 1,915,332

Money-weighted Rate of Return

For the year ended December 31, 2016, the annual money-weighted rate of return on the police pension fund investments, net of investment expense was 9.26 percent. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension investments by the proportion of time available to earn a return during that period.

Pension Liability and Expense and Deferred Outflows of Resources

At December 31, 2016, the Township reported a net pension liability of \$3,467,805 for its Police Pension Fund. The net pension liability was measured as of December 31, 2016.

For the year ended December 31, 2016, the Township recognized pension expense of \$662,632. At December 31, 2016, the Township reported deferred outflows of resources related to the police pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 598,810	\$ (111,871)
Net difference between expected and actual experience	-	(278,076)
	\$ 598,810	\$ (389,947)

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

Year Ended December 31,	
2017	\$ 75,389
2018	75,389
2019	75,389
2020	75,390
2021	(46,347)
2022	(46,347)
	\$ 208,863



EAST NORRITON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 9      NON-UNIFORMED PENSION FUND

Plan descriptions and provisions:

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

Plan Membership

As of December 31, 2016, the pension plan membership consisted of the following:

Active employees	26
Retirees and beneficiaries currently receiving benefits	26
Vested terminated members	<u>7</u>
Total	<u>59</u>

Eligibility Requirements and Benefit Provisions

Actuarial valuation report Form 205, filed with the Public Employee Retirement Study Commission and dated as of December 31 2016, disclosed that the pension plan benefit provisions are as follows:

Non-Uniformed Employees

All full-time employees (other than police officers) join the plan upon employment. Employees are eligible for normal retirement at or after age 58 with 10 years of continuous service and entitled to 1.0 percent of average monthly compensation up to \$750, plus 1.5 percent of average monthly compensation in excess of \$750, multiplied by the number of years and months of benefit service completed.

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

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

EAST NORRITON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

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

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

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

Deferred Retirement Option Program ("DROP")

For employees hired before August 1, 2014, an active member who has met the eligibility requirements for normal retirement may elect to participate in the deferred retirement option program for a period of not less than one year nor more than five years. For employees hired on or after August 1, 2014, an active member who has met the eligibility requirements for normal retirement may elect to participate in the deferred retirement option program for a period of not less than one year nor more than three years. His monthly pension shall be calculated as of his date of participation in the program and shall be accumulated with 4.5 percent annual interest and distributed in a lump sum at retirement. At December 31, 2016, the pension plan had total DROP account balances of \$169,142 and no accumulated DROP payments payable.

Method Used to Value Investments

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

Deposits and Investments

*Deposits*

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2016, the carrying amount of the Non-Uniformed Pension Funds' deposits was \$4,673 and is in the form of a money market mutual fund and not subject to custodial credit risk.

EAST NORRITON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

***Investments***

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

As of December 31, 2016, the Non-Uniformed Pension Fund had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>
Domestic equity mutual funds	\$ 2,666,328	\$ 2,666,328
International equity mutual funds	553,857	553,857
Fixed income mutual funds	2,040,499	2,040,499
Real estate mutual funds	148,791	148,791
<b>TOTAL</b>	<b>\$ 5,409,475</b>	<b>\$ 5,409,475</b>

Investments in external investment pools, such as those in mutual funds, are disclosed but not subject to interest rate, custodial, credit, or concentration risks because they are not evidenced by securities that exist in physical or book entry form. At December 31, 2016, there were no investments in individual funds which exceeded five percent of net position.

**Administrative Costs**

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

**Contributions**

Act 205 requires that annual contributions be based upon the minimum municipal obligation ("MMO"). The MMO is based upon the plan's biennial actuarial valuation. Non-Uniformed employees were required to contribute two percent and five percent, respectively, to the plan during 2016. The state provides an allocation of funds which must be used for pension funding.

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

EAST NORRITON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

Actuarial Methods and Assumptions

In the December 31, 2016 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a seven and one-half percent investment rate of return. The UAAL is being amortized based on the level dollar, 30-year closed period. The remaining amortization period at December 31, 2016 was nine years. Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate.

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

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

Discount Rate Determination

The discount rate used to measure the total pension liability was 7.5 percent. The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The Township has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

Changes in Net Pension Liability

The net pension liability was measured as of December 31, 2016, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2015. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

EAST NORRITON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2015	\$ 7,075,951	\$ 5,110,260	\$ 1,965,691
Service cost	136,256	-	136,256
Interest cost	505,942	-	505,942
Contributions – employer	-	311,980	(311,980)
Contributions – member	-	80,403	(80,403)
Net investment income	-	439,232	(439,232)
Benefit payments, including refunds of member contributions	(519,641)	(519,641)	-
Net changes	<u>122,557</u>	<u>311,974</u>	<u>(189,417)</u>
Balances at December 31, 2016	<u>\$ 7,198,508</u>	<u>\$ 5,422,234</u>	<u>\$ 1,776,274</u>

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Non-Uniformed Pension net pension liability	\$ 2,674,693	\$ 1,776,274	\$ 1,151,282

Money-weighted Rate of Return

For the year ended December 31, 2016, the annual money-weighted rate of return on the non-uniformed pension fund investments, net of investment expense was 9.25 percent. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension investments by the proportion of time available to earn a return during that period.

Pension Liability and Expense and Deferred Outflows of Resources

At December 31, 2016, the Township reported a net pension liability of \$1,776,274 for its non-uniformed pension fund. The net pension liability was measured as of December 31, 2016.

EAST NORRITON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

For the year ended December 31, 2016, the Township recognized pension expense of \$237,141. At December 31, 2016, the Township reported deferred outflows of resources related to the non-uniformed pension fund from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 283,654	\$ (48,588)
Net difference between expected and actual experience	-	(114,241)
	\$ 283,654	\$ (162,829)

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

Year Ended December 31, _____			
2017	\$	35,918	
2018		35,918	
2019		35,918	
2020		35,918	
2021		(22,847)	
		\$ 120,825	

NOTE 10 POST-EMPLOYMENT HEALTHCARE PLAN

Plan Description

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

Funding Policy

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

EAST NORRITON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

Annual OPEB Cost and Net OPEB Obligation

The Township's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Township's OPEB cost for the year, the amount actually contributed to the plan, and changes in the Township's net OPEB obligation to the plan.

Annual required contribution	\$ 118,477
Interest on net OPEB obligation	12,198
Adjustment to annual required contribution	<u>(16,641)</u>
Annual OPEB cost (expense)	114,034
Contributions made	<u>(53,344)</u>
Increase in net OPEB obligation	60,690
Net OPEB obligation - beginning of year	<u>271,071</u>
Net OPEB obligation - end of year	<u>\$ 331,761</u>

Funded Status and Funding Progress

The schedule of funding progress of OPEB is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
1/1/2014	\$ -	\$1,202,412	\$1,202,412	0.00%	\$2,759,746	43.57%
1/1/2011	\$ -	\$1,069,358	\$1,069,358	0.00%	\$2,404,010	44.48%
1/1/2008	\$ -	\$2,258,834	\$2,258,834	0.00%	\$2,151,919	104.97%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined

EAST NORRITON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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

regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2014 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.50 percent investment rate of return and an annual healthcare cost trend rate of 6.5 percent in 2014, decreasing by 0.5 percent per year to 5.5 percent in 2016. The UAAL is being amortized based on the level dollar, 30-year open period. The remaining amortization period at December 31, 2016 was 21 years.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2016, the carrying amount of the post-employment benefit plan deposits was \$680,916 and is in the form of a money market mutual fund and not subject to custodial credit risk. These level 1 financial instruments are held for the payment of future obligations.

NOTE 11 RESTRICTED ASSETS

During 1990, proceeds of the Norris City Cemetery Trust were transferred to the Township. These monies are to be used solely for the maintenance, upkeep, and repair of the Norris City Cemetery. As of December 31, 2016, general fund assets of \$9,907 have been restricted for this purpose.

NOTE 12 ESCROW DEPOSITS

The Township specifies building and land improvement requirements as a condition to the issuance of building permits. These escrows represent funds from independent builders that are returned upon the completion of required improvements to various properties within the Township. The escrow balance of \$14,787 is maintained in the cash accounts of the Township.



EAST NORRITON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 13 FUND BALANCES

As of December 31, 2016, fund balances are composed of the following:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted:				
Norris City Cemetery	\$ 9,907	\$ -	\$ -	\$ 9,907
Street lights	-	-	42,311	42,311
Fire protection	-	-	87,494	87,494
Parks and recreation	-	-	292,285	292,285
Liquid fuels	-	-	126,399	126,399
Committed to subsequent year's budget	575,249	-	-	575,249
Assigned:				
Capital projects	-	1,316,617	-	1,316,617
Unassigned	<u>2,778,426</u>	-	-	<u>2,778,426</u>
Total Fund Balances	<u>\$ 3,363,582</u>	<u>\$ 1,316,617</u>	<u>\$ 548,489</u>	<u>\$ 5,228,688</u>

NOTE 14 OPERATING LEASES - LESSEE

The Township leases office equipment under noncancelable operating leases with terms ending from 2016 to 2019.

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

<u>Year Ending December 31,</u>	
2017	\$ 9,132
2018	6,797
2019	<u>1,482</u>
Total	<u>\$ 17,411</u>

Total expense for the year ended December 31, 2016 was \$10,178.

NOTE 15 RISK MANAGEMENT

The Township is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. There were no significant reductions in insurance coverages for the 2016 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

EAST NORRITON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 16 DEFICIT NET POSITION

For governmental activities, the unrestricted net deficit amount of \$447,869 includes the effect of deferring the recognition of the net difference between projected and actual investment earnings offset by the deferred inflows resulting from the differences between expected and actual experience and the actuarially determined pension liability.

NOTE 17 SUBSEQUENT EVENTS

The Township has evaluated all subsequent events through May 22, 2017, the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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

**REQUIRED SUPPLEMENTARY INFORMATION**

	<u>2016</u>	<u>2015</u>
<b>TOTAL PENSION LIABILITY</b>		
Service cost	\$ 410,899	\$ 391,332
Interest on total pension liability	1,104,270	1,040,841
Differences between expected and actual experience	-	(389,307)
Benefit payments	<u>(539,388)</u>	<u>(694,180)</u>
Net change in total pension liability	<u>975,781</u>	<u>348,686</u>
Total pension liability, beginning	<u>14,636,278</u>	<u>14,287,592</u>
Total pension liability, ending (a)	<u>\$ 15,612,059</u>	<u>\$ 14,636,278</u>
<b>FIDUCIARY NET POSITION</b>		
Employer contributions	\$ 706,098	\$ 727,687
Employee contributions	147,502	136,620
Donations		600
Net investment income (loss)	966,594	(175,723)
Benefit payments	(539,388)	(694,180)
Administrative expenses	<u>(5,700)</u>	<u>(8,800)</u>
Net change in fiduciary net position	<u>1,275,106</u>	<u>(13,796)</u>
Fiduciary net position, beginning	<u>10,869,148</u>	<u>10,882,944</u>
Fiduciary net position, ending (b)	<u>\$ 12,144,254</u>	<u>\$ 10,869,148</u>
Net pension liability [(a) - (b)]	<u>\$ 3,467,805</u>	<u>\$ 3,767,130</u>
Plan fiduciary net position as a percentage of the total pension liability	77.79%	74.26%
Covered payroll	\$ 3,017,483	\$ 2,732,355
Net pension liability as a percentage of covered payroll	114.92%	137.87%
Annual money-weighted return, net of investment expenses	9.26%	-1.47%

**Note on Cumulative Information**

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

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

**REQUIRED SUPPLEMENTARY INFORMATION**

	<u>2016</u>	<u>2015</u>
<b>TOTAL PENSION LIABILITY</b>		
Service cost	\$ 136,256	\$ 129,768
Interest on total pension liability	505,942	491,548
Differences between expected and actual experience	-	(171,363)
Benefit payments	<u>(519,641)</u>	<u>(297,519)</u>
Net change in total pension liability	122,557	152,434
Total pension liability, beginning	7,075,951	6,923,517
Total pension liability, ending (a)	<u>\$ 7,198,508</u>	<u>\$ 7,075,951</u>
<b>FIDUCIARY NET POSITION</b>		
Employer contributions	\$ 311,980	\$ 315,228
Employee contributions	80,403	78,999
Net investment income (loss)	439,232	(86,296)
Benefit payments	(519,641)	(297,519)
Administrative expenses	-	(9,200)
Net change in fiduciary net position	<u>311,974</u>	<u>1,212</u>
Fiduciary net position, beginning	5,110,260	5,109,048
Fiduciary net position, ending (b)	<u>\$ 5,422,234</u>	<u>\$ 5,110,260</u>
Net pension liability [(a) - (b)]	<u>\$ 1,776,274</u>	<u>\$ 1,965,691</u>
Plan fiduciary net position as a percentage of the total pension liability	75.32%	72.22%
Covered payroll	\$ 1,613,204	\$ 1,619,489
Net pension liability as a percentage of covered payroll	110.11%	121.38%
Annual money-weighted return, net of investment expenses	9.25%	-1.53%

**Note on Cumulative Information**

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

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

**REQUIRED SUPPLEMENTARY INFORMATION**

Year	Actuarial Determined Contribution	Contributions from Employer	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Payroll
2007	\$ 183,019	\$ 183,019	\$ -	*	*
2008	198,579	198,579	-	*	*
2009	269,029	269,029	-	2,267,943	11.86%
2010	270,911	270,911	-	*	*
2011	354,772	354,772	-	2,404,010	14.76%
2012	354,474	354,475	(1)	*	*
2013	519,812	519,812	-	2,295,702	22.64%
2014	532,716	532,716	-	2,549,836	20.89%
2015	727,687	727,687	-	2,732,355	26.63%
2016	706,098	706,098	-	3,017,483	23.40%

\* Not available due to biennially required Act 205 report.

**Notes to Schedule:**

*Valuation Date:*

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

*Methods and Assumptions Used to Determine Contribution Rates:*

Actuarial valuation date	1/1/2015
Actuarial cost method	Entry age
Amortization method	Level dollar closed
Remaining amortization period	10 years
Asset valuation method	Market value of assets as determined by the trustee
Inflation	3.00%
Salary increases	5.00%
Investment rate of return	7.50%
Retirement age	Normal retirement age
Mortality	RP2000 table. This table does not include projected mortality improvements.

There have been no changes in benefit terms since January 1, 2015.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

Year	Actuarial Determined Contribution	Contributions from Employer	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Payroll
2007	\$ 132,012	\$ 132,012	\$ -	*	*
2008	138,690	138,690	-	*	*
2009	155,818	155,818	-	1,672,191	9.32%
2010	136,204	136,204	-	*	*
2011	169,669	169,669	-	1,740,017	9.75%
2012	137,467	137,467	-	*	*
2013	227,365	227,365	-	1,743,851	13.04%
2014	225,902	225,902	-	1,531,039	14.75%
2015	315,228	315,228	-	1,619,489	19.46%
2016	311,980	311,980	-	1,613,204	19.34%

\* Not available due to biennially required Act 205 report.

**Notes to Schedule:**

*Valuation Date:*

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

*Methods and Assumptions Used to Determine Contribution Rates:*

Actuarial valuation date	1/1/2015
Actuarial cost method	Entry age
Amortization method	Level dollar closed
Remaining amortization period	9 years
Asset valuation method	Market value of assets as determined by the trustee
Inflation	3.00%
Salary increases	5.00%
Investment rate of return	7.50%
Retirement age	Normal retirement age
Mortality	RP2000 table. This table does not include projected mortality improvements.

There have been no changes in benefit terms since January 1, 2015.





**EAST NORRITON TOWNSHIP  
BUDGETARY COMPARISON STATEMENT - OTHER GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Original and Final Budgeted Amounts	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Real estate	\$ 597,250	\$ 599,426	\$ 2,176
Street light assessment	83,000	84,357	1,357
Licenses and permits	4,000	-	(4,000)
Interest, dividends, and rents	-	3,141	3,141
Intergovernmental revenues	511,648	514,254	2,606
Charges for service/fees	198,750	201,106	2,356
Miscellaneous revenue/other	1,000	8,427	7,427
<b>TOTAL REVENUES</b>	<u>1,395,648</u>	<u>1,410,711</u>	<u>15,063</u>
<b>EXPENDITURES</b>			
Public safety	309,524	276,054	33,470
Highways and streets	378,378	331,818	46,560
Culture and recreation	586,438	532,361	54,077
Miscellaneous:			
Payroll taxes and employee benefits	153,476	117,818	35,658
Insurance	18,000	9,791	8,209
Debt service:			
Capital outlay	125,000	128,560	(3,560)
<b>TOTAL EXPENDITURES</b>	<u>1,570,816</u>	<u>1,396,402</u>	<u>174,414</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(175,168)</u>	<u>14,309</u>	<u>189,477</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of capital asset	-	7,655	7,655
Cash carry over	193,397	-	(193,397)
Refund of prior year revenues	-	14,789	14,789
Interfund transfer out	(18,229)	(51,704)	(33,475)
Interfund transfer in	-	35,000	35,000
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>175,168</u>	<u>5,740</u>	<u>(169,428)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ -</u>	<u>20,049</u>	<u>\$ 20,049</u>
<b>FUND BALANCES, BEGINNING OF YEAR</b>		<u>528,440</u>	
<b>FUND BALANCES, END OF YEAR</b>		<u>\$ 548,489</u>	

**EAST NORRITON TOWNSHIP  
BUDGETARY COMPARISON STATEMENT - CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Original and Final Budgeted Amounts	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Real estate	\$ 340,750	\$ 340,655	\$ (95)
Interest, dividends, and rents	200	5,230	5,030
Intergovernmental revenues	-	447,631	447,631
Miscellaneous revenue/other	4,000	6,750	2,750
<b>TOTAL REVENUES</b>	<u>344,950</u>	<u>800,266</u>	<u>455,316</u>
<b>EXPENDITURES</b>			
General government	10,000	176,026	(166,026)
Public safety	223,300	69,938	153,362
Highways and streets	993,687	30,294	963,393
Culture and recreation	7,500	7,553	(53)
Debt service:			
Principal	-	27,320	(27,320)
Capital outlay	304,100	466,613	(162,513)
<b>TOTAL EXPENDITURES</b>	<u>1,538,587</u>	<u>777,744</u>	<u>760,843</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,193,637)</u>	<u>22,522</u>	<u>1,216,159</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from long-term financing	-	27,320	27,320
Sale of capital assets	5,000	-	(5,000)
Cash carry over	1,188,637	-	(1,188,637)
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>1,193,637</u>	<u>27,320</u>	<u>(1,166,317)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>49,842</u>	<u>\$ 49,842</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>		<u>1,266,775</u>	
<b>FUND BALANCE, END OF YEAR</b>		<u>\$ 1,316,617</u>	

OTHER REPORT

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

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May 22, 2017

Board of Township Supervisors  
East Norriton Township  
East Norriton, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of East Norriton Township ("the Township"), East Norriton, Pennsylvania, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated May 22, 2017.

Internal Control Over Financial Reporting

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

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

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

BARBACANE  
THORNTON  
& COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

Board of Township Supervisors  
East Norriton Township

Compliance and Other Matters

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

Purpose of this Report

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

*Barbacane, Thornton & Company LLP*  
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