

MUNICIPALITY OF NORRISTOWN
ANNUAL FINANCIAL REPORT
Year Ended December 31, 2015



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

MUNICIPALITY OF NORRISTOWN

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FINANCIAL SECTION

Independent Auditors' Report

To the Honorable Municipal Council
Municipality of Norristown
Norristown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Municipality of Norristown as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Municipality of Norristown's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the discretely presented component unit's financial statements for the Norristown Municipal Waste Authority. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit, Norristown Municipal Waste Authority, is based solely on the report of the other auditors. We did not audit the Police and Firefighters' Pension Plans, which are presented as Fiduciary Funds for the Municipality of Norristown. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Police and Firefighters' Pension Plans for the Municipality of Norristown, are based solely on the reports of the other auditors. 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. The financial statements of the Norristown Municipal Waste Authority and the Police and Firefighters' Pension Plans were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our report and the reports of the other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Municipality of Norristown as of December 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Honorable Municipal Council
Municipality of Norristown
Norristown, Pennsylvania

Emphasis of Matter

For the year ended December 31, 2015, the Municipality of Norristown adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 27* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. 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 5 through 15, budgetary comparison information on pages 71 and 72, pension plan information on pages 73 through 81, and postemployment benefits other than pension funding progress on page 82 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.

Maillie LLP

Oaks, Pennsylvania
September 22, 2016

MUNICIPALITY OF NORRISTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

This section of the Municipality of Norristown's annual financial report presents its discussion and analysis of the Municipality's financial performance during the fiscal year ended December 31, 2015. We recommend that it be read in conjunction with the Municipality's financial statements and notes to the financial statements in order to obtain a thorough understanding of the Municipality's financial condition at December 31, 2015.

FINANCIAL HIGHLIGHTS

The Municipality of Norristown's Finance Department continued to make the accounting system more organized to ensure accurate presentation of its 2015 financial data in accordance with Generally Accepted Accounting Principles (GAAP), Government Auditing Standards and the Department of Community and Economic Development's financial reporting regulations.

The Municipality of Norristown continues to receive a significant amount of revenues each year in the form of state and local grants. These annual revenues include funds from Liquid Fuels, the Pension State Aid, the Firemen's Relief Fund, the Weed and Seed Program, various Department and Community Economic Development grants, various Department of Community and Natural Resources grants, Pennsylvania Department of Environmental Protection and the County of Montgomery.

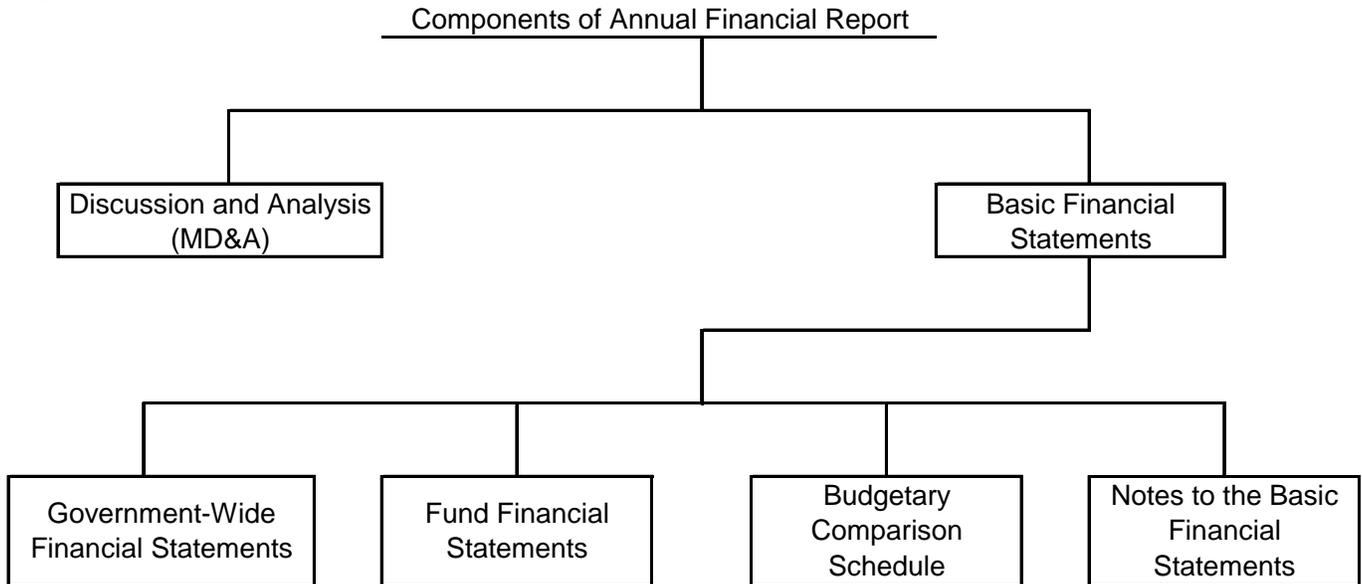
Significant federal revenues were provided by the U.S. Department of Housing and Urban Development in the form of Community Development Block Grants, the Department of Justice JAG Grants and through the U.S. Department of Transportation, Federal Highway Administration, passed through the Pennsylvania Department of Transportation.

In 2015, the Municipality of Norristown continued to participate in the Delaware Valley Health Insurance Trust Program (DVHIT), which is a risk sharing pool that provides health insurance to various local governments and municipalities in select counties of Pennsylvania. Through this participation, in the coming years the Municipality has the potential to minimize future annual premium increases.

Also in 2015, non-uniformed employees received a 2.50% base wage increase. The International Association of Fire Fighters (IAFF) employees were provided a 2.25% wage increase effective January 1, 2015, along with normal longevity applications. The Fraternal Order of Police (FOP) employees were provided a 2.25% wage increase effective January 1, 2015, along with normal longevity applications.

OVERVIEW OF THE FINANCIAL STATEMENTS

Figure 1



Management's Discussion and Analysis (MD&A)

The MD&A serves as an introduction to the Municipality of Norristown's basic financial statements by providing information that will assist the reader to better understand the financial condition of the Municipality. The basic financial statements include notes that provide additional information necessary for a complete understanding of the financial data provided in the government-wide and fund financial statements.

Basic Financial Statements

The basic financial statements present two different views of the Municipality. These financial statements are comprised of four components:

- Government-Wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements
- Budgetary Comparison Schedule

MUNICIPALITY OF NORRISTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

Government-Wide Financial Statements

The government-wide financial statements, the first two statements, provide a broad overview of the Municipality's overall financial status (short-term and long-term). The statement of net position presents information on all of the Municipality's assets and liabilities, with the difference reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business by acting as an indicator of the financial position of the Municipality.

The statement of activities presents information on how the Municipality's net position changed during the year. This statement separates program revenue from general revenue and illustrates to which extent each program relies on local taxes for funding.

All changes to net position are recorded using the accrual method of accounting, which requires that revenues be recorded when they are earned and expenses be recorded when the goods and/or services are received, regardless of when cash is received or paid.

Net position is one way to measure the Municipality's financial position. Over time, increases or decreases in the Municipality's net position are one indicator of whether the Municipality's financial position is improving or deteriorating. To assess the overall position of the Municipality, other non-financial factors such as changes in the Municipality's real estate property tax base and general economic conditions must be considered.

The government-wide financial statements distinguish functions of the Municipality of Norristown that are supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

- **Governmental Activities** encompasses the Municipality's basic services such as general government, public safety, community development, administration, public works, health and sanitation, parks and recreation. Property taxes, state and federal grants and revenues finance most of these activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control and accountability over resources that have been segregated for specific activities or objectives. The Municipality of Norristown uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Fund financial statements are reported using current financial resources and modified accrual accounting established by the Government Accounting Standards Board (GASB) for governments. Fund financial statements provide more detailed information on the Municipality's most significant funds, not the Municipality as a whole.

MUNICIPALITY OF NORRISTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

The Municipality has two kinds of funds:

- **Governmental Funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, Governmental Funds financial statements focus on the inflow and outflow of cash and other financial assets that can be readily converted to cash and the balances left at the fiscal year end that are available for spending. This information presents a better understanding of the long-term impact of the Municipality's short-term financing decisions.

The Governmental Funds balance sheet and the Governmental Funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate a comparison between Governmental Funds and governmental activities.

- **Fiduciary Funds** are funds for which the Municipality is the trustee or fiduciary. The Municipality serves as the fiduciary agent for the Police Pension Fund and Paid Firefighters' Pension Fund and certain Agency Funds or clearing accounts for assets held by the Municipality in its role as custodian until the funds are allocated to the private parties, organizations, or government agencies to which they belong. The Municipality is responsible to ensure the assets reported in these funds are used for their intended purposes. This activity is reported in a statement of fiduciary net position and a statement of changes in fiduciary net position. These funds are not reflected in the government-wide financial statements because the resources of those funds are not utilized to finance its operations.

Budgetary Comparison Schedule

The Municipality adopts an annual budget for its General Fund, as required by its Home Rule Charter. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the authorized budget. The statement identifies four components:

- Original budget as adopted by Municipal Council
- Final Appropriated Budget
- Actual Revenues and Expenditures
- Final Budget Variance

Notes to the Basic Financial Statements

The notes to the financial statements provide supplemental information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

MUNICIPALITY OF NORRISTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

FINANCIAL ANALYSIS

Government-Wide Financial Statements

As previously noted in this document, net position may serve as a useful indicator of a government's financial position as well as an important determinant of its ability to finance services in the future.

The Municipality of Norristown's total assets were \$38,347,364 as of December 31, 2015. Of this amount, \$24.5 million were capital assets, net of accumulated depreciation. On a government-wide basis, the Municipality's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$1.1 million as of December 31, 2015, which represents the balance of net position at year-end. Of this amount, \$15,774,229 represents the balance of long-term capital assets, net of long-term debt related to such capital assets. Although the Municipality's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The portion of the Municipality's net position that is restricted carries a balance of \$890,504. The portion of the Municipality's net position that is unrestricted represents a deficit balance of \$15,597,472. Significant changes in net position in 2015 included the addition of \$17,468,580 related to net pension liability, \$261,609 increase in general government expenses and a \$262,117 decrease in community development expenses.

Figure 2 - Statement of Net Position

Net cost of service expenses indicate the amount of support required from taxes and other general revenues for a program of the government. In 2015, the Municipality's real estate tax revenues of \$11.1 million and the earned income tax revenue of \$8.1 million along with other enabling tax collections indicates the Municipality relied heavily on these revenues to fund its activities in 2015.

	<u>2015</u>	<u>2014</u>	<u>Change</u>
ASSETS			
Current assets	\$ 13,861,189	\$ 14,554,135	\$ (692,946)
Capital assets, net	24,486,175	25,532,881	(1,046,706)
TOTAL ASSETS	<u>38,347,364</u>	<u>40,087,016</u>	<u>(1,739,652)</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>2,954,612</u>	<u>-</u>	<u>2,954,612</u>
LIABILITIES			
Current	5,533,260	6,450,962	(917,702)
Noncurrent	34,500,981	34,788,865	(287,884)
TOTAL LIABILITIES	<u>40,034,241</u>	<u>41,239,827</u>	<u>(1,205,586)</u>
DEFERRED INFLOWS OF RESOURCES	<u>200,474</u>	<u>-</u>	<u>200,474</u>
NET POSITION			
Net investment in capital assets	15,774,229	15,029,542	744,687
Restricted	890,504	649,810	240,694
Unrestricted	<u>(15,597,472)</u>	<u>(16,832,163)</u>	<u>1,234,691</u>
TOTAL NET POSITION	<u>\$ 1,067,261</u>	<u>\$ (1,152,811)</u>	<u>\$ 2,220,072</u>

MUNICIPALITY OF NORRISTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

Figure 3 - Statement of Activities

	<u>2015</u>	<u>2014</u>	<u>Change</u>
REVENUES			
Program revenues			
Charges for services	\$ 6,527,336	\$ 6,489,344	\$ 37,992
Operating grants and contributions	1,704,051	1,632,800	71,251
Capital grants and contributions	1,762,794	1,555,345	207,449
General revenues			
Taxes (property, enabling)	21,208,884	20,918,837	290,047
Investment earnings	89,183	81,927	7,256
Miscellaneous	39,972	58,265	(18,293)
TOTAL REVENUES	<u>31,332,220</u>	<u>30,736,518</u>	<u>595,702</u>
EXPENSES			
General government	6,876,370	6,756,446	119,924
Public safety	15,109,483	14,254,440	855,043
Public works			
Highways and streets	2,659,326	2,452,907	206,419
Sanitation	2,264,838	2,380,116	(115,278)
Community development	799,260	849,914	(50,654)
Culture and recreation	284,880	344,702	(59,822)
Interest on long-term debt	1,117,991	1,219,971	(101,980)
TOTAL EXPENSES	<u>29,112,148</u>	<u>28,258,496</u>	<u>853,652</u>
CHANGE IN NET POSITION	2,220,072	2,478,022	(257,950)
NET POSITION, BEGINNING OF YEAR, restated	<u>(1,152,811)</u>	<u>11,317,535</u>	<u>(12,470,346)</u>
GASB 68 restatement	-	(14,948,368)	14,948,368
NET POSITION, END OF YEAR	<u>\$ 1,067,261</u>	<u>\$ (1,152,811)</u>	<u>\$ 2,220,072</u>

The Municipality's 2014 tax rate was 12.70 mills and there was no increase in 2015. The 2015 tax rate continues to remain well below the Commonwealth of Pennsylvania's cap of 25 mills for operating costs. In 2015, the Municipality derived approximately 35.0% of its revenues from property taxes.

The real estate tax is based on the assessed value of real property; therefore, changes in the assessed valuation affect tax revenues. The Municipality's assessed valuation of real property increased \$14,543,827 in 2015. Residents have properties reassessed to lower their taxes, some people receive tax exemptions, and there are demolitions of properties and other reasons that can cause assessment fluctuation. The Municipality's ongoing plan and implementation for revitalization and deviation from rental unit residential living to single family homes should contribute to the increase in valuation in the future.

MUNICIPALITY OF NORRISTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

Capital Assets

The Municipality's capital assets as of December 31, 2015, were approximately \$24.5 million. Capital assets consist primarily of land, buildings, vehicles, equipment and infrastructure.

Figure 4 - Capital Assets

	Beginning Balance	Additions	Disposals	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 4,895,217	\$ -	\$ -	\$ 4,895,217
CAPITAL ASSETS BEING DEPRECIATED				
Infrastructure	57,644,287	246,699	-	57,890,986
Land improvements	1,026,904	9,915	-	1,036,819
Buildings	5,060,181	10,400	-	5,070,581
Machinery, vehicles and equipment	10,349,590	99,672	(312,922)	10,136,340
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>74,080,962</u>	<u>366,686</u>	<u>(312,922)</u>	<u>74,134,726</u>
Accumulated depreciation				
Infrastructure	(40,734,077)	(911,918)	-	(41,645,995)
Land improvements	(941,075)	(31,541)	-	(972,616)
Buildings	(2,701,467)	(113,825)	-	(2,815,292)
Machinery, vehicles and equipment	(9,066,681)	(356,106)	312,922	(9,109,865)
TOTAL ACCUMULATED DEPRECIATION	<u>(53,443,300)</u>	<u>(1,413,390)</u>	<u>312,922</u>	<u>(54,543,768)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>20,637,662</u>	<u>(1,046,704)</u>	<u>-</u>	<u>19,590,958</u>
CAPITAL ASSETS, net	<u>\$ 25,532,879</u>	<u>\$ (1,046,704)</u>	<u>\$ -</u>	<u>\$ 24,486,175</u>

Figure 5 - Debt Administration

At December 31, 2015, the Municipality of Norristown had \$17.0 million in outstanding debt. Interest accreted on the 1998 Series A Capital Appreciation Bond amounted to \$146,917 in 2015.

GENERAL OBLIGATION DEBT, JANUARY 1, 2015	\$ 20,043,195
Additions	146,917
Reductions	<u>(3,109,605)</u>
GENERAL OBLIGATION DEBT, DECEMBER 31, 2015	<u>\$ 17,080,507</u>

In 2012, the Municipality entered into a capital lease for a fire engine. The amount financed was \$395,292. In 2013, the Municipality entered into three capital leases for vehicles and equipment. The amount financed totaled \$227,514. In 2014, the Municipality entered into a capital lease for vehicles. The amount financed totaled \$107,279. In 2015, the Municipality entered into a capital lease for equipment. The amount financed totaled \$68,911. The balance of capital lease obligations at December 31, 2015, is \$358,174.

MUNICIPALITY OF NORRISTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

Fund Financial Statements

As previously noted in this document, the Municipality uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The General Fund, Debt Service, Liquid Fuels Fund, Capital Projects and Community Development Funds are considered to be the major funds of the Municipality. Information is presented separately in the Governmental Funds balance sheet and statement of revenue, expenditures and changes in fund balances for these five major funds. All other funds are classified in one grouping identified as Other Governmental Funds, which are the Non-Major funds.

The focus of Governmental Funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Municipality's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Municipality's net resources available for spending at the end of the fiscal year. The General Fund serves as the chief operating fund for the Municipality. The Debt Service Fund funds are restricted to payment of interest and retirement of debt. Special Revenue Funds are restricted to specific legislative use, while the Capital Projects Fund serves as the fund for the Municipality's proceeds of bond issues. The major funds are shown on the statement of revenues, expenditures and changes in fund balance in the financial statements.

Governmental Funds Revenues

Governmental Funds revenues totaled \$31,319,736 for the year ended December 31, 2015. Property tax revenues in 2015 increased by \$174,687 from prior year amounts and local enabling tax collection revenue decreased by \$30,344. Intergovernmental revenues increased by \$288,261 due to more grant money. Most other line items saw an increase from prior year amounts.

Figure 6 - Governmental Fund Revenues

	<u>2015</u>	<u>2014</u>	<u>Change</u>
REVENUES			
Property taxes	\$ 11,090,036	\$ 10,915,349	\$ 174,687
Local enabling taxes	10,115,400	10,145,744	(30,344)
Licenses and permits	1,134,813	1,018,725	116,088
Fines and forfeits	1,123,194	1,362,944	(239,750)
Intergovernmental	3,458,091	3,169,830	288,261
Charges for services	4,294,093	4,107,675	186,418
Investment earnings	89,183	81,927	7,256
Miscellaneous	14,926	77,180	(62,254)
	<u> </u>	<u> </u>	<u> </u>
TOTAL REVENUES	<u>\$ 31,319,736</u>	<u>\$ 30,879,374</u>	<u>\$ 440,362</u>

MUNICIPALITY OF NORRISTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

Governmental Funds Expenditures

Governmental Funds expenditures totaled \$31,050,710 for the year ended December 31, 2015. Significant increases were realized in the area of public safety and decreases occurred in most other areas. Public safety expenditures increased from prior year by \$1,277,814, which was partially funded by intergovernmental grant funding. General government expenditures in 2015 were \$93,200 greater than the prior year. Total capital expenditures amounted to \$366,686 in 2015.

Figure 7 - Governmental Fund Expenditures

	<u>2015</u>	<u>2014</u>	<u>Change</u>
EXPENDITURES			
General government	\$ 6,828,230	\$ 6,735,030	\$ 93,200
Public safety	14,907,368	13,629,549	1,277,819
Public works			
Sanitation	2,264,838	2,380,116	(115,278)
Highways and streets	1,709,179	1,555,129	154,050
Culture and recreation	255,061	311,899	(56,838)
Community development	546,238	689,217	(142,979)
Debt service			
Principal	3,109,605	3,029,780	79,825
Interest and fees	894,102	974,802	(80,700)
Payment on capital leases	189,723	207,107	(17,384)
Capital outlays	<u>346,371</u>	<u>827,433</u>	<u>(481,062)</u>
TOTAL EXPENDITURES	\$ <u>31,050,715</u>	\$ <u>30,340,062</u>	\$ <u>710,653</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

The Municipality of Norristown Council may revise the budget through transfers or resolution. There are two types of revisions:

- Allocations made to specific department line items from other department line items.
- Budgeting new appropriations and anticipated related expenditures.

The General Fund budget for revenues experienced no change during 2015 from the original budget of \$29.6 million. On an actual to budget comparison, the Municipality realized a \$36,930 unfavorable revenue budget variance primarily due to decreased collections in charges for service revenue.

The 2015 General Fund budget for expenditures also experienced no change during the year. On an actual-budgetary basis, the Municipality experienced a favorable variance from budget in overall expenditures of \$547,170. In addition, the 2015 budget was written with \$518,434 of General Fund reserves to balance the budget. Therefore, since expenditures were favorable, there was no amount needed from reserves in 2015.

MUNICIPALITY OF NORRISTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2015

ECONOMIC CONDITION AND OUTLOOK

The Municipality of Norristown, Montgomery County, Pennsylvania, is located within the Philadelphia-Camden-Wilmington Metropolitan Statistical Area. Growth of communities within Montgomery County has made it the third most populous county in the Commonwealth. According to the 2010 Census, the Municipality of Norristown recorded a growth rate of nearly 10%. With this growth, there has been significant interest in commercial and residential development. There are a number of highly visible public and privately funded investments within the core neighborhoods of Norristown that are stimulating private development. They are included but are not limited to:

- Municipality of Norristown was awarded \$400,000 in Environmental Protection Agency (EPA) Brownfields Assessment Grants to catalog sites contaminated with hazardous and petroleum substances, with the goal of receiving funds for remediation to create sites suitable for (re)development.
- Assistance with the rehabilitation of homes for low and moderate income homeowners, thereby preserving home ownership within the Municipality.
- Continuation of code enforcement activities to stem blighting elements within the Municipality;
 - Coordination of a joint Blighted Review Committee and Norristown Planning Commission
- Continuation of the state designated Enterprise Zone, encompassing 365 acres of prime light and heavy industrially zoned structures and land for development.
- Implementation of the Local Economic Revitalization Tax Assistance (LERTA) program in partnership with Montgomery County, Pennsylvania and the Norristown Area School District.
- Main Street Economic Development Initiatives:
 - Five Saints Distillery
 - Diva's – A specialty restaurant
 - Residence at Court House Square – forty-four (44) loft style condominium units
 - Historic Façade Assistance Program
- Increased market rate housing initiatives:
 - 150 luxury apartment units located at the Norristown gateway
- Construction of the second phase of the Lafayette Street Extension project has been awarded and construction began in early spring 2015 with an anticipated end date of 2017.
- Phase 1 of the Markley Street Improvement Project has been completed. The second phase is scheduled to start in 2017 and will improve Markley Street from Main Street to Elm Street.

MUNICIPALITY OF NORRISTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2015

- Adoption of a more progressive Zoning Ordinance to enhance Main Street economic revitalization efforts and to better implement the Riverfront Redevelopment Plan.
- Continued implementation of the publically approved master plans for the Municipal Parks throughout Norristown.
 - Phase IV of the Simmons Park Improvement Project was prepared for bid.
 - Collaborated with the Norristown Dragon Boat Club finalizing specifications for Requests for Quotes (RFQ) for the floating dock at Riverfront Park.
- Ongoing efforts to expand and improve the trail system including connections to the downtown revitalization area.
 - Norristown is partnering with Montgomery County and the Pennsylvania Environmental Council to enhance the gateway signage along the Schuylkill River Trail.
 - A trail feasibility study was completed for Stoney Creek and Saw Mill Run and is in the process of finalization.
- Continued implementation of the Elmwood Zoo Master Plan.
- Completion of the Lighting Improvement Project-Main & Marshall Streets.
- Completion of the Arbor Mews development, creating 24 new residential units in the 1200 block of DeKalb Street.
- Ten homes have been completed and sold as a part of Phase I and Phase II of 735 East Oak Street.

REQUESTS FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Municipal Administrator, Municipality of Norristown, 235 East Airy Street, Norristown, Pennsylvania 19401.

MUNICIPALITY OF NORRISTOWN

STATEMENT OF NET POSITION

DECEMBER 31, 2015

	Governmental Activities	Component Unit
ASSETS		
Cash and cash equivalents	\$ 7,915,234	\$ 2,041,267
Investments	40,387	-
Receivables, net		
Accounts	576,521	1,104,013
Taxes	3,754,178	-
Intergovernmental	36,859	223,156
Prepaid expenses	-	40,473
Restricted assets		
Cash and cash equivalents	1,538,010	5,216,203
Capital assets		
Not being depreciated	4,895,217	155,989
Being depreciated	19,590,958	20,992,923
TOTAL ASSETS	<u>38,347,364</u>	<u>29,774,024</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pension activity	2,954,612	-
Unamortized loss on refunding	-	111,005
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,954,612</u>	<u>111,005</u>
LIABILITIES		
Accounts payable	194,946	268,529
Accrued liabilities	770,287	566,947
Accrued interest payable	118,761	25,993
Due to agency fund	83,210	-
Unearned revenues	704,249	-
Long-term liabilities		
Due within one year		
General obligation debt	3,164,393	-
Revenue bonds payable	-	1,430,191
Capital lease obligations	156,847	-
Compensated absences	80,447	-
Escrow deposits	260,120	11,807
Due in more than one year		
General obligation debt	13,848,821	-
Capital lease obligations	201,327	-
Compensated absences	1,557,934	54,897
Other postemployment benefits	1,424,319	-
Net pension liability	17,468,580	-
Revenue notes payable	-	18,467,752
TOTAL LIABILITIES	<u>40,034,241</u>	<u>20,826,116</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pension activity	200,474	-
NET POSITION		
Net investment in capital assets	15,774,229	6,455,330
Restricted		
Capital projects	382,147	-
Highways and streets	508,357	-
Debt service	-	11,842
Unrestricted	(15,597,472)	2,591,741
TOTAL NET POSITION	<u>\$ 1,067,261</u>	<u>\$ 9,058,913</u>

See accompanying notes to the basic financial statements.

MUNICIPALITY OF NORRISTOWN

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Expenses	Charges for Services	Program Services Operating Grants and Contributions
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES			
General government	\$ 6,876,370	\$ 1,603,299	\$ 56,780
Public safety	15,109,483	1,511,556	1,387,088
Public works			
Highways and streets	2,659,326	374,305	5,961
Sanitation	2,264,838	2,887,941	-
Community development	799,260	131,810	254,222
Culture and recreation	284,880	18,425	-
Interest on long-term debt	<u>1,117,991</u>	<u>-</u>	<u>-</u>
 TOTAL GOVERNMENTAL ACTIVITIES	 <u>\$ 29,112,148</u>	 <u>\$ 6,527,336</u>	 <u>\$ 1,704,051</u>
 COMPONENT UNIT			
Norristown Municipal Waste Authority	<u>\$ 4,464,179</u>	<u>\$ 5,254,007</u>	<u>\$ 202,221</u>
 GENERAL REVENUES			
Taxes			
Real estate taxes			
Earned income taxes			
Business gross receipts tax			
Local services taxes			
Per capita tax			
Real estate transfer taxes			
Unrestricted investment earnings			
Miscellaneous			
TOTAL GENERAL REVENUES			
CHANGE IN NET POSITION			
NET POSITION AT BEGINNING OF YEAR, restated			
NET POSITION AT END OF YEAR			

See accompanying notes to the basic financial statements.

<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	
\$ -	\$ (5,216,291)	
68,816	(12,142,023)	
649,818	(1,629,242)	
-	623,103	
1,023,842	610,614	
20,318	(246,137)	
-	(1,117,991)	
<u>\$ 1,762,794</u>	<u>(19,117,967)</u>	
<u>\$ 99,739</u>		<u>\$ 1,091,788</u>
	11,093,484	-
	8,129,005	-
	912,301	-
	534,149	-
	37,126	-
	502,819	-
	89,183	15,468
	39,972	460,986
	<u>21,338,039</u>	<u>476,454</u>
	2,220,072	1,568,242
	<u>(1,152,811)</u>	<u>7,490,671</u>
	<u>\$ 1,067,261</u>	<u>\$ 9,058,913</u>

MUNICIPALITY OF NORRISTOWN

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2015

	<u>General Fund</u>	<u>Liquid Fuels Fund</u>
ASSETS		
Cash and cash equivalents	\$ 8,183,867	\$ 506,775
Investments	40,387	-
Receivables, net		
Accounts	575,421	-
Taxes	3,754,178	-
Intergovernmental	-	-
Due from other funds	<u>229,581</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 12,783,434</u>	<u>\$ 506,775</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)		
LIABILITIES		
Accounts payable	\$ 178,873	\$ 243
Accrued liabilities	769,809	328
Unearned revenues	330,143	-
Escrows payable	260,120	-
Due to other funds	-	7
TOTAL LIABILITIES	<u>1,538,945</u>	<u>578</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues, property taxes	<u>726,070</u>	<u>-</u>
FUND BALANCES (DEFICIT)		
Restricted	-	506,197
Committed, pension contributions	1,202,298	-
Unassigned	<u>9,316,121</u>	<u>-</u>
TOTAL FUND BALANCES (DEFICIT)	<u>10,518,419</u>	<u>506,197</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)	<u>\$ 12,783,434</u>	<u>\$ 506,775</u>

See accompanying notes to the basic financial statements.

Debt Service Fund	Community Development Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 10,959	\$ 393,279	\$ 302,072	\$ 56,292	\$ 9,453,244
-	-	-	-	40,387
1,100	-	-	-	576,521
-	-	-	-	3,754,178
-	36,859	-	-	36,859
-	-	87,419	-	317,000
<u>\$ 12,059</u>	<u>\$ 430,138</u>	<u>\$ 389,491</u>	<u>\$ 56,292</u>	<u>\$ 14,178,189</u>
\$ -	\$ 13,423	\$ 2,407	\$ -	\$ 194,946
-	150	-	-	770,287
-	364,621	4,937	4,548	704,249
-	-	-	-	260,120
336,116	33,441	-	30,646	400,210
<u>336,116</u>	<u>411,635</u>	<u>7,344</u>	<u>35,194</u>	<u>2,329,812</u>
-	-	-	-	726,070
-	-	382,147	2,160	890,504
-	-	-	-	1,202,298
(324,057)	18,503	-	18,938	9,029,505
<u>(324,057)</u>	<u>18,503</u>	<u>382,147</u>	<u>21,098</u>	<u>11,122,307</u>
<u>\$ 12,059</u>	<u>\$ 430,138</u>	<u>\$ 389,491</u>	<u>\$ 56,292</u>	<u>\$ 14,178,189</u>

MUNICIPALITY OF NORRISTOWN

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2015

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ <u>11,122,307</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Land	4,895,217
Infrastructure, net of \$41,645,995 accumulated depreciation	16,244,991
Site land improvements, net of \$972,616 accumulated depreciation	64,203
Buildings, net of \$2,815,292 accumulated depreciation	2,255,289
Machinery, vehicles and equipment, net of \$9,109,865 accumulated depreciation	<u>1,026,475</u>
	<u>24,486,175</u>
Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the Governmental Funds	
	<u>2,754,138</u>
Revenue not available to pay for the current period's expenditures and therefore reported as unearned revenue in the funds:	
Property taxes	<u>726,070</u>
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Bonds, notes and loans payable	(17,070,408)
Unamortized bond discounts (premiums), net	57,194
Accrued interest on bonds	(118,761)
Net pension liability	(17,468,580)
Other postemployment benefit liability	(1,424,319)
Capital lease obligations payable	(358,174)
Compensated absences	<u>(1,638,381)</u>
COMBINED LIABILITY ADJUSTMENT	<u>(38,021,429)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>1,067,261</u></u>

See accompanying notes to the basic financial statements.

MUNICIPALITY OF NORRISTOWN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2015

	<u>General Fund</u>	<u>Liquid Fuels Fund</u>
REVENUES		
Property taxes	\$ 11,090,036	\$ -
Local enabling taxes	10,115,400	-
Licenses and permits	1,134,813	-
Fines and forfeits	1,123,194	-
Intergovernmental	1,695,297	649,717
Charges for services	4,294,093	-
Investment earnings	88,720	168
Miscellaneous	14,926	-
	<u>29,556,479</u>	<u>649,885</u>
TOTAL REVENUES		
	<u>29,556,479</u>	<u>649,885</u>
EXPENDITURES		
General government	6,828,230	-
Public safety	14,666,061	-
Sanitation	2,264,838	-
Highways and streets	1,247,381	250,900
Culture and recreation	255,061	-
Community development	6,022	-
Debt service		
Principal	-	-
Interest and fees	-	-
Payment on capital lease	137,855	-
Capital outlays	168,326	167,079
	<u>25,573,774</u>	<u>417,979</u>
TOTAL EXPENDITURES		
	<u>25,573,774</u>	<u>417,979</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,982,705</u>	<u>231,906</u>
OTHER FINANCING SOURCES (USES)		
Proceeds from capital lease	68,911	-
Proceeds from sale of capital assets	9,036	-
Transfers in	-	-
Transfers out	(4,016,643)	-
	<u>(3,938,696)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)		
	<u>(3,938,696)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	44,009	231,906
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	<u>10,474,410</u>	<u>274,291</u>
FUND BALANCES (DEFICIT) AT END OF YEAR	<u>\$ 10,518,419</u>	<u>\$ 506,197</u>

See accompanying notes to the basic financial statements.

<u>Debt Service Fund</u>	<u>Community Development Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 11,090,036
-	-	-	-	10,115,400
-	-	-	-	1,134,813
-	-	-	-	1,123,194
-	814,550	229,711	68,816	3,458,091
-	-	-	-	4,294,093
-	255	40	-	89,183
-	-	-	-	14,926
-	814,805	229,751	68,816	31,319,736
-	-	-	-	6,828,230
-	205,297	-	36,010	14,907,368
-	-	-	-	2,264,838
-	-	210,898	-	1,709,179
-	-	-	-	255,061
-	540,216	-	-	546,238
3,109,605	-	-	-	3,109,605
894,102	-	-	-	894,102
-	51,868	-	-	189,723
-	-	10,966	-	346,371
4,003,707	797,381	221,864	36,010	31,050,715
(4,003,707)	17,424	7,887	32,806	269,021
-	-	-	-	68,911
-	-	-	-	9,036
4,016,643	-	-	-	4,016,643
-	-	-	-	(4,016,643)
4,016,643	-	-	-	77,947
12,936	17,424	7,887	32,806	346,968
(336,993)	1,079	374,260	(11,708)	10,775,339
\$ (324,057)	\$ 18,503	\$ 382,147	\$ 21,098	\$ 11,122,307

MUNICIPALITY OF NORRISTOWN

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2015

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 346,968

Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$366,686) are less than depreciation (\$1,413,390) in the current period.

(1,046,704)

The issuance of long-term debt provides current financial resources to Governmental Funds, while the repayment of the principal of long-term debt uses current financial resources. Neither transaction has any effect on net position. Also, Governmental Funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. The net effects of these difference in the current period are:

Principal repayments	3,109,605
Net amortization of bond issue, discounts/premium	(10,097)
Proceeds from capital lease	(68,911)
Principal paid on capital lease obligations	<u>172,492</u>
NET ADJUSTMENT	<u>3,203,089</u>

Interest is expensed when paid in the Governmental Funds. However, in the government-wide statements, interest is matched to the period in which it was incurred. In the current period, the net effect of matching interest expense to the proper period is:

Accreted interest on capital appreciation bonds	(146,917)
Change in accrued interest	<u>12,609</u>
	<u>(134,308)</u>

Revenues in the statement of activities that are not available to provide current financial resources are not reported as revenues in the funds. At the government-wide level, revenue recognition is not limited by availability. The effects of these adjustments in the current year are:

Taxes	<u>3,448</u>
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds.

Compensated absences	<u>(159,825)</u>
Pension expense	<u>233,926</u>
Change in OPEB	<u>(226,522)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 2,220,072

See accompanying notes to the basic financial statements.

MUNICIPALITY OF NORRISTOWN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2015

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash	\$ 452,164	\$ 415,695
Receivables	91,820	-
Prepaid plan expenses and pension benefits	61,401	-
Investments	31,197,950	-
Due from other funds	<u>-</u>	<u>83,210</u>
TOTAL ASSETS	<u>31,803,335</u>	<u>\$ 498,905</u>
LIABILITIES		
Accounts payable and accrued expenses	40,469	\$ 120,330
Tax collections due to		
County of Montgomery	-	34,480
Municipality of Norristown	-	190,624
Tax refunds due to residents	<u>-</u>	<u>153,471</u>
TOTAL LIABILITIES	<u>40,469</u>	<u>\$ 498,905</u>
NET POSITION		
Held in trust for pension benefits	<u>\$ 31,762,866</u>	

See accompanying notes to the basic financial statements.

MUNICIPALITY OF NORRISTOWN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2015

	<u>Pension Trust Funds</u>
ADDITIONS	
Investment income	
Net depreciation in fair value of investments	\$ (708,504)
Interest	26,133
Dividends	783,532
Investment expenses and foreign taxes paid	<u>(102,591)</u>
INVESTMENT INCOME, net	<u>(1,430)</u>
Contributions	
Commonwealth of Pennsylvania Act 205 pension allocation	933,159
Municipality contributions	1,990,117
Member contributions	<u>576,826</u>
TOTAL CONTRIBUTIONS	<u>3,500,102</u>
 TOTAL ADDITIONS	 <u>3,498,672</u>
DEDUCTIONS	
Monthly retirement benefits	2,933,312
Administrative expenses	<u>118,879</u>
TOTAL DEDUCTIONS	<u>3,052,191</u>
 CHANGE IN NET POSITION	 446,481
NET POSITION AT BEGINNING OF YEAR	<u>31,316,385</u>
 NET POSITION AT END OF YEAR	 <u>\$ 31,762,866</u>

See accompanying notes to the basic financial statements.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Municipality of Norristown (the "Municipality") was incorporated in 1812 under the provisions of the Commonwealth of Pennsylvania. The Municipality operates under a home rule charter approved by voters on November 6, 1984, that became effective January 6, 1986. As of July 2004, the Municipality has transitioned from a mayoral form of government to one that is governed by Municipal Council and managed by a Municipal Administrator. The Municipality provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning and general administrative services. The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, ("GAAP") applicable to governmental units, as prescribed by the Governmental Accounting Standards Board ("GASB").

A summary of the Municipality's significant accounting policies follows.

Reporting Entity

In conformity with GAAP, the financial statements include those of the Municipality of Norristown (the "Primary Government") and its component unit. The component unit discussed below is included in the Municipality's reporting entity because of its operational or financial relationship with the Municipality and the Municipality's ability to exercise oversight responsibility.

Discretely Presented Component Unit - In conformity with GAAP, the following component unit has been included in the financial reporting entity as a discretely presented component unit:

- **Norristown Municipal Waste Authority ("Authority")** - The appointment of members of the governing board of the Authority is subject to the approval by the Council of the Primary Government. The Authority reports on the accrual basis of accounting. Under this basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. The Authority operates on a fiscal year ending March 31. More detailed information is available from the Norristown Municipal Waste Authority at 235 East Airy Street, Norristown, Pennsylvania 19401.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net position and statement of activities) report information on all the non-fiduciary activities of the Primary Government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the Primary Government is reported separately from its legally separate component unit.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are affected by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for Governmental Funds and Fiduciary Funds, even though the latter are excluded from the government-wide financial statements. Major individual Governmental Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the Agency Fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows where applicable. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability rather than an expenditure.

Governmental Funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes must be received within 60 days of year-end to be deemed available. Licenses, operating grants, capital grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources." Governmental Funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during the period.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Because of their spending measurement focus, expenditure recognition for Governmental Fund Types exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as Governmental Fund Type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended rather than as fund assets. The proceeds of long-term debt are recorded as another financing source rather than a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims for judgments, are recorded only when payment is due.

The Municipality reports the following major Governmental Funds:

- The *General Fund* is the Primary Government's operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The primary revenue sources are property taxes, local enabling taxes, charges for services and state grants and shared revenue. The primary expenditures are for public safety, street maintenance and sanitation services.
- The *Liquid Fuels Fund*, as required by law, accounts for revenue from the State Motor License Fund (gasoline tax distribution, etc.) and the approved expenditure of such monies for road and highway purposes.
- The *Debt Service Fund* accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest.
- The *Community Development Fund* tracks activity primarily related to the Municipality's Community Development Block Grant and related community development activity.
- The *Capital Projects Fund* accounts for financial resources, including the proceeds of general obligation debt, to be used for the acquisition or construction of major capital assets.

Additionally, the Municipality reports the following fund types:

- The *Pension Trust Funds* account for the revenue (i.e., member contributions, Municipal contributions, state contributions and net investment income) and the expenses (i.e., contributions refunded, retirement allowances and death benefits paid) of the Police Pension Trust Fund and the Paid Firefighters' Trust Fund.
- The *Agency Funds* consist of the Tax Collection Fund used as a conduit for distributing tax collections to the County and Norristown Municipality. Other Agency Funds are held for community groups and are not owned by Norristown Municipality. The Municipality maintains no fund balances in the Agency Funds since the Municipality is the custodian, not the owner of such funds.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Assets, Liabilities and Net Position or Fund Balances

Cash and Cash Equivalents - The Municipality considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Receivables and Payables

- **Interfund Receivables and Payables** - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year is referred to as “due to/from other funds.”
- **Taxes Receivable** - Enabling taxes are presented net of an allowance for uncollectibles based on historical collections and current tax collector estimates.
- **Other Receivables** - Receivables related to other charges are presented net of an allowance for uncollectibles based on historical collections, current collection efforts and discussions with legal counsel where applicable.

Investments - Investments for the Municipality are reported at fair value. Investments that do not have an established market value are reported at estimated values.

Capital Assets - Capital assets, which include property, plant and equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Property, plant and equipment and infrastructure with initial, individual costs that equal or exceed \$5,000 and estimated useful lives of over one year are recorded as capital assets. Capital assets are recorded at historical costs or estimated historical costs 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 its useful life are not capitalized.

Major outlay of capital assets and improvements are capitalized as projects are completed.

Property, plant and equipment of the Primary Government are depreciated using the straight-line method over the following intended useful lives:

	<u>Years</u>
Buildings and improvements	20-50
Machinery, vehicles and equipment	5-20
Infrastructure	20-50

Allowance for Doubtful Accounts - Accounts receivable and taxes receivable have been reported net of an allowance for doubtful accounts in the amount of \$560,444.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Compensated Absences - Municipal policy permits employees to accumulate a limited amount of earned but unused sick time. These benefits are payable to employees upon separation of services. All leave pay is accrued when incurred in the government-wide financial statements. Sick buy back benefits paid shortly after year-end are also accrued as a short-term liability in the Governmental Funds financial statements. The computed liability is in compliance with GASB 16, *Accounting for Compensated Absences*.

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government-wide activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method to interest expense. Long-term general obligation debt is presented net of unamortized premiums and discounts. Bond issuance costs are expensed during the period incurred.

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

Unearned Revenue - Unearned revenues represent government grant funds received but not yet spent for its intended purposes and rental license income collected in advance of the corresponding license year.

Net Position/Fund Balances - The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net Investment in Capital Assets** - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- **Restricted Net Position** - This category presents external restrictions imposed by creditors, grantors, contributors or laws, or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** - This category represents net position of the Municipality, not restricted for any project or other purpose.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

The Municipality follows GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Municipality's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- ***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 spent only for specific purposes determined by formal actions of the members of Council. The Council is the highest level of decision-making authority for the Municipality of Norristown. Commitments may be established, modified, or rescinded only through resolutions approved by Council.
- ***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. Intent can be expressed by the Council or by an official or body to which Council has delegated authority. Council has not delegated the authority to assign fund balance.
- ***Unassigned*** - All other spendable amounts.

When both restricted and unrestricted resources are available for use, it is the Municipality's policy to use restricted resources first, then unrestricted resources as they are needed for their intended purposes.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Municipality has one item that qualifies for reporting in this category. The deferred outflow of resources related to pensions is reported in the government-wide statement of net position and is the result of changes in plan assumptions, the net difference between projected and actual earnings on the pension plan investments, and differences between expected and actual experience of the pension plan.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Municipality has two items that qualify for reporting in this category. Accordingly, the item, *unavailable revenue*, which arises only under a modified accrual bases of accounting, is reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available. In addition, the deferred inflow of resources related to pensions is reported in the government-wide statement of net position and is the result of differences between expected and actual experience of the pension plan.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions except quasi-external transactions and reimbursements are reported as transfers. Transfers can only be approved in the budget or through Council motion during the year.

Accounting Estimates

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

Component Unit - Norristown Municipal Waste Authority

Summary of Significant Accounting Policies

Measurement Focus, Basis of Accounting and Financial Statement Presentation - The Authority's financial statements are presented on the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows.

All activities of the Authority are accounted for within a Proprietary (Enterprise) Fund. Proprietary Funds are used to account for operations that are (1) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net position (i.e., total assets net of total liabilities) is segregated into "net investment in capital assets," "restricted for debt service" and "unrestricted" components.

Operating revenues are those revenues that are generated directly from primary activities. For the Authority, these revenues are rental charges for services and investment income. Operating expenses are necessary costs incurred to provide the services that are the primary activity of the Authority.

Cash and Cash Equivalents - Cash and cash equivalents include all cash accounts, restricted cash accounts and highly liquid investments, which are not subject to withdrawal restrictions or penalties, with original maturities of three months or less from the date of acquisition to be cash and cash equivalents.

Restricted Investments - Restricted investments consist of U.S. Treasury notes which are restricted by debt agreement.

Trade Accounts Receivable - Trade receivables consist of retail sewer line and treatment charges and wholesale treatment charges to another government entity. Trade receivables are shown net of an allowance for uncollectibles, as applicable. Trade receivables, in excess of 90 days, are evaluated for collectibility, and an allowance is established, as deemed necessary, based on the best information available and in an amount that management believes is adequate. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the financial statements at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

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

Property, plant, and equipment of the Authority are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Collection system and sewer plant	6-50
Equipment	5-10

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Long-Term Debt - Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, when applicable, are deferred and amortized over the life of the bond using the straight-line interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are amortized to interest expense. Bond issuance costs are expensed in the period incurred.

In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities*, the Authority has adopted the following policy for bond refunding resulting in the defeasance of debt reported in Proprietary Funds.

The difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. On the statement of net position, the deferred amount is reported as a deduction from the new debt liability.

Debt Issuance Costs - Debt issuance costs are expensed as incurred.

Use of Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property Tax

The Municipality levies taxes on real property located within the boundaries of the Municipality of Norristown. Property taxes are levied by the Municipality on property values assessed by the Montgomery County Assessment Offices.

The Municipality bills and collects property taxes. Tax bills were mailed on or about January 31, 2015. A 2% discount was allowed on bills paid by March 31, 2015, and a 10% penalty was assessed for bills paid after May 31, 2015. Unpaid property taxes attach as an enforceable lien on property on January 1, 2016.

The rate of real estate taxation in 2015 was 12.70 mills in total, which was designated entirely for general government purposes. All real estate tax revenue is recognized in the General Fund.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Pension Plans

The Municipality has pension plans covering substantially all of its employees. All pension plans are funded by the Municipality's annual contribution and by member contributions. Brief descriptions of each plan are included in the pension notes to the financial statements. The primary functions of the pension plans, which are investment management and benefit management activities, are vested solely with each plan's respective Pension Board. The Boards have contracted with various investment managers and banks for management of the portfolios of the funds. Furthermore, the assets are under ownership and control of the pension funds and are not owned by the Municipality. Pension benefits and administrative costs are paid directly from the assets of the plans. These plans are subject to audits and issue separate reports, the results of which are included in the Fiduciary Funds financial statements.

Budgets

Legal Requirements - The Home Rule Charter requires the Municipal Administrator to submit a financial plan and budget to the Council four months prior to the end of the year for the General Fund budget. The Municipality does not, and is not legally required to adopt budgets for any other fund. Council reviews the proposed financial plan with the Municipal Administrator and upon review and the completion of changes, the Municipal Administrator will submit the proposed plans and budgets along with a budget message to Council within 75 days prior to the end of the fiscal year. Council will then advertise, in one or more newspapers, a notice of a public meeting in which the public can voice their concerns in regards to the proposed financial plans and budget. After a public meeting, within 30 days before the end of the fiscal year, Council will, by ordinance, adopt the budget which will be effective the first day of the following year.

Lapsing of Appropriations - Unexpended appropriations lapse at year-end.

Management Amendment - During the course of the year, departmental needs may change, emergencies may occur, or additional revenue may arise. As a result, funds may be transferred between line items of a department's budget or additional revenue may need to be budgeted for a specific project or grant. Adjustments to the budget are made on a line item basis during the year and approved by the Municipal Council.

Financial analysis is provided monthly to management showing spending levels in comparison to the current budget. The budget is also reviewed by management with operating departments.

Pending Governmental Accounting Standards Board (GASB) Statements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurements and Application*. The Municipality will be required to adopt the provisions of this statement for its calendar year 2016 financial statements. The Municipality has not determined the effect of GASB Statement No. 72 on the financial statements.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The Municipality will be required to adopt the provisions of this statement for its calendar year 2017. The Municipality has not determined the effect of GASB Statement No. 73 on the financial statements.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The Municipality will be required to adopt the provisions of this statement for its calendar year 2017. The Municipality has not determined the effect of GASB Statement No. 74 on the financial statements.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Municipality will be required to adopt the provisions of this statement for its calendar year 2018. The Municipality has not determined the effect of GASB Statement No. 75 on the financial statements.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The Municipality will be required to adopt the provisions of this statement for its calendar year 2016. The Municipality has not determined the effect of GASB Statement No. 76 on the financial statements.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The Municipality will be required to adopt the provisions of this statement for its calendar year 2016. The Municipality has not determined the effect of GASB Statement No. 77 on the financial statements.

NOTE B - DEPOSIT AND INVESTMENT RISK

Deposits and Investments

Municipality funds may be deposited in any bank that is insured by federal deposit insurance or the Pennsylvania Local Government Investment Trust, by resolution of the Municipal Council. To the extent that such deposits exceed federal insurance, the depositories must deposit (with their trust department or other custodians) obligations of the United States, the Commonwealth of Pennsylvania, or any political subdivision of the Commonwealth. Under Pennsylvania Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit with their institution.

State statutes authorize the Municipality to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE B - DEPOSIT AND INVESTMENT RISK (Continued)

Governmental Funds - The Municipality's Governmental Funds' cash and cash equivalents consist of deposits with financial institutions as follows:

CASH AND CASH EQUIVALENTS	
Bank deposits	\$ 7,143,325
Pennsylvania Local Government Investment Trust	<u>2,309,919</u>
	<u>\$ 9,453,244</u>

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Municipality's deposits may not be returned to it. Deposits are insured under Act 72 of the 1971 Session of the Pennsylvania General Assembly, whereby financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of FDIC limits. The Municipality does not have a deposit policy for custodial credit risk. As of December 31, 2015, \$9,818,411 of the Municipality's Governmental Funds bank balance of \$10,194,075, was exposed to custodial credit risk as follows:

GOVERNMENTAL FUNDS	
Uninsured and uncollateralized	\$ 2,331,779
Uninsured and uncollateralized but covered under Act 72	<u>7,486,632</u>
	<u>\$ 9,818,411</u>

Governmental Funds investments consist of the following:

INVESTMENT, E TRADE PORTFOLIO	<u>\$ 40,387</u>
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Agency Funds - The Municipality's Agency Funds cash and cash equivalents consist of deposits with financial institutions as follows:

CASH AND CASH EQUIVALENTS	
Bank deposits	<u>\$ 415,695</u>

As of December 31, 2015, \$394,752 of the Municipality's Agency Funds bank balance of \$394,752, was exposed to custodial credit risk as follows:

AGENCY FUNDS	
Uninsured and uncollateralized but covered by Act 72	<u>\$ 394,752</u>

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE B - DEPOSIT AND INVESTMENT RISK (Continued)

Pension Trust Funds – As of December 31, 2015, Pension Trust Fund balances were comprised of the following:

	<u>Total</u>	<u>Norristown Police Pension Plan</u>	<u>Norristown Paid Fire Fighters' Pension Plan</u>
CASH AND CASH EQUIVALENTS			
Bank deposits	\$ 452,164	\$ 320,386	\$ 131,778
INVESTMENTS			
Exchange traded funds	\$ 1,246,551	\$ -	\$ 1,246,551
Mutual funds	21,037,512	16,704,173	4,333,339
International equity mutual funds	5,598,907	5,280,573	318,334
Common and preferred stock	612,771	-	612,771
Money market mutual funds	1,242,174	784,773	457,401
U.S. Government agency obligations	340,650	-	340,650
Certificates of deposit	1,116,308	-	1,116,308
Mortgage-backed security	3,077	-	3,077
	<u>\$ 31,197,950</u>	<u>\$ 22,769,519</u>	<u>\$ 8,428,431</u>

Pension Trust Fund bank deposits were insured for \$452,164. Pension Trust Fund certificates of deposit were FDIC insured for \$1,116,308.

Interest Rate Risk

Governmental Funds - As a means of limiting its exposure to fair value losses arising from fluctuations in interest rates, the Municipality takes a conservative approach to meet its projected cash flow needs by investing primarily in short-term bank deposits and cash equivalents in accordance with the Commonwealth of Pennsylvania's Act 72. PLGIT investments have maturities of less than one year.

Pension Trust Funds - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Municipality's investment policy is to invest funds to achieve a positive rate of return over the long-term, sufficient to meet the Pension Plan's actuarial interest rate and provide for the payment of benefit obligations and expenses in perpetuity and in secure and prudent fashion.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE B - DEPOSIT AND INVESTMENT RISK (Continued)

As of December 31, 2015, the Municipality had the following debt investments and maturities within its Pension Trust Fund accounts:

Type of Investment	Fair Market Value at December 31, 2015	Investment Maturities (In Years)			
		Less Than 1	1 to 5	6 to 10	More than 10
NORRISTOWN PAID FIREFIGHTERS' PENSION PLAN					
U.S. Government agency obligations	\$ 340,650	\$ 20,148	\$ 280,340	\$ 40,162	\$ -
Certificates of deposit	1,116,308	376,195	740,113	-	-
Money market mutual funds	457,401	457,401	-	-	-
Mortgage-backed security	3,077	-	-	-	3,077
	<u>\$ 1,917,436</u>	<u>\$ 853,744</u>	<u>\$ 1,020,453</u>	<u>\$ 40,162</u>	<u>\$ 3,077</u>
NORRISTOWN POLICE PENSION PLAN					
Money market mutual funds	\$ 784,773	\$ 784,773	\$ -	\$ -	\$ -

Credit Risk

Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. Government are not considered to have credit exposure.

The Municipality's Governmental Funds investments in the Pennsylvania Local Government Investment Trust were rated as "AAAm" by Standard and Poor's at December 31, 2015. Both instruments have maturities of three months or less and are considered to be cash equivalents. It is a fundamental policy of the aforementioned investments to maintain a net asset value of \$1 per share, but there can be no assurance that the net asset value will not vary from the \$1 per share.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE B - DEPOSIT AND INVESTMENT RISK (Continued)

At December 31, 2015, the Municipality's retirement fixed income investments had a credit quality rating as follows:

Paid Firefighters' Pension Plan

Type of Investment	Fair Market Value at December 31, 2015	AAAm	AAA	AA+	Unrated
U.S. Government agency obligations	\$ 340,650	\$ -	\$ -	\$ 340,650	\$ -
Certificates of deposit	1,116,308	-	-	-	1,116,308
Money market mutual funds	457,401	457,401	-	-	-
Mortgage-backed security	3,077	-	-	-	3,077
	<u>\$ 1,917,436</u>	<u>\$ 457,401</u>	<u>\$ -</u>	<u>\$ 340,650</u>	<u>\$ 1,119,385</u>

Police Pension Plan

Type of Investment	Fair Market Value at December 31, 2015	AAAm	AAA	AA+	Unrated
Money market mutual funds	\$ 784,773	\$ 784,773	\$ -	\$ -	\$ -

Concentration of Credit Risk

The Municipality's investment policy for Governmental Funds is to invest primarily in U.S. Government or federal agency securities held in money funds or in pooled funds such as the Pennsylvania Local Government Investment Trust. Investments in these funds with maturities of less than three months are considered cash equivalents.

Component Unit - Norristown Municipal Waste Authority

The Authority's available cash is invested in demand deposits and money market mutual funds. The carrying amounts of the cash deposited and investments at December 31, 2015, consist of the following:

Cash deposits	<u>\$ 7,257,470</u>
Classification per the statement of net position:	
Cash and cash equivalents	\$ 2,041,267
Restricted cash and cash equivalents	<u>5,216,203</u>
	<u>\$ 7,257,470</u>

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE B - DEPOSIT AND INVESTMENT RISK (Continued)

The Authority has custodial credit risk on cash deposits. This is the risk that, in the event of a financial institution failure, the Authority's deposits may not be returned. The Authority has a deposit policy for custodial risk that requires depository institutions to pledge securities as collateral for deposits that exceed depository insurance.

At December 31, 2015, the carrying amount of the Authority's bank deposits was \$7,257,470, and the bank balance was \$7,251,562 of which \$250,000 was covered by Federal Depository Insurance. At December 31, 2015, the remaining bank deposit amount of \$7,001,562 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Authority's name.

NOTE C - CAPITAL ASSETS

Governmental Activities

Capital asset activities for the year ended December 31, 2015, are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 4,895,217	\$ -	\$ -	\$ 4,895,217
CAPITAL ASSETS BEING DEPRECIATED				
Infrastructure	57,644,287	246,699	-	57,890,986
Land improvements	1,026,904	9,915	-	1,036,819
Buildings	5,060,181	10,400	-	5,070,581
Machinery, vehicles and equipment	10,349,590	99,672	312,922	10,136,340
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>74,080,962</u>	<u>366,686</u>	<u>312,922</u>	<u>74,134,726</u>
Accumulated depreciation				
Infrastructure	(40,734,077)	(911,918)	-	(41,645,995)
Land improvements	(941,075)	(31,541)	-	(972,616)
Buildings	(2,701,467)	(113,825)	-	(2,815,292)
Machinery, vehicles and equipment	(9,066,681)	(356,106)	(312,922)	(9,109,865)
TOTAL ACCUMULATED DEPRECIATION	<u>(53,443,300)</u>	<u>(1,413,390)</u>	<u>(312,922)</u>	<u>(54,543,768)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>20,637,662</u>	<u>(1,046,704)</u>	<u>-</u>	<u>19,590,958</u>
CAPITAL ASSETS, net	<u>\$ 25,532,879</u>	<u>\$ (1,046,704)</u>	<u>\$ -</u>	<u>\$ 24,486,175</u>

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE C - CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs as follows:

General government	\$ 199,024
Highways and streets, public works	957,296
Recreation	29,819
Public safety	<u>227,251</u>
	<u>\$ 1,413,390</u>

Component Unit - Norristown Municipal Waste Authority

Capital asset activities for the year ended December 31, 2015, are as follows:

	Balance January 1, 2015	Additions	Transfers and Deletions	Balance December 31, 2015
CAPITAL ASSETS NOT BEING DEPRECIATED				
Construction in progress	\$ 2,121,526	\$ 1,651,325	\$ (3,616,862)	\$ 155,989
CAPITAL ASSETS BEING DEPRECIATED				
Sewer plant	22,040,549	117,845	(60,444)	22,097,950
Sewer collection system	7,783,705	3,566,203	-	11,349,908
Equipment	297,486	-	-	297,486
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>30,121,740</u>	<u>3,684,048</u>	<u>(60,444)</u>	<u>33,745,344</u>
Accumulated depreciation				
Sewer plant	(10,168,338)	(465,070)	30,264	(10,603,144)
Sewer collection system	(1,836,695)	(110,291)	-	(1,946,986)
Equipment	(164,797)	(37,494)	-	(202,291)
TOTAL ACCUMULATED DEPRECIATION	<u>(12,169,830)</u>	<u>(612,855)</u>	<u>30,264</u>	<u>(12,752,421)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>17,951,910</u>	<u>3,071,193</u>	<u>(30,180)</u>	<u>20,992,923</u>
CAPITAL ASSETS, net	<u>\$ 20,073,436</u>	<u>\$ 4,722,518</u>	<u>\$ (3,647,042)</u>	<u>\$ 21,148,912</u>

A total of \$3,616,862 of construction in progress was completed and transferred to sewer plant and sewer collection system capital assets in 2015. For the year ended December 31, 2015, the Authority capitalized \$52,837 of interest associated with construction projects.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE D - EMPLOYEES' RETIREMENT PLANS

Substantially all employees of the Municipality participate in one of the Municipality's pension plans. The Municipality has separate retirement plans for qualified police, firemen and non-uniformed employees.

Each year, the Municipality receives state funds under the Municipality Pension Plan Funding Standard and Recovery Act (Act 205). The amount for 2015, was \$933,159. The allocation of these funds is based on the actuarial valuation of the plans, which may differ from state receipts because of the use of accrual basis accounting.

The allocations of Act 205 funds, as approved by council, were as follows:

Paid Fire Fighter Pension Plan	\$	217,014
Police Pension Plan		<u>716,145</u>
	\$	<u><u>933,159</u></u>

The following brief descriptions of the retirement plans are provided for general information purposes only. Plan participants should refer to the appropriate source documents for more complete information on the plans.

Police Pension Plan

Summary of Significant Accounting Policies

Financial information of the Municipality's Police Pension Plan (the "Plan") is presented on the accrual basis of accounting. Contributions due and not paid prior to the year-end are recorded as contribution receivable. Benefit payments to participants are recorded upon distribution.

Investments in domestic equity mutual funds, the international equity mutual funds, fixed income mutual fund, the inflation projected mutual fund and the money market fund are carried at fair value as provided by the Plan's investment custodian, which generally represents quoted market prices as of the last business day of the year.

Plan Description

The Police Pension Plan is a single-employer, defined benefit pension plan established by the Municipality. The Plan is a trust created for the exclusive benefit of the participants and their beneficiaries, and, as such, is exempt from federal income taxes under Internal Revenue Code Section 401(a).

The Municipality issues a publicly available financial report that includes financial statements and required supplementary information for the Police Pension Plan. That report can be obtained by writing to: O'Neill Consulting Corporation, 1560 Old York Road, Abington, Pennsylvania 19001, or by calling (215) 657-7400.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE D - EMPLOYEES' RETIREMENT PLANS (Continued)

Plan Membership

At December 31, 2015, the Plan membership consisted of the following:

Current active employees	68
Retirees and beneficiaries currently receiving benefits	77
Employees vested, entitled to benefits, but not receiving them	<u>4</u>
	<u><u>149</u></u>

Benefits Provided – The Police Pension Plan provides for normal, deferred vested, early retirement and disability pension and survivor benefits. All benefits vest after 12 years of credited service. Each participant retiring at his/her normal retirement date shall be entitled to a monthly benefit equal to an amount calculated from the plan provisions selected by the participant. A police officer's normal retirement benefit shall equal 50% of Final Average Salary (last 36 months of W-2 pay) plus \$25 per month for each full year of service in excess of 25 years. The normal form of benefits under this Plan is 50% Joint and Survivor Annuity. A police officer may select the 100% Joint and Survivor Annuity option. Normal retirement is age 50 with at least 25 years of service. Early retirement is age 45 with at least 15 years of service.

The Plan provides for death benefits for the pre-retirement death of participants killed in the line of duty. The participant's spouse is entitled, during the spouse's lifetime (or children to age 18, or age 23 if attending college, if there is no spouse), to receive a pension equal to 100% of salary.

If a police officer is found to be mentally or physically unable to engage in any substantial gainful activity due to an impairment that can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve (12) months, he or she shall receive a severe service-connected disability retirement benefit equal to 100% off Final Average Salary. If a Police officer is found to be mentally or physically unable to engage in duties of his or her position with the Municipality due to an impairment that can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve (12) months, he or she shall receive a moderate service-connected disability retirement benefit equal to 50% of Final Average Salary. If a police officer who becomes totally and permanently disabled as a result of a non-service-connected disability shall be entitled to receive a monthly benefit in the amount equal to 30% of Final Average Salary.

Benefits are funded through participant and employer contributions, the latter of which includes pension allocations under the Commonwealth of Pennsylvania Act 205. Effective January 1, 2015, the maximum each participant contributes was increased to 7.5% of applicable compensation.

Pursuant to the Act of May 29, 1956 P.L. 1804 (Act 600), as amended, this Act assigns authority to establish and amend benefit provisions to provide pension benefits for all its full-time police officers.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE D - EMPLOYEES' RETIREMENT PLANS (Continued)

Contributions – Pennsylvania Act 2015 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, initiated actuarial funding requirements for municipal pension plans. Under Act 205 provisions, a municipal budget must provide for the full payment of the minimum municipal obligation (“MMO”) to each employee pension fund of the Municipality. Act 189 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds. The MMO is now defined as the total financial requirements to the pension fund, less funding adjustments and estimated contributions. The annual required contribution for the MMO to the Pension Trust Fund in 2015 was \$2,213,743, which was funded entirely by the Municipality through state aid and municipal contributions. Municipal contributions were \$1,497,597 of the required MMO. Employee contributions in 2015 totaled \$479,263. State aid and employee participant contributions in 2015 amounted to 10.50% and 7.00%, respectively, of the \$6,819,667 annual covered payroll.

The Municipality of Norristown provides management services to the Fund at no cost. The value of these services is not readily determinable and therefore, is not charged to the plan. Investment manager, custodial trustee and actuarial services are charged to the plan and funded through investment earnings.

Investments

Investment Policy – The Plan’s policy in regard to the allocation of invested assets is established and may be amended by the board of trustees. It is the policy of the Board of Trustees to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Plan’s adopted asset allocation policy as of December 31, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	42.0%
International equity	23.0%
Fixed income	30.0%
Cash	5.0%
	<u>100%</u>

Investments are reported at fair value. The fair value is the quoted market price. The plan’s fair value of investments as of December 31, 2015 was \$22,769,519.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE D - EMPLOYEES' RETIREMENT PLANS (Continued)

Concentrations – The Municipality's pension plans maintain a diversity of assets to absorb market risk to meet pension plan obligations. The following investments in pension plan assets represent more than 5% of the plan assets as of December 31, 2015:

MUTUAL FUNDS

Vanguard Dividend Growth Fd IV	\$ 1,475,008
Vanguard Developed Markets Index FD	3,702,931
Vanguard Total Stock Mkt Inx Adm	8,237,316
Metropolitan West Total Return Bond Fd	1,921,956
Vanguard Intm Term Inv G Adm	<u>1,781,213</u>
	<u>\$ 17,118,424</u>

Rate of Return – For the year ended December 31, 2015, the annual money-weighted rate of return on Plan investments, net of Plan investment expenses, was 0.67%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Plan

The components of the net pension liability of the Plan as of December 31, 2015 was as follows:

Total pension liability	\$ 39,504,343
Plan fiduciary net position	<u>(23,143,113)</u>
NET PENSION (ASSET) LIABILITY	<u>\$ 16,361,230</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>58.58%</u>

Actuarial Assumptions- The total pension liability was determined by an actuarial valuation as of December 31, 2015 using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	3%
Salary increases	5.00%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Mortality Table (Blue Collar) projected to 2018 using Scale AA.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE D - EMPLOYEES' RETIREMENT PLANS (Continued)

The long-term expected rate of return on the plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates are arithmetic real rates of return for each major class included in the Plan's target asset allocation as of December 31, 2015 and are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	6.50%
International equity	6.60%
Fixed income	3.10%
Real estate	4.60%
Cash	0.80%
Commodities	4.00%

Discount Rate - The discount rate used to measure the total pension liability was 8.00% as of December 31, 2015. The projection of cash flows used to determine the discount rate assumed that Plan participant contributions will be made at rates equal to the difference between actuarially determined contribution rates and the participant rate. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan participants. Therefore, the long-term expected rate of return of Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE D - EMPLOYEES' RETIREMENT PLANS (Continued)

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances at December 31, 2014	\$ 37,128,172	\$ 22,771,125	\$ 14,357,047
Changes for the year:			
Service cost	860,540	-	860,540
Interest	2,946,663	-	2,946,663
Changes of benefit terms	-	-	-
Differences between expected and actual experience	48,139	-	48,139
Changes of assumptions	831,674	-	831,674
Contributions			
Employer	-	2,213,742	(2,213,742)
Member	-	479,263	(479,263)
Net investment income	-	64,102	(64,102)
Transfers	(2,310,845)	(2,310,845)	-
Benefit payments	-	(74,274)	74,274
Administrative expense	-	-	-
Net changes	<u>2,376,171</u>	<u>371,988</u>	<u>2,004,183</u>
Balances at December 31, 2015	<u>\$ 39,504,343</u>	<u>\$ 23,143,113</u>	<u>\$ 16,361,230</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Plan, calculated using the discount rate of 8.00%, as well as the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate as of December 2015:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
	<u>(7.00%)</u>	<u>Rate (8.00%)</u>	<u>(9.00%)</u>
Net pension liability (asset)	\$ <u>20,806,132</u>	\$ <u>16,361,230</u>	\$ <u>12,592,289</u>

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE D - EMPLOYEES' RETIREMENT PLANS (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2015, the Municipality recognized pension expense of \$2,072,739 for the Police Pension Plan. At December 31, 2015, the Municipality reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 39,902	\$ -
Changes in assumptions	689,362	-
Net difference between projected and actual earnings on pension plan investments	<u>1,415,922</u>	<u>-</u>
	<u>\$ 2,145,186</u>	<u>\$ -</u>

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

<u>Year Ending December 31,</u>	
2016	\$ 504,530
2017	504,530
2018	504,530
2019	504,530
2020	127,066
Thereafter	-

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE D - EMPLOYEES' RETIREMENT PLANS (Continued)

Paid Firefighters' Pension Plan

Summary of Significant Accounting Policies

Financial information of the Municipality's Paid Fire Fighter's Pension Plan (the "Plan") is presented on the accrual basis of accounting. Contribution due and not paid prior to year-end are recorded as contributions receivable. Benefit payments to participants are recorded upon distribution.

Investment is United States Government Agency obligations, certificates of deposit, the balanced mutual fund, equity mutual fund, international equity mutual funds, the money market fund, exchange traded funds, and common stock are carried at fair value as of the last business day of the year as provided by the investment manager/broker. The investment in the mortgage-backed security is carried at estimated fair value as provided by the investment broker as of the last business day of the year.

Plan Description

The Paid Firefighters' Pension Plan is a single employer, defined benefit pension plan established pursuant to the Agreement and Declaration of Trust of the Norristown Paid Firefighters' Pension Fund. The Plan is a trust created for the exclusive benefit of the participants and their beneficiaries, and, as such, is exempt from federal income taxes under Internal Revenue Code Section 401(a).

The Municipality issues a publicly available financial report that includes financial statements and required supplementary information for the Paid Firefighters' Pension Plan. That report can be obtained by writing to Valley Forge Benefit Administrators, 400 Franklin Avenue, Suite 135, Phoenixville, Pennsylvania 19460 or by calling (215) 483-6000.

Plan Membership

At December 31, 2015, the Plan membership consisted of the following:

Current active employees	20
Retirees and beneficiaries currently receiving benefits	10
Employees vested, entitled to benefits, but not receiving them	-
	<hr/>
	<u>30</u>

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE D - EMPLOYEES' RETIREMENT PLANS (Continued)

Benefits Provided –The Plan provides for normal, early, deferred vested and disability pension and for death benefits. All benefits vest after 12 years of credited service. Each participant retiring at his normal retirement date (age 50 and 25 years of service) shall be entitled to receive a monthly benefit equal to, or the actuarial equivalent of, his accrued benefit in the normal form. Normal form of benefits under this Plan is 100% Joint and Survivor Annuity. Normal retirement age is age 50 with at least 25 years of service. Early retirement is age 45 with at least 10 years of service.

A pre-retirement death benefit, not in the line of duty, based on a 100% Joint and Survivor Annuity after ten years of service is provided by the Plan.

To be eligible for a disability benefit, participants must be permanently and totally disabled. For severe service connected disability, the benefit is equal to 100% of applicable compensation at the date of disability. For moderate service connected disability, the benefit is equal to 50% of applicable compensation at the date of disability. For non-service connected disability, the benefit is equal to 30% of applicable compensation at the date of disability provided that the participant has completed ten (10) years of service.

Benefits are funded through participant and employer contributions, the latter of which includes pension allocations under the Commonwealth of Pennsylvania Act 205 (Act 205). Each active participant contributes 5% of their applicable compensation.

Contributions – Pennsylvania Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, initiated actuarial funding requirements for municipal pension plans. Under Act 205 provisions, a municipal budget must provide for the full payment of minimum municipal obligation (“MMO”) to each employee pension fund of the Municipality. Act 189 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds. The MMO is now defined as the total financial requirements to the pension fund, less funding adjustments and estimated contributions. The annual required contribution for the MMO to the Pension Trust Fund in 2015, was \$709,534, which was funded entirely by the Municipality through state aid and municipal contributions. Municipal contributions were \$492,520 of the required MMO in 2015. Employee contributions in 2015, totaled \$97,563. State aid and employee participant contributions in 2015 amounted to 11.33% and 5.09%, respectively, of the \$1,915,886 annual covered payroll.

The Municipality of Norristown provides management services to the Fund at no cost. The value of these services is not readily determinable and therefore, are not charged to the Plan. Investment manager, custodial trustee and actuarial services, are charged to the Plan and funded through investment earnings.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE D - EMPLOYEES' RETIREMENT PLANS (Continued)

Investment Policy – The Plan’s policy in regard to the allocation investments assets is established and any be amended by the Board of Trustees. The assets purchased within the portfolio may include money-market fund, open-end mutual funds, individual securities, U.S. Treasury and U.S. Government Agency obligations, Certificates of Deposit, and corporate bonds. All issues shall be evaluated by the portfolio’s investment advisors and shall be selected on the basis of proven operating records, sound financial conditions, good marketability and reasonable valuations. Volatility of the portfolio will be judged as a whole and not as separate components. Diversifications will be used to minimize volatility. The following was the Plan’s allocation policy as of December 31, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	62.5%
Fixed income/cash equivalents	<u>37.5%</u>
	<u><u>100%</u></u>

Investments of the Pension Trust Fund are stated at fair value. The fair value is the quoted market price. The plan’s fair value of investments as of December 31, 2015, was \$8,428,431.

Concentrations – The municipal pension plans maintain a diversity of assets to absorb market risk and to meet pension plan obligations. The following investments in pension plan assets represent more than 5% of the plans assets as of December 31, 2015:

MUTUAL FUNDS	
MFS Total Return Fund-A	\$ 3,471,953
MFS Value Fund-A	<u>716,195</u>
	4,188,148
EXCHANGE TRADED FUNDS	
SPDR S+P 500 ETF Tr	<u>591,223</u>
	<u><u>\$ 4,779,371</u></u>

Rate of Return – For the year ended December 31, 2015, the weighted average rate of return on Plan investments, net of Plan investment expenses was (0.84%). The weighted average rate of return expresses investment performance, net of investment expense. The calculation of these returns was based on the portfolio allocation at the end of the year beginning of the year to calculate an estimate annual average return.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE D - EMPLOYEES' RETIREMENT PLANS (Continued)

Net Pension Liability of the Plan

Total pension liability	\$ 11,936,633
Plan fiduciary net position-defined benefit	<u>(8,438,172)</u>
NET PENSION LIABILITY	<u>\$ 3,498,461</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70.69%</u>

Actuarial Assumptions – The total pension liability was determined by actuarial valuation as of December 31, 2015, using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	3%
Salary increases	5.00%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Mortality Tables (Blue Collar) projected to 2018 using Scale AA.

The Plan's target return is the Plan's actuarial assumption of 8.00% as of December 31, 2015. The Plan's goal is to achieve a target return over a ten year period. The target return shall be revised to equal any revised actuarial assumption. Actual Plan returns will vary from year to year. Past performance is no guarantee of future performance.

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	8.00%
Fixed income/cash equivalents	8.00%

Discount Rate – The discount rate used to measure the total pension liability was 8.00% as of December 31, 2015. The projection of cash flows used to determine the discount rate assumed the Plan participant contributions will be made at the current contribution rates equal to the difference between actuarially determined contribution rates and the participant rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan participants. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE D - EMPLOYEES' RETIREMENT PLANS (Continued)

Changes in the Net Pension Liability

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability (Asset) <u>(a) - (b)</u>
Balances at December 31, 2014	\$ 11,211,400	\$ 8,316,922	\$ 2,894,478
Changes for the year:			
Service cost	285,130	-	285,130
Interest	897,037	-	897,037
Differences between expected and actual experience	(134,791)	-	(134,791)
Changes of assumptions	245,002	-	245,002
Contributions			
Employer	-	709,534	(709,534)
Member	-	97,563	(97,563)
Net investment income	-	(74,097)	74,097
Transfers	(567,145)	(567,145)	-
Benefit payments	-	(44,605)	44,605
Net changes	<u>725,233</u>	<u>121,250</u>	<u>603,983</u>
Balances at December 31, 2015	<u>\$ 11,936,633</u>	<u>\$ 8,438,172</u>	<u>\$ 3,498,461</u>

Sensitivity of Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Plan calculated using the discount rate of 8.00%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate as of December 31, 2015:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Net pension liability (asset)	\$ <u>4,862,728</u>	\$ <u>3,498,461</u>	\$ <u>2,343,905</u>

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE D - EMPLOYEES' RETIREMENT PLANS (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2015, the Municipality recognized pension expense of \$620,513 for the Paid Firefighters' Pension Plan. At December 31, 2015, the Municipality reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 116,422
Changes in assumptions	211,614	-
Net difference between projected and actual earnings on pension plan investments	<u>597,812</u>	<u>-</u>
	<u>\$ 809,426</u>	<u>\$ 116,422</u>

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

<u>Year Ending December 31,</u>	
2016	\$ 164,472
2017	164,472
2018	164,472
2019	164,472
2020	15,019
Thereafter	20,097

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE D - EMPLOYEES' RETIREMENT PLANS (Continued)

Non-Uniformed Pension Plan

Summary of Significant Accounting Policies

Method Used to Value Investments - Investments are reported at fair value. The Plan's assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities. Disclosures for aggregate PMRS investments are included in PMRS's separately issued Comprehensive Annual Financial Report (CAFR).

Plan Description

Plan Administration - The Non-Uniformed Pension Plan is a single employer, defined benefit pension plan. The Plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). A copy of the CAFR can be obtained by writing to the Chief, Accounting Division of Commonwealth of Pennsylvania, Pennsylvania Municipal Retirement System, P.O. Box 1165, Harrisburg, Pennsylvania 17108-1165 or by calling (800) 622-7968.

Plan Membership - At December 31, 2015, the Plan membership consisted of the following:

Current active employees	44
Retirees and beneficiaries currently receiving benefits	23
Employees vested, entitled to benefits, but not receiving them	<u>3</u>
	<u><u>70</u></u>

Benefits Provided - The Plan was established by the Municipality to provide pension benefits for all its full-time non-uniformed employees. All benefits vest after 12 years of credited service. Each participant retiring at his normal retirement date shall be entitled to receive a monthly benefit as of his normal retirement date equal to, or the actuarial equivalent of, his accrued benefit in the normal form. To be eligible for disability benefit, participants must be permanently and totally disabled. For service-related disability, the benefit is equal to 50% of applicable compensation at the date of disability.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE D - EMPLOYEES' RETIREMENT PLANS (Continued)

Contributions - Members contribute at a rate of 4.5% of compensation. The Municipality's Contribution is determined based on actuarial valuations. Significant actuarial assumptions include (1) a rate of return on investments of present and future assets of 6% per annum, (2) projected salary increases of 4.5% per year compounded annually, (3) members are assumed to retire within a range of years between 61 and 75.

Investments

Investment Policy – The policy of the PMRS system (the “System”) in regard to investment income allocation on invested assets is established and may be amended by the PMRS board. Plan assets are managed on a total return basis with an emphasis on both capital and appreciation as well as the production of income, In order to satisfy the short-term and long-term funding needs of PMRS.

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity (large capitalized firms)	25.0%
Domestic equity (small capitalized firms)	15.0%
International equities (international developed markets)	15.0%
International equities (emerging markets)	10.0%
Real estate	20.0%
Fixed income	<u>15.0%</u>
	<u>100%</u>

Rate of Return - For the year ended December 31, 2015, the annual money-weighted rate of return on plan investments, net of plan investment expense, was -0.13%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Municipality

Total pension liability	\$ 5,929,605
Plan fiduciary net position-defined benefit	<u>(8,320,716)</u>
NET PENSION (ASSET) LIABILITY	<u>\$ (2,391,111)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>140.32%</u>

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE D - EMPLOYEES' RETIREMENT PLANS (Continued)

Actuarial Assumptions – The pension liability was determined by an actuarial valuation as of December 31, 2014, using the following actuarial assumptions, applied to all periods included in this measurement:

Inflation	3.00%
Salary increases	4.10%
Investment rate of return	5.50%

Pre-retirement mortality rates for was RP 2000 with 1 year set back and for females, RP 2000 with a five year set back.

The actuarial assumptions used in this report were based on PMRS Experience Study for the period covering January 1, 2005 through December 31, 2008 issued by the actuary in July 2010 as well as subsequent Board approved assumption changes, such as the decrease in the regular interest to 5.5 for the January 1, 2013 actuarial valuation.

The PMRS System's long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return are developed for each major asset class, for the portfolio as a whole and at different levels of probability or confidence.

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity (large capitalized firms)	8.70%
Domestic equity (small capitalized firms)	8.40%
International equities (international developed markets)	4.60%
International equities (emerging markets)	8.10%
Real estate	6.70%
Fixed income	-1.00%

Discount Rate – While it is often common practice to establish an actuarial Discount Rate that is equal to the Long-Term Expected Rate of Return, PMRS is required by law (Act 15 of 1974) to establish a Discount Rate equal to the Regular Interest Rate. The PMRS Board establishes the Regular Interest Rate on the basis of expected stable and consistent earning on investments to be applied to account of the individual participating municipalities and includes the accounts of plan participants, municipalities and plan retirees each year. The Board considers the following five quantitative factors in establishing the Regular Interest Rate:

- 1) Retiree Plan liability as a percentage of the total Plan liability,
- 2) Active Plan participant liability as a percentage of the total Plan liability,
- 3) Smoothed Pension Benefit Guarantee Corporation (PBGC) annuity rates,
- 4) PMRS System Long-Term Expected Rate of Return, and
- 5) PMRS administrative expenses

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE D - EMPLOYEES' RETIREMENT PLANS (Continued)

Changes in the Net Position (Asset) Liability

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability (Asset) <u>(a) - (b)</u>
Balances at December 31, 2014	\$ 5,804,235	\$ 8,107,392	\$ (2,303,157)
Changes for the year:			
Service cost	229,958	-	229,958
Interest	323,005	-	323,005
Differences between expected and actual experience	(101,109)	-	(101,109)
Contributions			
Employer	-	3,083	(3,083)
Member	-	97,864	(97,864)
PMRS investment income	-	443,694	(443,694)
Market value investment income	-	13,703	(13,703)
Benefit payments	(326,484)	(326,484)	-
PMRS administrative expense	-	(1,520)	1,520
Additional administrative expense	-	(17,016)	17,016
Net changes	<u>125,370</u>	<u>213,324</u>	<u>(87,954)</u>
Balances at December 31, 2015	<u>\$ 5,929,605</u>	<u>\$ 8,320,716</u>	<u>\$ (2,391,111)</u>

Sensitivity of the Net Pension Liability to Changes in the Discounted Rate – The following presents the net position (asset) of the Municipality, calculated using the discount rate of 5.50%, as well as what the Municipality's net pension would be if there were calculated using a discount rate that is one percentage point lower (4.50%) and one percentage point higher (6.50%) than the current rate:

	1% Decrease (4.50%) <u></u>	Current Discount Rate (5.50%) <u></u>	1% Increase (6.50%) <u></u>
Net pension liability (asset)	\$ <u>(1,625,745)</u>	\$ <u>(2,391,111)</u>	\$ <u>(3,028,649)</u>

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE D - EMPLOYEES' RETIREMENT PLANS (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended December 31, 2015, the Municipality recognized pension revenues of \$819 for the Non-Uniformed Employees' Pension Plan. At December 31, 2015, the Municipality reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 75,830
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>8,221</u>
	<u>\$ -</u>	<u>\$ 84,051</u>

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

<u>Year Ending December 31,</u>	
2016	\$ (15,380)
2017	(15,380)
2018	(15,378)
2019	(12,639)
2020	(2,741)
Thereafter	(22,533)

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE D - EMPLOYEES' RETIREMENT PLANS (Continued)

Laborers Non-Uniformed Pension Plan

Plan Description

Plan Administration - The Laborers Non-Uniformed Pension Plan is a participant in a multi-employer pension plan with the Laborers' District Council of the Metropolitan Area of Philadelphia and the Vicinity. The multi-employer plan is a defined benefit pension plan covering all eligible employees covered by the collective bargaining agreements. It is subject to the provision of the Employee Retirement Income Security Act of 1974 (ERISA).

The plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The financial report may be obtained by writing to the Plan Administration Laborer's District Council Pension Plan, 500-506 North 6th Street, Philadelphia, Pennsylvania 19123 or by calling (215) 928-6166.

Plan Membership - At December 31, 2015, the Plan membership consisted of the following:

Current active employees	18
Retirees and beneficiaries currently receiving benefits	19
Employees vested, entitled to benefits, but not receiving them	<u>5</u>
	<u><u>42</u></u>

Contribution - Active members of the Plan are not required to contribute to the plan. The Municipality is required to contribute \$2.38 per hour worked for each member.

A schedule of state aid and employer contributions for each year in the six-year period ended December 31, is as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>State Aid</u> <u>Deposited</u>	<u>Employer</u> <u>Contributions</u>
2015	\$ -	\$ 84,157
2014	-	79,206
2013	-	84,157
2012	-	84,281
2011	-	91,617
2010	-	92,134

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE D - EMPLOYEES' RETIREMENT PLANS (Continued)

ICMA Retirement Pension Plan

Plan Description

Plan Administration - The International City Manager's Association (ICMA) Retirement Pension Plan is a single employer, defined contribution plan administered by the International City Manager's Association Retirement Corporation. Plan provisions are established or amended by Municipality Council resolutions. Eligible participants include the Municipality's managers and its solicitor.

Plan Membership - At December 31, 2015, the Plan's membership consisted of the following:

Current active employees	4
Retirees and beneficiaries currently receiving benefits	-
Employees vested, entitled to benefits, but not receiving them	<u>5</u>
	<u><u>9</u></u>

Benefits Provided - Participants have, at all times, a 100% interest in their accounts. Normal retirement age is 65 years. The Plan is a money purchase plan qualified under Section 401(a) of the Internal Revenue Code.

Contributions - Active members are not required to contribute to the plan. The Municipality is required to contribute 6.18% of annual covered payroll. The Plan may also be eligible for an annual allocation from the General Municipal Pension System State Aid Program, which is used to reduce or eliminate the required municipal contribution.

A schedule of state aid and employer contributions for each year in the six-year period ended December 31, is as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>State Aid</u> <u>Deposited</u>	<u>Employer</u> <u>Contributions</u>
2015	\$ -	\$ 21,916
2014	-	27,082
2013	-	24,074
2012	-	23,975
2011	-	21,722
2010	-	18,204

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE E - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended December 31, 2015:

	<u>Maturity Date</u>
GOVERNMENTAL ACTIVITIES	
General obligation bonds and notes	
1998 Taxable Series	2018
1998 Series A	2016
2001 Series	2016
2002 Series	2015
2004 Series A	2015
2004 Series AAA	2018
2004 Series	2034
2006 Series-SL Projects	2026
2006 Series-Capital	2026
TOTAL GENERAL OBLIGATION BONDS AND NOTES	
Deferred amounts	
Issuance discount	
TOTAL DEFERRED AMOUNTS	
TOTAL BONDS PAYABLE	
Capital leases	
Compensated absences	
OPEB liability	
Net pension liability	
TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES	
COMPONENT UNIT - NORRISTOWN MUNICIPAL WASTE AUTHORITY	
Sewer revenue bonds	
Series 2023	2023
Series 2023	2025
Series 2009	2033
TOTAL BONDS PAYABLE	
Compensated absences	
TOTAL COMPONENT UNIT LONG-TERM LIABILITIES	

General obligation debts are generally liquidated by the Debt Service Fund. The \$146,915 addition to the 1998 Series A Capital Appreciation Bond represents accreted interest.

Balance January 1, 2015	Additions	Reductions	Balance December 31, 2015	Due Within One Year
\$ 1,640,000	\$ -	\$ (370,000)	\$ 1,270,000	\$ 395,000
2,707,335	146,915	(1,465,000)	1,389,250	1,465,000
285,000	-	(140,000)	145,000	145,000
35,000	-	(35,000)	-	-
258,000	-	(258,000)	-	-
3,955,000	-	(475,000)	3,480,000	780,000
7,195,000	-	(205,000)	6,990,000	215,000
2,564,860	-	(160,605)	2,404,255	173,490
1,403,000	-	(1,000)	1,402,000	1,000
<u>20,043,195</u>	<u>146,915</u>	<u>(3,109,605)</u>	<u>17,080,505</u>	<u>3,174,490</u>
<u>(77,388)</u>	<u>-</u>	<u>10,097</u>	<u>(67,291)</u>	<u>(10,097)</u>
<u>(77,388)</u>	<u>-</u>	<u>10,097</u>	<u>(67,291)</u>	<u>(10,097)</u>
19,965,807	146,915	(3,099,508)	17,013,214	3,164,393
461,755	68,911	(172,492)	358,174	156,847
1,483,819	154,562	-	1,638,381	80,447
1,197,797	226,522	-	1,424,319	-
<u>14,860,414</u>	<u>2,608,166</u>	<u>-</u>	<u>17,468,580</u>	<u>-</u>
<u>\$ 37,969,592</u>	<u>\$ 3,205,076</u>	<u>\$ (3,272,000)</u>	<u>\$ 37,902,668</u>	<u>\$ 3,401,687</u>
\$ 9,104,772	\$ -	\$ (910,235)	\$ 8,194,537	\$ 944,075
5,287,198	-	(423,792)	4,863,406	438,116
6,888,000	-	(48,000)	6,840,000	48,000
<u>21,279,970</u>	<u>-</u>	<u>(1,382,027)</u>	<u>19,897,943</u>	<u>1,430,191</u>
<u>57,829</u>	<u>-</u>	<u>(2,932)</u>	<u>54,897</u>	<u>-</u>
<u>\$ 59,307,391</u>	<u>\$ 3,205,076</u>	<u>\$ (4,656,959)</u>	<u>\$ 57,855,508</u>	<u>\$ 4,831,878</u>

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE E - LONG-TERM LIABILITIES (Continued)

Long-Term Debt

An analysis of debt service requirements to maturity on general obligation debt follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 3,174,490	\$ 797,497	\$ 3,971,987
2017	3,262,391	705,634	3,968,025
2018	2,558,719	526,873	3,085,592
2019	451,335	435,144	886,479
2020	474,252	413,278	887,530
2021 to 2025	2,746,336	1,692,638	4,438,974
2026 to 2030	2,343,730	1,010,779	3,354,509
2031 to 2034	2,145,000	321,816	2,466,816
	<u>17,156,253</u>	<u>\$ 5,903,660</u>	<u>\$ 23,059,913</u>
Less unaccrued amount on 1998 Capital Appreciation Bond	<u>(75,748)</u>		
	<u>\$ 17,080,505</u>		

The following is a summary of general obligation debt outstanding:

Bonds, Taxable Series of 1998, in the amount of \$5,105,000 were issued to finance pension obligations. Interest rates range from 6.55% to 7.00%; principal payments are due annually and interest payments are due semiannually through October 15, 2018. The outstanding principal balance at December 31, 2015, amounted to \$1,270,000.

General Obligation Bonds, Series A of 1998, in the amount of \$4,772,699 were issued as capital appreciation bonds, which were used to fund unfunded debt and for the refunding of prior debt. Interest rates range from 4.93% to 5.38%. Interest is accreted annually to a face value (principal and compounded interest) of \$10,200,000. Principal and interest payments commenced December 15, 2010 and mature December 15, 2016. The accreted value of the bonds outstanding amounted to \$1,389,250 at December 31, 2015.

General Obligation Bonds, Series of 2001, in the amount of \$3,705,000 were used to finance capital projects and refund prior debt. Interest rates range from 3.00% to 5.00%. Principal payments are due annually and interest payments are due semiannually through May 15, 2016. The outstanding principal amounted to \$145,000 at December 31, 2015.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE E - LONG-TERM LIABILITIES (Continued)

General Obligation Bonds, Series 2002, in the amount of \$5,190,000 were issued to refund prior debt. Interest rates range from 2.00% to 4.70%. Principal payments are due annually and interest is due semiannually through December 31, 2015. The outstanding principal balance at December 31, 2015, amounted to \$0.

General Obligation Bonds, Series AAA of 2004, in the amount of \$4,040,000 were issued to fund capital projects. Interest rates range from 2.50% to 4.35%. Principal payments are due annually and interest payments are due semiannually through November 15, 2018. The outstanding principal balance at December 31, 2015, amounted to \$3,480,000.

General Obligation Bonds, Series 2004, in the amount of \$8,545,000 were issued to fund pension plans. Interest rates range from 3.39% to 5.83%. Principal payments are due annually and interest payments are due semiannually through November 1, 2034. The outstanding principal balance at December 31, 2015, amounted to \$6,990,000.

A General Obligation Note, Series A of 2004, in the amount of \$788,000 was issued to refund prior debt at a 3.99% fixed interest rate. Principal payments are due annually and interest payments are due semiannually through November 15, 2015. Principal is repaid \$1,000 per year through 2013 with increased lump-sum principal payments of \$521,000 and \$258,000 due in 2014 and 2015, respectively. The outstanding principal balance of this note amounted to \$0 at December 31, 2015.

A General Obligation Note, Series of 2006, was issued to fund capital projects in the amount \$1,411,000 and street lights projects in the amount of \$3,570,753. Principal payments on the capital projects portion of the note are \$1,000 per year through 2017, with a final lump sum principal payment of \$1,400,000 due on June 1, 2018. Interest is paid semiannually at 4.39% through June 1, 2016. Interest is reset for the remainder of the loan at 60% of the ten-year average LIBOR rate plus 250 basis points. The maximum cap on the interest rates is 6.25%.

Principal payments on the street light projects of the note are due annually and interest payments are due semi-annually through December 1, 2026 Interest is paid semiannually at 4.39% through June 1, 2016. Interest is reset for the remainder of the loan at 60% of the ten-year average LIBOR rate plus 250 basis points. The maximum cap on the interest rates is 6.25%. Principal balances on the capital projects and street light projects portions of the note amounted to \$1,402,000 and \$2,404,255, respectively at December 31, 2015.

Component Unit - Norristown Municipal Waste Authority

Sewer Revenue Bonds, Series of 2013, in the amount of \$22,906,875 were issued to refund previously issued Sewer Revenue Bonds, Series of 2003 and Sewer Revenue Notes, Series of 2009 as well as to provide funds for the acquisition, construction and improvement of facilities. Interest rates range from 2.87% to 3.28%. Principal payments are due annually and interest payments are due semi-annually through 2033. The outstanding principal balance at December 31, 2015, amounted to \$19,897,943.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE E - LONG-TERM LIABILITIES (Continued)

Aggregate maturities required on long-term debt at December 31, 2015, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 1,430,191	\$ 584,539	\$ 2,014,730
2017	1,474,367	538,449	2,012,816
2018	1,519,961	491,479	2,011,440
2019	1,567,017	443,044	2,010,061
2020	1,615,583	393,623	2,009,206
2021 to 2025	6,096,625	1,258,746	7,355,371
2026 to 2030	3,837,201	624,709	4,461,910
2031 to 2033	<u>2,356,998</u>	<u>97,052</u>	<u>2,454,050</u>
	<u>\$ 19,897,943</u>	<u>\$ 4,431,641</u>	<u>\$ 24,329,584</u>

Capital Lease Obligations

The Municipality has entered into lease agreements as a lessee for financing the acquisition of certain equipment. These leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the lower of asset value or present value of future minimum lease payments as of the inception date.

The assets acquired through the capital leases are as follows:

<u>Item</u>	<u>Amount Financed (Cost)</u>	<u>Term of Agreement</u>	<u>Annual Payment</u>	<u>Interest Rate</u>
Dump truck with plow	\$ 75,834	7 years	\$ 12,537	4.25%
Skid steer	65,467	5 years	61,626	4.09%
Fire truck	395,292	7 years	14,504	2.72%
Bucket truck	116,254	5 years	18,037	4.70%
Police utility vehicles	82,323	4 years	31,087	4.70%
Fire utility vehicle	28,938	3 years	13,116	
Police utility vehicles	107,279	4 years	28,924	
Leaf collectors	<u>68,910</u>	4 years	<u>18,676</u>	4.79%
	<u>\$ 940,297</u>		<u>\$ 198,507</u>	

This equipment is included in machinery, vehicles and equipment in Note C. Accumulated depreciation at December 31, 2015, was \$496,223.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE E - LONG-TERM LIABILITIES (Continued)

The annual payments for principal and interest due for the remainder of the lease agreement are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 156,847	\$ 14,042	\$ 170,889
2017	131,293	7,674	138,967
2018	<u>70,034</u>	<u>2,486</u>	<u>72,520</u>
	<u>\$ 358,174</u>	<u>\$ 24,202</u>	<u>\$ 382,376</u>

Compensated Absences

Full-time employees earn vacation time. Carryover of vacation time after year-end is subject to contract limits. In addition, employees also accrue sick leave benefits subject to contract limits. Certain unused sick time is purchased annually from employees subject to contract limits.

GAAP requires accrual of sick and vacation pay that meets certain specific conditions. The Municipality has determined that such conditions apply to accumulated sick and vacation pay of Governmental Funds. To the extent sick pay liabilities in Governmental Funds are to be liquidated with available resources (annual sick buy back shortly after year-end), they are accounted for as fund liabilities in the Governmental Funds fund financial statements; the total obligation for both sick and vacation pay is accounted for as a liability in the government-wide financial statements.

Total compensated absence liabilities presented on the statement of net position amounted to \$1,638,381 as of December 31, 2015.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE F - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivable and payable balances consist of the following at December 31, 2015:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Liquid Fuels Fund	\$ 7
General Fund	Debt Service Fund	252,906
General Fund	Community Development	33,441
Capital Projects Fund	General Fund	87,419
General Fund	Other Governmental Funds	30,646
Agency Fund	Debt Service Fund	<u>83,210</u>
		<u>\$ 487,629</u>

Interfund transfers for the year ended December 31, 2015, are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 4,016,643
Debt Service Fund	<u>4,016,643</u>	<u>-</u>
	<u>\$ 4,016,643</u>	<u>\$ 4,016,643</u>

NOTE G - RISK MANAGEMENT

The Municipality maintains an insurance policy for workers' compensation insurance. Insurance premiums are developed based on employee job descriptions, rate factors and payroll costs for the year. The policy has an audit performed each year, and the Municipality may be required to pay any additional premium as a result of the audit, or the Municipality may be entitled to a refund as a result of the audit. For the year ended December 31, 2015, the Municipality paid net insurance premiums of \$505,994.

The Municipality is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; natural disaster; injuries to people on municipal property; and civil right violation claims. Management and legal representation is not aware of any claims that are material in nature and that would exceed insured limits as of December 31, 2015. Covered settled claims arising during the last four years of insurance coverage did not exceed liability coverage.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE H - CONTINGENCIES

In the normal course of business, there are various claims and suits pending against the Municipality and its elected officials. Management and its counsel are of the opinion that these matters will not have a material adverse effect on the Municipality's financial position at December 31, 2015.

NOTE I - POSTEMPLOYMENT BENEFITS OTHER THAN RETIREMENT FUND

Plan Description

The Municipality sponsors a single-employer postemployment benefit plan that covers health and life insurance for eligible retirees of the Municipality's police and firefighters. These benefits were encompassed within each of the respective union contracts. All plan benefits are dictated in the contracts.

Annual OPEB Cost and Net OPEB Obligation

The Municipality's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, 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 cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Funding Policy

The Municipality currently funds the plan on a pay-as-you-go basis. The eligible retirees currently contribute nothing towards the plan's costs. The ARC for 2015 was \$361,255.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE I - POSTEMPLOYMENT BENEFITS OTHER THAN RETIREMENT FUND (Continued)

The components of the Municipality's annual OPEB costs for the past three years, the amounts actually contributed to the plan and the changes in the Municipality's net OPEB obligation to the plan are as follows:

(1) Year	(2) ARC	(3) Interest on Net OPEB Obligation	(4) ARC Adjustment	(5) OPEB Cost (2+3+4)	(6) Contributions	(7) Changes in Net OPEB Obligation (5-6)	Net OPEB Obligation Balance
2013	\$ 335,912	\$ 30,754	\$ (45,270)	\$ 321,396	\$ 117,425	\$ 203,971	\$ 972,820
2014	355,987	38,913	(56,258)	338,641	113,664	224,977	1,197,797
2015	361,255	47,912	(70,526)	338,641	112,119	226,522	1,424,319

Annual OPEB Contributions

Year Ended December 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 321,396	37%	\$ 972,820
2014	338,641	34%	1,197,797
2015	338,641	33%	1,424,319

Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$4,255,788 and the actuarial value of assets was \$0. The covered payroll (annual payroll of active employees covered by the plan) was \$7,669,759, and the ratio of the UAAL to the covered payroll was 55.5%.

The projection of future benefit payments for an ongoing plan involves 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 the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to the continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE I - POSTEMPLOYMENT BENEFITS OTHER THAN RETIREMENT FUND (Continued)

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 short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations. The following is a summary of the actuarial assumptions used in the valuation:

Investment Return - The assumed rate used to discount obligations was the Funded Conservative Method of 4%.

Salary Scale - None assumed.

Retirement Rates - Age 60 and 25 years of service for the police (it was assumed at that age the retiring officer will enter the DROP at age 55 and stay for five years). Age 53 and 25 years of service was assumed for firefighters. Also, it was assumed that 70% of the retirees will receive the postretirement medical benefit as 30% of those retirees will be covered by another plan.

Termination - Sarason T-3.

Preretirement Mortality - RP-2000 Mortality Table (Blue Collar) with generational improvement using Scale AA.

Postretirement Mortality - Same as the preretirement mortality. Rates of Disablement - 1964 OASDI Disability Table was used.

Post-Disablement Mortality - Standard mortality rates were set forward ten years.

Administrative Expenses - None assumed.

Percent Married - 90% of all active employees were assumed to be married at the point of retirement.

Age of Spouse - The female spouse is assumed to be three years younger than the male spouse for future retirees.

Medical Inflation - 7% in the first year gradually decreasing by 0.5% per year, to an ultimate rate of 5%.

Valuation of Obligations - The Entry Age Normal Method was used. Valuation of Assets - Market value of assets was used.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE J - LOAN GUARANTEE

During 2011, the Municipality acted as the Unit of General Local Government for the Redevelopment Authority of Montgomery County to borrow \$5,000,000 from the U.S. Department of Housing and Urban Development ("HUD") under the Section 108 Program. The Redevelopment Authority used the funds to provide a loan to a local developer (Johnson & Markley Redevelopment, L.P.) for the redevelopment of an existing commercial building. Interest payments on the loan are due February 1, May 1, August 1 and November 1 and principal payments are due annually, commencing August 1, 2018 through August 1, 2030. Under the terms of the financing agreement, the Municipality guarantees the payment of principal and interest on the loan with its Community Development Block Grant ("CDBG") Funds should the Redevelopment Authority fail to make the required payments.

The local developer has been unable to make the loan payments due to the senior lender as well as the Redevelopment Authority of Montgomery County. In May 2013, the senior lender initiated foreclosure proceedings against the project and the local developer. As part of the financing provided in 2011, Montgomery County had agreed to subordinate all of its debt (including the HUD Section 108 Program loan funds) to the senior lender, who provided the original financing for the acquisition of the property.

Montgomery County will participate in the foreclosure process as per the requirements of the Subordination Agreement and will seek to extract any value that may be available for recovery. Given the present economic reality of the project, the Municipality does not anticipate realizing any return from these investments and believes that the funding provided to this project will likely be lost during this process.

NOTE K - PRIOR PERIOD ADJUSTMENT

The Municipality implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 27*, effective January 1, 2015.

The objective of GASB Statement No. 68 is to improve accounting and financial reporting of state and local governments for pension plans. GASB Statement No. 68 states that local governments have to record any unfunded liability of their pension plans.

For the government-wide governmental activities, the Municipality has treated the beginning of the year net pension liability of \$14,948,368 as having been recognized in the period incurred. Accordingly, the Municipality has adjusted beginning net position for the governmental activities from \$13,795,557 to (\$1,152,811).

NOTE L - SUBSEQUENT EVENTS

The Municipality entered into a Modification, Confirmation and Ratification of Loan and Security Agreement on May 23, 2016 for General Obligation Note, Series of 2006. Interest is paid semiannually at 4.39% through June 1, 2016 and then at 2.85% through May 31, 2023. Interest is reset for the remainder of the loan at 67% of the current Wall Street Journal Prime Rate (or its equivalent). The maximum cap on the interest rate decreased from 6.25% to 5.25%.

REQUIRED SUPPLEMENTARY INFORMATION

MUNICIPALITY OF NORRISTOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 11,077,731	\$ 11,077,731	\$ 11,090,036	\$ 12,305
Local enabling taxes	9,192,000	9,192,000	10,115,400	923,400
Licenses and permits	964,076	964,076	1,134,813	170,737
Fines and forfeits	1,215,950	1,215,950	1,123,194	(92,756)
Intergovernmental	1,852,031	1,852,031	1,695,297	(156,734)
Charges for services	5,204,838	5,204,838	4,294,093	(910,745)
Investment earnings	42,000	42,000	88,720	46,720
Miscellaneous	44,783	44,783	14,926	(29,857)
TOTAL REVENUES	29,593,409	29,593,409	29,556,479	(36,930)
EXPENDITURES				
General government	7,320,265	7,320,265	6,828,230	492,035
Public safety	13,997,530	13,997,530	14,666,061	(668,531)
Sanitation	2,472,986	2,472,986	2,264,838	208,148
Highways and streets	1,273,840	1,273,840	1,247,381	26,459
Culture and recreation	651,300	651,300	255,061	396,239
Community development	193,402	193,402	6,022	187,380
Payment on capital lease	-	-	137,855	(137,855)
Capital outlays	211,616	211,616	168,326	43,290
TOTAL EXPENDITURES	26,120,939	26,120,939	25,573,774	547,165
EXCESS REVENUES OVER EXPENDITURES	3,472,470	3,472,470	3,982,705	510,235
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease	-	-	68,911	68,911
Proceeds from sale of capital assets	10,000	10,000	9,036	(964)
Transfers in	518,434	518,434	-	(518,434)
Transfers out	(4,000,904)	(4,000,904)	(4,016,643)	(15,739)
TOTAL OTHER FINANCING SOURCES (USES)	(3,472,470)	(3,472,470)	(3,938,696)	(466,226)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	44,009	\$ 44,009
FUND BALANCE AT BEGINNING OF YEAR			10,474,410	
FUND BALANCE AT END OF YEAR			\$ 10,518,419	

See accompanying note to budgetary comparison schedule.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2015

NOTE A - BUDGETARY POLICY

The Municipal Council annually adopts the budget for the General Fund of the Municipality. Management may not amend the budget without the approval of the governing body. Uncommitted appropriations lapse at year-end. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2015, expenditures exceeded appropriations in the following General Fund department levels (the legal level of budgetary control): Public Safety - \$668,531 and Payment on Capital Lease - \$137,855.

These excess expenditures were funded by available fund balance in the General Fund.

MUNICIPALITY OF NORRISTOWN
SCHEDULE OF CHANGES IN THE NET POLICE PENSION PLAN
LIABILITY AND RELATED RATIOS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY		
Service cost	\$ 860,540	\$ 742,377
Interest	2,946,663	2,837,181
Differences between expected and actual experience	48,139	280,388
Changes of assumptions	831,674	-
Benefit payments	<u>(2,310,845)</u>	<u>(2,447,676)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	2,376,171	1,412,270
Total pension liability, beginning	<u>37,128,172</u>	<u>35,715,902</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 39,504,343</u>	<u>\$ 37,128,172</u>
PLAN FIDUCIARY NET POSITION		
Contributions		
Employer	\$ 2,213,742	\$ 1,580,660
Member	479,263	428,217
Net investment income	64,102	1,142,207
Benefit payments, including refunds of member contributions	(2,310,845)	(2,447,676)
Administrative expense	<u>(74,274)</u>	<u>(75,771)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	371,988	627,637
Plan fiduciary net position, beginning	<u>22,771,125</u>	<u>22,143,488</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 23,143,113</u>	<u>\$ 22,771,125</u>
NET PENSION LIABILITY (ASSET), ENDING (a)-(b)	<u>\$ 16,361,230</u>	<u>\$ 14,357,047</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>58.58%</u>	<u>61.33%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 6,819,667</u>	<u>\$ 6,494,921</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>239.91%</u>	<u>221.05%</u>

Note: GASB Statement No. 67 requires this information to be presented for the last ten fiscal years, or shorter period for which the information is available. The information is available for only 2014 and 2015.

MUNICIPALITY OF NORRISTOWN
SCHEDULE OF POLICE PENSION PLAN
CONTRIBUTIONS
LAST 10 FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 2,213,742	\$ 1,580,660	\$ 1,567,645
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>2,213,742</u>	<u>1,580,660</u>	<u>1,567,645</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 6,819,667</u>	<u>\$ 6,494,921</u>	<u>\$ 5,698,376</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>32.46%</u>	<u>24.34%</u>	<u>27.51%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2015

Actuarially determined contribution rates are calculated by January 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	10 years
Asset valuation method	Market value
Inflation	3%
Salary increases	5.0% average, including inflation
Investment rate of return	8%, net of investment expense, including inflation
Retirement age	Age 50 with 25 years' service
COLA increases	3.0% for those eligible
Mortality	RP 2000 Mortality Tables projected to 2018 using Scale AA

Note: GASB Statement No. 67 requires this information to be presented for the last ten fiscal years, or shorter period for which the information is available.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 1,294,190	\$ 1,342,405	\$ 629,124	\$ 561,254	\$ 341,860	\$ 297,879	\$ 278,282
<u>1,294,190</u>	<u>1,342,405</u>	<u>629,124</u>	<u>561,254</u>	<u>341,860</u>	<u>297,879</u>	<u>278,282</u>
\$ <u>-</u>						
\$ <u>5,954,543</u>	\$ <u>5,822,171</u>	\$ <u>6,047,527</u>	\$ <u>5,215,234</u>	\$ <u>5,288,552</u>	\$ <u>4,663,019</u>	\$ <u>4,825,687</u>
<u>21.73%</u>	<u>23.06%</u>	<u>10.40%</u>	<u>10.76%</u>	<u>6.46%</u>	<u>6.39%</u>	<u>5.77%</u>

MUNICIPALITY OF NORRISTOWN
SCHEDULE OF POLICE PENSION PLAN
INVESTMENT RETURNS
LAST 10 FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>0.67%</u>	<u>5.80%</u>	<u>16.86%</u>

Note: GASB Statement No. 67 requires this information to be presented for the last ten fiscal years, or shorter period for which the information is available.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<u>13.54%</u>	<u>0.97%</u>	<u>13.18%</u>	<u>23.10%</u>	<u>(33.35)%</u>	<u>6.38%</u>	<u>12.14%</u>

MUNICIPALITY OF NORRISTOWN

SCHEDULE OF CHANGES IN THE NET PAID FIREFIGHTERS' PENSION PLAN LIABILITY AND RELATED RATIOS YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY		
Service cost	\$ 285,130	\$ 262,056
Interest	897,037	861,549
Differences between expected and actual experience	(134,791)	(129,405)
Changes of assumptions	245,002	-
Benefit payments	<u>(567,145)</u>	<u>(492,695)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	725,233	501,505
Total pension liability, beginning	<u>11,211,400</u>	<u>10,709,895</u>
 TOTAL PENSION LIABILITY, ENDING (a)	 <u>\$ 11,936,633</u>	 <u>\$ 11,211,400</u>
 PLAN FIDUCIARY NET POSITION		
Contributions		
Employer	\$ 709,534	\$ 447,259
Member	97,563	97,858
Net investment income	(74,097)	569,939
Benefit payments, including refunds of member contributions	(567,145)	(492,695)
Administrative expense	<u>(44,605)</u>	<u>(44,883)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	121,250	577,478
Plan fiduciary net position, beginning	<u>8,316,922</u>	<u>7,739,444</u>
 PLAN FIDUCIARY NET POSITION, ENDING (b)	 <u>\$ 8,438,172</u>	 <u>\$ 8,316,922</u>
 NET PENSION LIABILITY (ASSET), ENDING (a)-(b)	 <u>\$ 3,498,461</u>	 <u>\$ 2,894,478</u>
 PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	 <u>70.69%</u>	 <u>74.18%</u>
 COVERED-EMPLOYEE PAYROLL	 <u>\$ 1,915,886</u>	 <u>\$ 1,824,654</u>
 NET PENSION LIABILITY AS A PERCENTAGE OF COVERED- EMPLOYEE PAYROLL	 <u>182.60%</u>	 <u>158.63%</u>

Note: GASB Statement No. 67 requires this information to be presented for the last ten fiscal years, or shorter period for which the information is available. The information is available for only 2014 and 2015.

MUNICIPALITY OF NORRISTOWN
SCHEDULE OF PAID FIREFIGHTERS' PENSION PLAN
CONTRIBUTIONS
LAST 10 FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 709,534	\$ 447,259	\$ 464,961
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>709,534</u>	<u>447,259</u>	<u>464,961</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 1,915,886</u>	<u>\$ 1,824,654</u>	<u>\$ 1,776,293</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>37.03%</u>	<u>24.51%</u>	<u>26.18%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2015

Actuarially determined contribution rates are calculated by January 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	9 years
Asset valuation method	Smoothed market value - 5 years
Inflation	3%
Salary increases	5.0% average, including inflation
Investment rate of return	8%, net of investment expense, including inflation
Retirement age	Age 53 with 25 years' service
COLA increases	3.0% for those eligible
Mortality	RP 2000 Mortality Tables projected to 2018 using Scale AA

Note: GASB Statement No. 67 requires this information to be presented for the last ten fiscal years, or shorter period for which the information is available.

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$	357,542	\$ 367,556	\$ 267,008	\$ 242,045	\$ 191,161	\$ 192,259	\$ 176,305
	<u>357,542</u>	<u>367,556</u>	<u>267,008</u>	<u>242,045</u>	<u>191,161</u>	<u>192,259</u>	<u>176,305</u>
\$	<u>-</u>						
\$	<u>1,677,733</u>	<u>1,630,379</u>	<u>1,528,219</u>	<u>1,354,125</u>	<u>1,273,517</u>	<u>1,281,599</u>	<u>1,284,514</u>
	<u>21.31%</u>	<u>22.54%</u>	<u>17.47%</u>	<u>17.87%</u>	<u>15.01%</u>	<u>15.00%</u>	<u>13.73%</u>

MUNICIPALITY OF NORRISTOWN
SCHEDULE OF PAID FIREFIGHTERS' PENSION PLAN
INVESTMENT RETURNS
LAST 10 FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>(0.84)%</u>	<u>7.68%</u>	<u>19.19%</u>

Note: GASB Statement No. 67 requires this information to be presented for the last ten fiscal years, or shorter period for which the information is available.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<u>16.67%</u>	<u>1.43%</u>	<u>10.63%</u>	<u>17.97%</u>	<u>(21.79)%</u>	<u>4.77%</u>	<u>11.76%</u>

MUNICIPALITY OF NORRISTOWN

SCHEDULE OF CHANGES IN THE NET NON-UNIFORM EMPLOYEES' PENSION PLAN LIABILITY AND RELATED RATIOS YEAR ENDED DECEMBER 31, 2015

TOTAL PENSION LIABILITY	
Service cost	\$ 229,958
Interest	323,005
Changes for experience	(101,109)
Benefit payments	<u>(326,484)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	125,370
Total pension liability, beginning	<u>5,804,235</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 5,929,605</u>
PLAN FIDUCIARY NET POSITION	
Contributions, employer	\$ 3,083
Contributions, participants	97,864
Net investment income	457,397
Benefit payments, including refunds of member contributions	(326,484)
Administrative expenses	<u>(18,536)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	213,324
Plan fiduciary net position, beginning	<u>8,107,392</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 8,320,716</u>
NET PENSION (ASSET) LIABILITY, ENDING (a)-(b)	<u>\$ (2,391,111)</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>140.32%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 2,245,112</u>
NET PENSION (ASSET) LIABILITY AS A PERCENTAGE OF COVERED- EMPLOYEE PAYROLL	<u>-106.50%</u>

Note: GASB Statement No. 67 requires this information to be presented for the last ten fiscal years, or shorter period for which the information is available. The information is available for only 2014.

MUNICIPALITY OF NORRISTOWN
SCHEDULE OF NON-UNIFORM EMPLOYEES' PENSION PLAN
CONTRIBUTIONS
YEAR ENDED DECEMBER 31, 2015

ACTUARIALLY DETERMINED CONTRIBUTION	\$ -
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>3,083</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u><u>\$ (3,083)</u></u>
COVERED-EMPLOYEE PAYROLL	<u><u>\$ 2,245,112</u></u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u><u>0.14%</u></u>

NOTES TO SCHEDULE

Valuation date January 1, 2011

Actuarially determined contribution rates are calculated by 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 cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	N/A
Asset valuation method	Based upon municipal reserves
Inflation	3.00%
Salary increases	Age related scale with merit and inflation component
Investment rate of return	7.5%
Retirement age	Normal retirement age
Mortality	RP-2000 Mortality Table

Note: GASB Statement No. 67 requires this information to be presented for the last ten fiscal years, or shorter period for which the information is available. The information is available for only 2014.

MUNICIPALITY OF NORRISTOWN
SCHEDULE OF NON-UNIFORMED EMPLOYEES' PENSION PLAN
INVESTMENT RETURNS
YEAR ENDED DECEMBER 31, 2015

ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF
INVESTMENT EXPENSE

5.20%

Note: GASB Statement No. 67 requires this information to be presented for the last ten fiscal years, or shorter period for which the information is available. The information is available for only 2014.

MUNICIPALITY OF NORRISTOWN
POSTEMPLOYMENT BENEFITS OTHER THAN
PENSION FUNDING PROGRESS
YEAR ENDED DECEMBER 31, 2015

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date <u>January 1,</u>	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Projected Unit Credit	(c) Unfunded AAL (UAAL) <u>(b)-(a)</u>	(d) Funded Ratio <u>(a)/(b)</u>	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll <u>(c)/(e)</u>
2010	\$ -	\$ 3,962,708	\$ 3,962,708	0.0%	\$ 8,673,091	45.7%
2012	-	4,149,289	4,149,289	0.0%	7,580,318	54.7%
2014	-	4,255,788	4,255,788	0.0%	7,669,759	55.5%