

COMPREHENSIVE ANNUAL FINANCIAL REPORT

MUNICIPALITY OF NORRISTOWN

MONTGOMERY COUNTY

PENNSYLVANIA

Year Ended December 31, 2018



MUNICIPALITY OF NORRISTOWN DEPARTMENT OF FINANCE



Certified Public Accountants and Business Consultants

**MUNICIPALITY OF
NORRISTOWN
MONTGOMERY COUNTY
PENNSYLVANIA**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Year Ended December 31, 2018

Municipality of Norristown Department of Finance

Crandall O. Jones, Municipal Administrator

INTRODUCTORY SECTION

MUNICIPALITY OF NORRISTOWN

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Municipality of Norristown

235 East Airy Street
Norristown, PA 19401

July 24, 2019

To the Municipal Council, Residents, and Taxpayers of Norristown:

The Comprehensive Annual Financial Report (CAFR) for the Municipality of Norristown for the fiscal year ended December 31, 2018 is herewith submitted for your consideration. This report was prepared by the Municipality's administration and finance departments and includes the Municipality's annual audit report prepared by the accounting firm of Maillie LLP, the Municipality's independent auditor.

Responsibility for the accuracy, completeness, and fairness of the financial statements, including all disclosures, rests with Municipal management. We believe the enclosed information as presented is accurate in all material respects; that its presentation fairly shows the financial position and the results of the Municipality's operations as measured by the financial activity of its various funds; and that all necessary disclosures will provide the reader with a sound understanding of the Municipality's financial activities.

The organization, form, and content of the CAFR and the accompanying financial statements and statistical tables were prepared in accordance with the standards established by the Governmental Accounting Standards Board (GASB) and the Government Finance Officers Association (GFOA). GASB34 (Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments) requires management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a management discussion & analysis (MD&A) section. This letter is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditor.

Financial Reporting Entity

The CAFR includes all funds utilized by the Municipality in its operations to provide a full range of municipal services. These services include administrative and financial services, police and fire protection, sanitation services, maintenance and construction of streets, planning and development, code enforcement, and parks and recreation programs.

Key Report Sections

The introductory section includes information about the Norristown, its local economy, future outlook, major initiatives and budget control. The financial section includes the MD&A, basic financial statements, notes to the basic financial statements, and required supplementary information. The basic financial statements include the government-wide financial statements reporting all Municipal financial operations and fund financial statements that present information for all separate Municipal funds. The independent auditor's report on the basic financial statements is also included.

The statistical section includes up to ten years of historical financial data and miscellaneous social and economic information that conforms to GASB 44 standards for reporting. This section may be of special interest to holders of and prospective investors in the Municipality's bonds, notes, and other debt instruments.

About Norristown

Located in the Philadelphia suburbs of southeastern Pennsylvania, Norristown sits along the majestic Schuylkill River. The community was founded on land purchased from William Penn, and has served as the county seat of Montgomery County since 1784.

Chartered as a borough in 1812, Norristown has a land area of 3.52 square miles and with a population of over 34,500 people has with a relatively high population density of 9,806 people per square mile. At its peak in the 1940s and 1950s, Norristown was a prosperous community with thriving small businesses flooding Main Street with shoppers from throughout the region. However, the opening of large shopping malls in adjacent townships and increased regional and global competition has diverted consumers and industries away from the town. As local businesses began to close or relocate, property values decreased, and Norristown entered into a period of economic decline. However, that decline is slowly being reversed.

Demographic and Socio-Economic Information

Norristown is an ethnically and racially diverse community with an educational attainment rate of 81.7% for high school graduation or beyond. Possessing a labor force of approximately 17,000, major businesses in Norristown include education and social services, administrative and government services, construction, and manufacturing.

Norristown has an unemployment rate under 4%, a significant decrease from its 8.5% unemployment rate in 2010. Three more positive indicators: U.S. Census data indicate the median value of homes has increased slightly from \$153,100 in 2010 to \$153,300 in 2017; per capita income increased by \$3,300 from \$20,123 to \$23,453 (16.6%); and that median household income has increased from \$43,551 to \$45,017 (3.4%). However, the poverty rate increased from 18% to 21.5% during the same period.

Transportation

Norristown is situated approximately 20 miles from center-city Philadelphia and 25 miles from the Philadelphia International Airport. U.S. 202 is the major north-south route through the town. Just outside the municipal boundary is I-476 a major north-south route connecting with the Pennsylvania Turnpike (I-276) which runs east-west. The Municipality is the largest multi-modal transportation hub in Montgomery County with the convergence of numerous rail lines, bus routes, and multi-use trails.

Form of Government

Norristown is one of approximately 75 municipalities out of more than 2500 in Pennsylvania that has adopted a home rule charter. Prior to adopting its charter in 1986 Norristown was a borough allowed to exercise only those powers outlined in the Borough Code, a compilation of state laws governing how a borough must conduct its business. In becoming a home rule municipality, Norristown voters gave themselves the ability to adopt and amend their own local laws on any subject not specifically prohibited by state or federal law. The charter provides for a seven-member municipal council and an appointed, professional administrator.

Municipal Services

Due to its urban setting and high population density, Norristown provides a very high level of services. The municipality has a well-trained police department consisting of 69 sworn officers and 13 support staff. Its fire department employs 22 firefighters and is one of the few professional, fulltime fire-fighting forces in the region. In addition to these extensive public safety services, the municipal government has six other departments: administration which consists of the office of the administrator, clerk, information technology, public information, human resources, and legal counsel; finance, which provides tax and revenue collection, accounts payable, payroll, procurement, and debt & cash management; code enforcement, which is charged with extensive building, housing, and property maintenance inspection responsibilities; planning and development to ensure proper zoning enforcement and to encourage high quality commercial and residential development; public works, responsible for maintenance of streets, street lighting, vehicles & equipment, buildings & grounds, public infrastructure maintenance whose crews repair roads, replace street lights, and maintain parks; and parks & recreation which offers sports and recreational activities and events to the public.

Economic Condition and Outlook

Norristown continues to experience both residential and commercial growth thereby stimulating the private sector's interest in the redevelopment opportunities available in the Municipality. Norristown has invested general fund money, created public/private partnerships and received federal, state and county grant funds to advance its economic development potential – those efforts have been catalytic. While not all inclusive, below is a list of project/activities representative of the multi-faceted approach undertaken by Norristown to enhance the Municipality's economic viability, health and welfare of the community, and attract public and private sector investment.

Grant Funded Redevelopment Readiness Activities:

- Obtained Federal Designation of *Opportunity Zone* for census block central to the redevelopment area;
- Completed the second \$400,000 Environmental Protection Agency (EPA) Brownfields Assessment Grant project consisting of Phase I and Phase II Environmental Site Assessments (ESA) on properties identified as having a high redevelopment value;

- Initiated the \$300,000 EPA Brownfields Community Wide Assessment grant project for 2018. The project is a continuation of the Phase I and Phase II ESA activities as part of the Municipality's redevelopment readiness program;
- Initiated the DCED ISRP grant for the remediation phase of a property where the aforementioned Phase 1 and Phase 2 ESA(s) were conducted;
- Completed the procurement process for an environmental consultant under the second DCED ISRP grant project for a property with a current redevelopment plan in place; and
- Completed draft Riverfront Redevelopment Feasibility Study and presentation to the general public funded through the DCED Local Share Fund program.

Grant Funded Norristown Economic Development Infrastructure Improvement Projects:

- Programmed CDBG funding for the design of Phase IV of the Main Street Streetscapes project and the development of a Penn DOT grant proposal for the design of Phases V and VI and construction of construction of Phase IV; and
- Started the Arch Street Greenway Improvements project funded through Montgomery County, DCNR and the Municipality.

Other Agency Redevelopment or Infrastructure Improvement Projects:

- Started construction of second phase of the Lafayette Street Extension project in 2018 with an anticipated end date of 2019;
- Phase II of Markley Street Improvements from Main Street to Elm Street anticipated to begin between 2018-2019;
- Continued to advance design and construction activities for the \$400 million Montgomery County Campus Expansion Project unveiled in 2016 with land development submission anticipated in Fall 2019; and
- Currently negotiating terms and conditions for transfer of 70 acres of Norristown State Hospital lands owned by the State of Pennsylvania to the Municipality.

Public/Private Main Street Economic Development Initiatives:

- Programmed CDBG funding for Main Street Economic Development projects;
- Partially funded construction of business expansion in the redevelopment area through the Municipality's Economic Development Initiative (EDI) grant program;

- Partially funded business start-up in the redevelopment area through the Municipality's EDI grant program;
- Invested \$2.2 million in Capital Improvement Plan (CIP) funds for acquisition of key properties assembled on Main Street for a mixed use redevelopment project;
- Began construction on forty-four (44) loft-style condominium units to complement 2016 activity focused on the construction of the twenty-four (24) units on the 4th and 5th floors at Residence at Court House Square; construction scheduled for completion by September 2019;
- Completed due diligence phase for new restaurant on Main Street anticipated to open in summer 2019;
- Continued CDBG funding continued for Norristown Small Business Assistance Center activities; and
- Continued CDBG funding for Historic Façade Assistant Program.

CDBG/HOME Grant Funded Housing Initiatives:

- Completed fourteen (14) homes under the Municipality's Owner Occupied Rehabilitation Housing program with CDBG funding programmed for the continuation of the program;
- Funded CDBG First Time Homebuyers financial assistance program, and
- Funded CDBG Fair Housing Rights activities.

Market Rate Housing Initiatives:

- Completed nine new residential rental units on W. Main Street within walking distance of Markley Street, the most recent new market rate residential housing construction in close proximity to Markley Street;
- Completed four new residential rental units in the heart of the redevelopment area;
- Completed thirty-six (36) additional luxury apartment units as an expansion of a built-out 156 luxury apartment complex; and
- Began construction of thirty-four (34) single family townhouses at 1529 DeKalb St., with construction scheduled to be completed before end of 2019.

Large Scale Private Commercial Development:

- Anticipate 2019 construction and redevelopment of commercial shopping center with Royal Farms as anchor.

Land Development Projects Currently in the Planning Phase:

- Completed land development pre-application process for thirty (30) single family townhouses in a primary residential zoning district;
- Completed land development pre-application process for fourteen (14) single family townhouses in a primary residential zoning district;
- Completed preliminary plan approval for fifty (50) senior living residential units;
- Completed land development process for Elmwood Zoo Infrastructure Improvements including expansion of parking capacity;
- Completed preliminary plan reviews for Norristown Waste Management Authority waste water treatment plant upgrades;
- Began land development application review process for American Water Company's Norristown water plant upgrades; and
- Expansion of large scale manufacturing business – pending Zoning Hearing Board application.

Given the above it must be said that the economic condition and outlook for Norristown is very positive.

Long-Term Financial Planning

The Municipality is committed to providing value to residents and taxpayers by maintaining quality service levels and offering new programs or services whenever opportunities present themselves and when the Municipality's financial position permits. To further this commitment, the Municipality periodically evaluates its revenue generating capacity and conducts long-term projections of its finances. In addition, Norristown develops and maintains a five-year capital improvements program.

As part of sound financial planning, the Municipality follows the GFOA recommendation of maintaining strong overall fund balances/net position. Its target for the general fund is at least 16.67%, the equivalent of two months' expenditures.

Relevant Financial Policies

Municipal management is responsible for establishing and maintaining an internal control structure designed to ensure the assets of the Municipality are protected from loss, theft, or misuse and to ensure adequate accounting information is compiled to prepare financial statements in accordance with generally accepted accounting principles. The Municipality's internal control structure is designed to provide reasonable (but not absolute) assurance that these objectives are met. Reasonable assurance recognizes the cost of an internal control should not exceed the benefits likely to be derived and the evaluation of costs and benefits requires estimates and judgments by Municipal management. Article VII of the Home Rule Charter and Chapter 4 of the Administrative Code provide for fiscal and budgetary control. Those budget controls require current operating revenues to equal current operating expenditures. The Municipal Administrator may transfer funds within a department, but transfers between departments and funds as well as supplemental appropriations must be approved by Municipal Council. Capital expenditures must be funded through designated revenues, debt proceeds, inter-governmental grants, private contributions, or cash reserves.

Accomplishments in 2018

During 2018, we undertook a number of initiatives that resulted in several positive accomplishments. These accomplishments will help us maintain our high levels of service to our residents and taxpayers; allow us to realize savings in the 2019 budget as well as assist us in developing long-term strategies to reduce and eliminate our structural deficit, and; facilitate the long-term management of Norristown's infrastructure and other assets. Some of these accomplishments and initiatives include, but are not limited to, the following:

- The police department offered free neighborhood watch training to Norristown residents in September 2018.
- Keep Norristown Beautiful, our municipality's beautification program, collaborated with the John James Audubon Center and the Norristown Area School District to help students with environmental education. Together they work to maintain greenhouses, decrease erosion along streambeds, and plant native plants around the community.
- In December 2018 Municipal Council recognized ten participants for completing training sponsored by the Norristown Citizen Leadership Academy. Graduates of the program often go on to become members of community boards and commissions as well as the Municipal Council. The academy's program is in its fifth year with six cohorts completing the program to date. Norristown was recognized by the National League of Cities at its Congressional City Conference in Washington, DC as a second-place finalist for the league's diversity and inclusion award for its Citizen Leadership Academy program.
- In spring 2018 construction began on phase three of the Lafayette Street Extension Project to include new storm-water facilities, the relocation of a water main, and the relocation of the PECO energy duct bank. The entire Lafayette Street Extension Project when completed will include better connection of roads between Plymouth Township and Norristown; reconstruction and widening of Lafayette Street, Ridge Pike, Diamond Avenue, and Forbes Road; relocation and improvements to the Schuylkill River trail; the addition of a half-interchange with U.S. 202 at the Dannehower Bridge; and a full interchange with the Pennsylvania Turnpike. Phase Three is expected to be completed in fall 2020.
- Using proceeds from the 2017 general obligation bond issue, purchased the former Norristown Police Athletic League (PAL) building to be used as the Municipality's new recreation center. The center will have a gymnasium with a basketball court, multipurpose rooms, rental space, and office space. The center will host youth programming, after school programming, and partnerships with other communities.

- Also using 2017 bond proceeds the Municipality purchased numerous replacement vehicles and equipment including a new fire truck.
- In December 2018, after an eight-month renovation and redesign effort, we launched a new and improved citizen-focused Website.
- In September 2018 at its 104th annual conference, the ICMA presented Norristown with a Strategic Leadership and Governance Award for the effective implementation of its Local Economic Revitalization Tax Assistance (LERTA) program. LERTA is a program that uses progressive tax abatement schedules to promote owner-driven revitalization and new construction.
- Norristown, the county seat of Montgomery County, is continuing coordination with the county on the Montgomery County Campus Project, a \$406 million effort to improve and update the county administration building, the county courthouse, and the surrounding public park.

Acknowledgments

Timely preparation of this CAFR was made possible by the dedicated service of Municipal staff. Each member has our sincere appreciation for contributions made in the preparation of this report.

Achieving the goal enunciated in Norristown's motto "Committed to Excellence in community Service" is only possible through a total team effort. In that regard, we extend our sincerest appreciation to the Municipal Council and all employees who strive on a daily basis to attain and maintain excellent results on behalf of the residents and taxpayers of Norristown.

Sincerely,

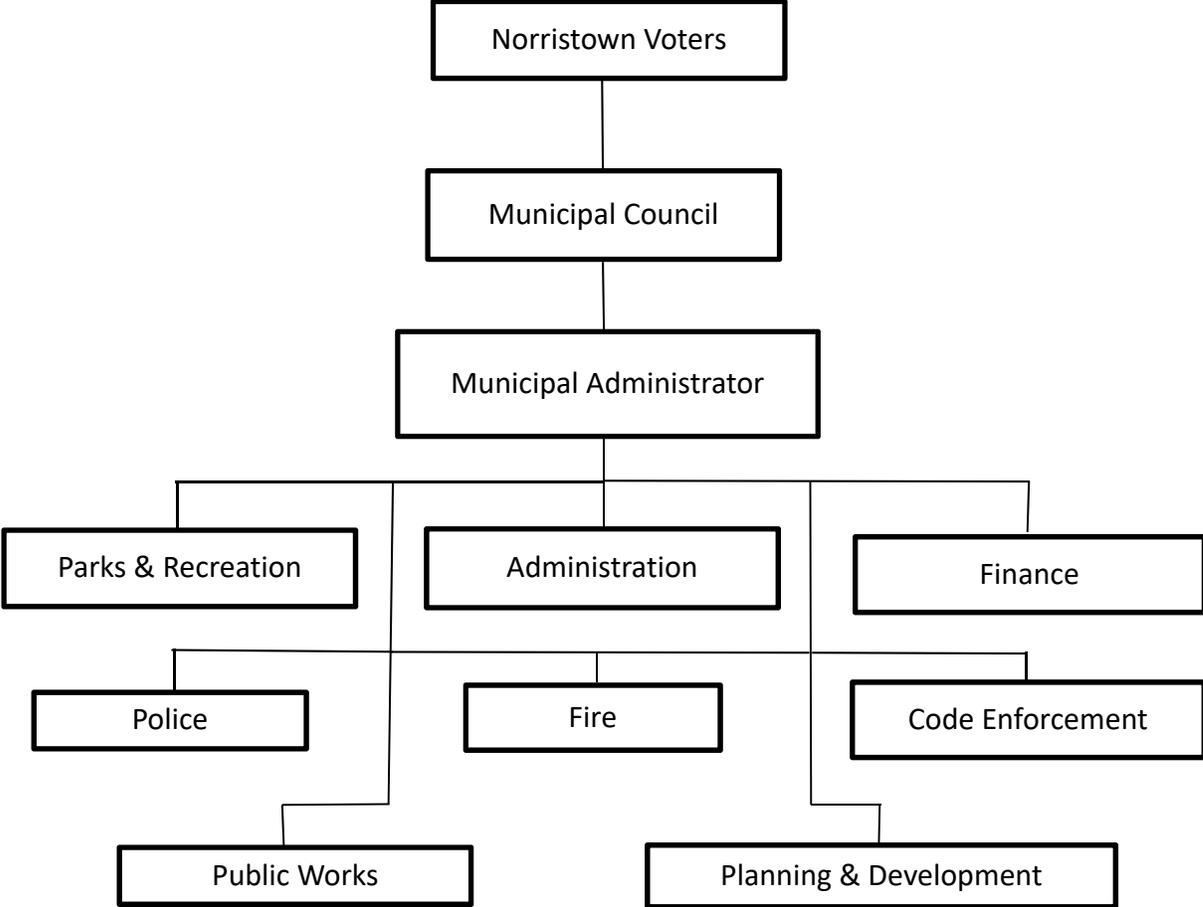


Crandall O. Jones, ICMA-CM
Municipal Administrator



Norman D. Butts, Jr.
Director of Finance

Municipality of Norristown, Pennsylvania



**Municipality of Norristown
List of Principal Officials
December 31, 2018**

Municipal Council

Sonya D. Sanders.....President, District 1
Heather Lewis.....Vice President, District 2
Valerie Scott Cooper..... District 3
Hakim Jones District 4
Olivia Brady At Large
Derrick D. Perry At Large
Rebecca Smith At Large

Administrative Officials

Crandall O. Jones Municipal Administrator
Norman D. Butts, JrDirector of Finance
Jayne Musonye.....Director of Planning & Development
Mark Talbot.....Police Chief
Thomas O'Donnell Fire Chief
Thomas Odenigbo Director of Public Works
Amrinder SinghCode Enforcement Manager
Erica Genuardi.....Parks & Recreation Manager
Sean Kilkenny.....Municipal Solicitor

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, 2018, 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 reported as Pension Trust Funds 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

To the Honorable Municipal Council
Municipality of Norristown
Norristown, Pennsylvania

Opinions

In our opinion, based on our report and the reports of the other auditors, the financial statements referred to above 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, 2018, 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.

Emphasis of Matter

As discussed in Note L to the financial statements, the December 31, 2017 financial statements have been restated to record transactions in accordance with generally accepted accounting principles. Our opinion is not modified with respect to this matter.

For the year ended December 31, 2018, the Municipality of Norristown adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 18 through 27, budgetary comparison information on pages 86 through 88, pension plan information on pages 89 through 96, and postemployment benefits other than pension plan information on page 97 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality of Norristown's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

To the Honorable Municipal Council
Municipality of Norristown
Norristown, Pennsylvania

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in black ink that reads "Maillie LLP". The signature is written in a cursive, flowing style.

Oaks, Pennsylvania
July 24, 2019

MUNICIPALITY OF NORRISTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2018

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, 2018. 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, 2018.

FINANCIAL HIGHLIGHTS

The Municipality of Norristown's Department of Finance continued to make the accounting system more organized to ensure accurate presentation of its 2018 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 2018, 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 2018, 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, 2018, along with normal longevity applications. The Fraternal Order of Police (FOP) employees were provided a 2.25% wage increase effective January 1, 2018, along with normal longevity applications.

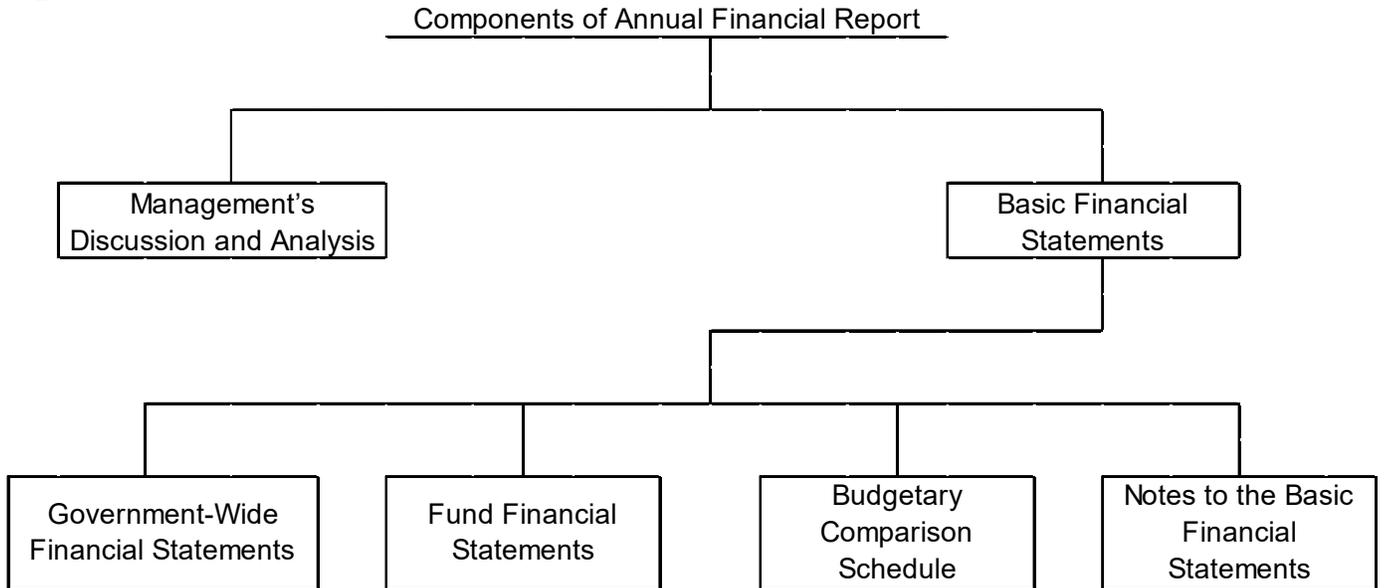
MUNICIPALITY OF NORRISTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

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
- Required Supplementary Information (Other than MD&A)

MUNICIPALITY OF NORRISTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

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, 2018

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 Schedules

The Municipality adopts an annual budget for its General Fund, as required by its Home Rule Charter. Budgetary comparison schedules have 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, 2018

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 \$52,081,425 as of December 31, 2018. Of this amount, \$25.7 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 \$1.7 million as of December 31, 2018, which represents the balance of net position at year-end. Of this amount, \$10,602,890 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 \$3,740,042. The portion of the Municipality's net position that is unrestricted represents a deficit balance of \$12,582,046. Significant changes in net position in 2018 included a decrease of \$1.5 million related to the adoption of GASB 75 and a loss on assumption of debt in the amount of \$5 million. See Note J.

Figure 2 - Statement of Net Position

	<u>2018</u>	<u>2017</u>	<u>Change</u>
ASSETS			
Current assets	\$ 23,060,929	\$ 24,701,748	\$ (1,640,819)
Capital assets, net	25,700,223	25,329,157	371,066
Other non-current assets	3,320,273	-	3,320,273
TOTAL ASSETS	<u>52,081,425</u>	<u>50,030,905</u>	<u>2,050,520</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>5,461,060</u>	<u>3,725,982</u>	<u>1,735,078</u>
LIABILITIES			
Current	7,549,424	6,523,079	1,026,345
Noncurrent	46,196,145	38,182,266	8,013,879
TOTAL LIABILITIES	<u>53,745,569</u>	<u>44,705,345</u>	<u>9,040,224</u>
DEFERRED INFLOWS OF RESOURCES	<u>2,036,030</u>	<u>3,467,068</u>	<u>(1,431,038)</u>
NET POSITION			
Net investment in capital assets	10,602,890	10,831	10,592,059
Restricted	3,740,042	12,723,608	(8,983,566)
Unrestricted	<u>(12,582,046)</u>	<u>(7,149,965)</u>	<u>(5,432,081)</u>
TOTAL NET POSITION	<u>\$ 1,760,886</u>	<u>\$ 5,584,474</u>	<u>\$ (3,823,588)</u>

MUNICIPALITY OF NORRISTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2018

Net cost of service expenses indicate the amount of support required from taxes and other general revenues for a program of the government. In 2018, the Municipality's real estate tax revenues of \$12.7 million and the earned income tax revenue of \$9.5 million along with other enabling tax collections indicates the Municipality relied heavily on these revenues to fund its activities in 2018.

Figure 3 - Statement of Activities

	2018	2017	Change
REVENUES			
Program revenues			
Charges for services	\$ 6,173,441	\$ 6,123,924	\$ 49,517
Operating grants and contributions	2,464,787	1,391,162	1,073,625
Capital grants and contributions	2,382,145	1,927,553	454,592
General revenues			
Taxes (property, enabling)	24,613,234	23,114,490	1,498,744
Investment earnings	310,595	110,107	200,488
Miscellaneous	81,695	132,726	(51,031)
TOTAL REVENUES	<u>36,025,897</u>	<u>32,799,962</u>	<u>3,225,935</u>
EXPENSES			
General government	8,481,333	8,061,270	420,063
Public safety	16,548,598	15,565,713	982,885
Public works			
Highways and streets	3,662,167	2,637,673	1,024,494
Sanitation	2,324,783	2,399,147	(74,364)
Community development	1,259,406	986,595	272,811
Culture and recreation	548,725	515,657	33,068
Interest on long-term debt	526,427	559,142	(32,715)
TOTAL EXPENSES	<u>33,351,439</u>	<u>30,725,197</u>	<u>2,626,242</u>
SPECIAL ITEM	<u>(5,000,000)</u>	-	<u>(5,000,000)</u>
CHANGE IN NET POSITION	<u>(2,325,542)</u>	<u>2,074,765</u>	<u>599,693</u>
NET POSITION, BEGINNING OF YEAR	<u>5,584,474</u>	<u>3,509,709</u>	<u>2,074,765</u>
Restatement	<u>(1,498,046)</u>	-	<u>(1,498,046)</u>
NET POSITION, BEGINNING OF YEAR, restated	<u>4,086,428</u>	<u>3,509,709</u>	<u>576,719</u>
NET POSITION, END OF YEAR	<u>\$ 1,760,886</u>	<u>\$ 5,584,474</u>	<u>\$ 2,674,458</u>

The Municipality's 2017 tax rate was 12.70 mills. The rate increased to 14.70 in 2018. In 2018, the Municipality derived approximately 34.0% 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 decreased \$2.4 million in 2018. 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, 2018

Capital Assets

The Municipality's capital assets as of December 31, 2018, were approximately \$25.7 million. Capital assets consist primarily of land, buildings, vehicles, equipment and infrastructure.

Figure 4 - Capital Assets

	Beginning Balance	Additions	Disposals	Ending Balance
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 4,895,217	\$ -	\$ -	\$ 4,895,217
CAPITAL ASSETS BEING DEPRECIATED				
Infrastructure	58,585,439	392,395	-	58,977,834
Land improvements	1,036,819	-	-	1,036,819
Buildings	5,378,070	302,485	-	5,680,555
Machinery, vehicles and equipment	12,748,522	2,097,800	(592,308)	14,254,014
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>77,748,850</u>	<u>2,792,680</u>	<u>(592,308)</u>	<u>79,949,222</u>
Accumulated depreciation				
Infrastructure	(43,498,216)	(970,153)	-	(44,468,369)
Land improvements	(1,018,198)	(3,233)	-	(1,021,431)
Buildings	(3,067,252)	(136,456)	-	(3,203,708)
Machinery, vehicles and equipment	(9,731,244)	(1,311,772)	592,308	(10,450,708)
TOTAL ACCUMULATED DEPRECIATION	<u>(57,314,910)</u>	<u>(2,421,614)</u>	<u>592,308</u>	<u>(59,144,216)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>20,433,940</u>	<u>371,066</u>	<u>-</u>	<u>20,805,006</u>
CAPITAL ASSETS, net	<u>\$ 25,329,157</u>	<u>\$ 371,066</u>	<u>\$ -</u>	<u>\$ 25,700,223</u>

Figure 5 - Debt Administration

At December 31, 2018, the Municipality of Norristown had \$26.5 million in outstanding debt.

GENERAL OBLIGATION DEBT, JANUARY 1, 2018	\$ 25,674,754
Additions	5,000,000
Reductions	<u>(4,171,987)</u>
GENERAL OBLIGATION DEBT, DECEMBER 31, 2018	<u>\$ 26,502,767</u>

In 2016, the Municipality entered into capital leases for equipment and vehicles. The amount financed totaled \$227,939. In 2017, the Municipality entered into capital leases for laptop computers and fire equipment. The amount financed totaled \$113,409. The balance of capital lease obligations at December 31, 2018, is \$157,007.

MUNICIPALITY OF NORRISTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2018

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 \$36,185,094 for the year ended December 31, 2018. Property tax revenues in 2018 increased by \$1.5 million from prior year amounts and local enabling tax collection revenue increased by \$60,000. Intergovernmental revenues increased by \$1.3 million due to more grant money. Most other line items saw an increase from prior year amounts.

Figure 6 - Governmental Fund Revenues

	<u>2018</u>	<u>2017</u>	<u>Change</u>
REVENUES			
Property taxes	\$ 12,627,007	\$ 11,174,114	\$ 1,452,893
Local enabling taxes	11,913,197	11,852,838	60,359
Licenses and permits	1,114,073	1,180,414	(66,341)
Fines and forfeits	701,578	814,813	(113,235)
Intergovernmental	4,499,144	3,218,331	1,280,813
Charges for services	4,471,624	4,155,182	316,442
Investment earnings	310,594	110,107	200,487
Miscellaneous	547,877	126,548	421,329
	<u> </u>	<u> </u>	<u> </u>
TOTAL REVENUES	<u>\$ 36,185,094</u>	<u>\$ 32,632,347</u>	<u>\$ 3,552,747</u>

MUNICIPALITY OF NORRISTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2018

Governmental Funds Expenditures

Governmental Funds expenditures totaled \$38,686,528 for the year ended December 31, 2018. Significant increases were realized in the areas of public safety, community development and capital outlays; and decreases occurred in most other areas. Public safety expenditures increased from prior year by \$1,045,822, which was partially funded by intergovernmental grant funding. General government expenditures in 2018 were \$115,805 less than the prior year. Total capital expenditures amounted to \$3.7 million in 2018.

Figure 7 - Governmental Fund Expenditures

	<u>2018</u>	<u>2017</u>	<u>Change</u>
EXPENDITURES			
General government	\$ 9,295,928	\$ 9,411,733	\$ (115,805)
Public safety	16,703,018	15,657,196	1,045,822
Public works			
Sanitation	2,324,783	2,400,195	(75,412)
Highways and streets	1,939,727	1,552,922	386,805
Culture and recreation	508,067	747,758	(239,691)
Community development	837,180	207,028	630,152
Debt service			
Principal	3,353,719	3,444,562	(90,843)
Interest and fees	443,257	664,386	(221,129)
Debt issuance costs	-	151,301	(151,301)
Payment on capital leases	-	207,069	(207,069)
Capital outlays	<u>3,280,849</u>	<u>2,422,484</u>	<u>858,365</u>
TOTAL EXPENDITURES	<u>\$ 38,686,528</u>	<u>\$ 36,866,634</u>	<u>\$ 1,819,894</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 2018 from the original budget of \$33.8 million. On an actual to budget comparison, the Municipality realized a \$997,690 favorable revenue budget variance.

The 2018 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 \$479,790. In addition, the 2018 budget was written with \$1,127,019 of General Fund reserves to balance the budget. Therefore, since both revenues and expenses were favorable, there was no funding needed from reserves in 2018.

MUNICIPALITY OF NORRISTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2018

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, 2018

	Primary Government <u>Governmental Activities</u>	Component Unit
ASSETS		
Cash and cash equivalents	\$ 6,331,020	\$ 2,703,517
Investments	5,478,071	-
Receivables, net		
Accounts	1,382,323	939,588
Taxes	3,930,321	-
Intergovernmental	36,859	185,160
Prepaid expenses	4,350	-
Pension asset	3,320,273	-
Restricted assets		
Cash and cash equivalents	5,897,985	3,874,626
Capital assets		
Not being depreciated	4,895,217	383,851
Being depreciated	20,805,006	21,614,204
TOTAL ASSETS	<u>52,081,425</u>	<u>29,700,946</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pension activity	5,268,685	-
Unamortized loss on refunding	192,375	64,829
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>5,461,060</u>	<u>64,829</u>
LIABILITIES		
Accounts payable	540,009	80,709
Accrued liabilities	1,584,705	162,413
Accrued interest payable	90,026	20,019
Escrow deposits	201,376	21,379
Unearned revenues	738,427	-
Long-term liabilities		
Due within one year		
General obligation debt	3,887,631	-
Revenue bonds payable	380,000	1,567,017
Capital lease obligations	76,309	-
Compensated absences	50,941	7,065
Due in more than one year		
General obligation debt	17,995,136	-
Revenue bonds payable	4,240,000	-
Capital lease obligations	80,698	-
Compensated absences	2,042,528	37,136
Total OPEB liability	3,294,977	-
Net pension liability	18,542,806	-
Revenue notes payable	-	13,920,682
TOTAL LIABILITIES	<u>53,745,569</u>	<u>15,816,420</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pension activity	1,783,846	-
Deferred inflows of resources - OPEB activity	252,184	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,036,030</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	10,602,890	10,362,993
Restricted		
Highways and streets	3,740,042	-
Unrestricted	(12,582,046)	3,586,362
TOTAL NET POSITION	<u>\$ 1,760,886</u>	<u>\$ 13,949,355</u>

See accompanying notes to the basic financial statements.

MUNICIPALITY OF NORRISTOWN

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Expenses	Charges for Services	Program Services Operating Grants and Contributions
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES			
General government	\$ 8,481,333	\$ 1,741,974	\$ 215,623
Public safety	16,548,598	941,143	1,819,422
Public works			
Highways and streets	3,662,167	399,011	-
Sanitation	2,324,783	2,889,450	-
Community development	1,259,406	176,976	425,565
Culture and recreation	548,725	24,887	4,177
Interest on long-term debt	<u>526,427</u>	<u>-</u>	<u>-</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 33,351,439</u>	<u>\$ 6,173,441</u>	<u>\$ 2,464,787</u>
COMPONENT UNIT			
Norristown Municipal Waste Authority	<u>\$ 4,179,002</u>	<u>\$ 5,665,023</u>	<u>\$ -</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			
SPECIAL ITEM			
Loss on assumption of debt			
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.

	Net (Expense) Revenue and Changes in Net Position	
	Primary Governmental Activities	Component Unit
Capital Grants and Contributions		
\$ -	\$ (6,523,736)	
34,339	(13,753,694)	
830,921	(2,432,235)	
-	564,667	
1,516,885	860,020	
-	(519,661)	
-	(526,427)	
<u>2,382,145</u>	<u>(22,331,066)</u>	
<u>\$ 387,534</u>		<u>\$ 1,873,555</u>
	12,700,037	-
	9,486,955	-
	956,257	-
	540,475	-
	79,719	-
	849,791	-
	310,595	116,631
	81,695	18,228
	<u>25,005,524</u>	<u>134,859</u>
	<u>(5,000,000)</u>	<u>-</u>
	(2,325,542)	2,008,414
	<u>4,086,428</u>	<u>11,940,941</u>
	<u>\$ 1,760,886</u>	<u>\$ 13,949,355</u>

MUNICIPALITY OF NORRISTOWN

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2018

	<u>General Fund</u>	<u>Liquid Fuels Fund</u>
ASSETS		
Cash and cash equivalents	\$ 6,594,605	\$ 4,299,856
Investments	43,105	-
Receivables, net		
Accounts	1,361,323	-
Taxes	3,930,321	-
Intergovernmental	-	-
Prepaid expenses	4,350	-
Due from other funds	803,679	-
	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u>12,737,383</u>	\$ <u>4,299,856</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)		
LIABILITIES		
Accounts payable	\$ 493,059	\$ 617
Accrued liabilities	1,029,801	545,635
Unearned revenues	463,691	-
Escrows payable	201,226	-
Due to other funds	-	15,722
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>2,187,777</u>	<u>561,974</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues, property taxes	975,196	-
	<u> </u>	<u> </u>
FUND BALANCES (DEFICIT)		
Nonspendable, prepaid expenses	4,350	-
Restricted	-	3,737,882
Unassigned	9,570,060	-
	<u> </u>	<u> </u>
TOTAL FUND BALANCES (DEFICIT)	<u>9,574,410</u>	<u>3,737,882</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)		
	\$ <u>12,737,383</u>	\$ <u>4,299,856</u>

See accompanying notes to the basic financial statements.

Debt Service Fund	Community Development Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 58,694	\$ 276,132	\$ 963,033	\$ 36,698	\$ 12,229,018
-	-	5,434,953	-	5,478,058
-	-	21,000	-	1,382,323
-	-	-	-	3,930,321
-	36,859	-	-	36,859
-	-	-	-	4,350
-	-	-	-	803,679
<u>\$ 58,694</u>	<u>\$ 312,991</u>	<u>\$ 6,418,986</u>	<u>\$ 36,698</u>	<u>\$ 23,864,608</u>
\$ -	\$ 86	\$ 55,361	\$ -	\$ 549,123
-	-	-	-	1,575,436
-	265,251	4,937	4,551	738,430
-	300	-	-	201,526
421,546	122,904	212,577	30,930	803,679
<u>421,546</u>	<u>388,541</u>	<u>272,875</u>	<u>35,481</u>	<u>3,868,194</u>
-	-	-	-	975,196
-	-	-	-	4,350
-	-	6,146,111	2,160	9,886,153
(362,852)	(75,550)	-	(943)	9,130,715
<u>(362,852)</u>	<u>(75,550)</u>	<u>6,146,111</u>	<u>1,217</u>	<u>19,021,218</u>
<u>\$ 58,694</u>	<u>\$ 312,991</u>	<u>\$ 6,418,986</u>	<u>\$ 36,698</u>	<u>\$ 23,864,608</u>

MUNICIPALITY OF NORRISTOWN

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2018

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ <u>19,021,218</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 \$44,468,369 accumulated depreciation	14,509,465
Site land improvements, net of \$1,021,431 accumulated depreciation	15,388
Buildings, net of \$3,203,708 accumulated depreciation	2,476,847
Machinery, vehicles and equipment, net of \$10,450,708 accumulated depreciation	<u>3,803,306</u>
	<u>25,700,223</u>
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Net pension asset	<u>3,320,273</u>
Deferred inflows and outflows of resources related to pension and OPEB activities are not financial resources and therefore not reported in the Governmental Funds	<u>3,232,653</u>
Revenue not available to pay for the current period's expenditures and therefore reported as unearned revenue in the funds:	
Property taxes	<u>975,196</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	(26,502,767)
Unamortized deferred loss on refunding	192,375
Accrued interest on bonds	(90,026)
Net pension liability	(18,542,806)
Other postemployment benefit liability	(3,294,977)
Capital lease obligations payable	(157,007)
Compensated absences	<u>(2,093,469)</u>
COMBINED LIABILITY ADJUSTMENT	<u>(50,488,677)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>1,760,886</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, 2018

	<u>General Fund</u>	<u>Liquid Fuels Fund</u>
REVENUES		
Property taxes	\$ 12,627,007	\$ -
Local enabling taxes	11,913,197	-
Licenses and permits	1,114,073	-
Fines and forfeits	701,578	-
Intergovernmental	2,357,897	830,921
Charges for services	4,471,624	-
Investment earnings	225,490	80,067
Miscellaneous	272,089	-
TOTAL REVENUES	<u>33,682,955</u>	<u>910,988</u>
EXPENDITURES		
General government	8,615,894	-
Public safety	16,632,989	-
Sanitation	2,324,783	-
Highways and streets	1,476,614	414,083
Culture and recreation	508,067	-
Community development	38,594	-
Debt service		
Principal	-	-
Interest and fees	-	-
Capital outlays	-	1,216,888
TOTAL EXPENDITURES	<u>29,596,941</u>	<u>1,630,971</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>4,086,014</u>	<u>(719,983)</u>
OTHER FINANCING SOURCES (USES)		
Proceeds from sale of capital assets	65,547	-
Transfers in	-	-
Transfers out	(3,801,109)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,735,562)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	350,452	(719,983)
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR, restated*	<u>9,223,958</u>	<u>4,457,865</u>
FUND BALANCES (DEFICIT) AT END OF YEAR	<u>\$ 9,574,410</u>	<u>\$ 3,737,882</u>

See accompanying notes to the basic financial statements.

Debt Service Fund	Community Development Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 12,627,007
-	-	-	-	11,913,197
-	-	-	-	1,114,073
-	-	-	-	701,578
-	1,264,641	11,346	34,339	4,499,144
-	-	-	-	4,471,624
693	189	4,155	-	310,594
-	275,788	-	-	547,877
<u>693</u>	<u>1,540,618</u>	<u>15,501</u>	<u>34,339</u>	<u>36,185,094</u>
-	659,982	20,052	-	9,295,928
-	34,981	-	35,048	16,703,018
-	-	-	-	2,324,783
-	-	49,030	-	1,939,727
-	-	-	-	508,067
-	798,586	-	-	837,180
3,353,719	-	-	-	3,353,719
419,818	-	23,439	-	443,257
-	-	2,063,961	-	3,280,849
<u>3,773,537</u>	<u>1,493,549</u>	<u>2,156,482</u>	<u>35,048</u>	<u>38,686,528</u>
<u>(3,772,844)</u>	<u>47,069</u>	<u>(2,140,981)</u>	<u>(709)</u>	<u>(2,501,434)</u>
-	-	-	-	65,547
3,801,109	-	23,509	-	3,824,618
<u>(23,509)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,824,618)</u>
<u>3,777,600</u>	<u>-</u>	<u>23,509</u>	<u>-</u>	<u>65,547</u>
4,756	47,069	(2,117,472)	(709)	(2,435,887)
<u>(367,608)</u>	<u>(122,619) *</u>	<u>8,263,583</u>	<u>1,926</u>	<u>21,457,105</u>
<u>\$ (362,852)</u>	<u>\$ (75,550)</u>	<u>\$ 6,146,111</u>	<u>\$ 1,217</u>	<u>\$ 19,021,218</u>

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, 2018

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (2,435,887)

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 (\$2,792,680) exceeds depreciation (\$2,421,614) in the current period.

371,066

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	4,171,987
Net amortization of bond issue discounts/premiums, refunding loss	(25,316)
Assumption of debt	(5,000,000)
Principal paid on capital lease obligations	<u>154,254</u>
NET ADJUSTMENT	<u>(699,075)</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:

Change in accrued interest	<u>17,575</u>
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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>73,030</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>(177,206)</u>
Pension expense	<u>652,570</u>
Change in OPEB	<u>(127,615)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (2,325,542)

See accompanying notes to the basic financial statements.

MUNICIPALITY OF NORRISTOWN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2018

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash	\$ 379,843	\$ 482,732
Receivables	69,741	-
Prepaid plan expenses and pension benefits	265,728	-
Investments	38,839,345	-
Due from governmental funds	<u>-</u>	<u>60,712</u>
TOTAL ASSETS	<u>39,554,657</u>	<u>\$ 543,444</u>
LIABILITIES		
Accounts payable and accrued expenses	64,747	\$ 109,930
Tax collections due to		
County of Montgomery	-	1,912
Municipality of Norristown	-	169,129
Tax refunds due to residents	<u>-</u>	<u>262,473</u>
TOTAL LIABILITIES	<u>64,747</u>	<u>\$ 543,444</u>
NET POSITION		
Held in trust for pension benefits	<u>\$ 39,489,910</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, 2018

	<u>Pension Trust Funds</u>
ADDITIONS	
Investment income	
Net appreciation (depreciation) in fair value of investments	\$ (3,244,417)
Interest	78,543
Dividends	975,930
Investment expenses and foreign taxes paid	<u>(128,761)</u>
INVESTMENT INCOME, net	<u>(2,318,705)</u>
Contributions	
Commonwealth of Pennsylvania Act 205 pension allocation	1,091,463
Municipality contributions	2,210,553
Member contributions	687,143
Military buyback	-
TOTAL CONTRIBUTIONS	<u>3,989,159</u>
 TOTAL ADDITIONS	 <u>1,670,454</u>
DEDUCTIONS	
Monthly retirement benefits	3,114,751
Return of contributions	-
Administrative expenses	<u>125,001</u>
TOTAL DEDUCTIONS	<u>3,239,752</u>
 CHANGE IN NET POSITION	 (1,569,298)
 NET POSITION AT BEGINNING OF YEAR	 <u>41,059,208</u>
 NET POSITION AT END OF YEAR	 <u>\$ 39,489,910</u>

See accompanying notes to the basic financial statements.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018

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, 2018

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, 2018

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

Assets, Liabilities and Net Position or Fund Balances

Cash and Investments - The Municipality's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition and which have no withdrawal restrictions.

State statutes authorize the Municipality to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) savings or demand deposits. Investments are stated at fair value.

The Municipality has adopted GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, No. 72, *Fair Value Measurement and Application* and No. 79, *Certain External Investment Pools and Pool Participants*. In accordance with these Statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. Investments in qualifying external investment pools are reported at amortized cost basis.

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.

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.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

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.

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.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

- **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.

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.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

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 two items that qualify for reporting in this category. The first, the deferred charge on refunding, is reported in the government-wide statement of net position and is the result of the difference in the carrying amount of the refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the shorter of the refunded or refunding debt. The deferred outflow of resources related to pensions is reported in the government-wide statement of net position and is deferred and recognized as an outflow of resources in the period to which the expense applies.

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 three 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 and OPEB are reported in the government-wide statement of net position and are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

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.

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 collectability, 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.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

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

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.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

The Municipality bills and collects property taxes. Tax bills were mailed on or about January 31, 2018. A 2% discount was allowed on bills paid by March 31, 2018, and a 10% penalty was assessed for bills paid after May 31, 2018. Unpaid property taxes attach as an enforceable lien on property on January 1, 2019.

The rate of real estate taxation in 2018 was 14.70 mills in total, which was designated entirely for general government purposes. All real estate tax revenue is recognized in the General Fund.

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.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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.

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	\$ 5,493,147
Pennsylvania Local Government Investment Trust	<u>6,379,989</u>
	<u>\$ 11,873,136</u>

Classification per the statement of net position:

Cash and cash equivalents	\$ 5,980,659
Restricted cash and cash equivalents	<u>5,892,477</u>
	<u>\$ 11,873,136</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, 2018, \$11,999,819 of the Municipality's Governmental Funds bank balance of \$12,511,213 was exposed to custodial credit risk as follows:

GOVERNMENTAL FUNDS

Uninsured and uncollateralized	\$ 7,084,853
Uninsured and uncollateralized but covered under Act 72	<u>4,914,966</u>
	<u>\$ 11,999,819</u>

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE B - DEPOSIT AND INVESTMENT RISK (Continued)

Governmental Funds' investments consist of the following:

INVESTMENT, E TRADE PORTFOLIO \$ 43,105

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 \$ 485,344

As of December 31, 2018, \$316,060 of the Municipality's Agency Funds bank balance of \$316,060, was exposed to custodial credit risk as follows:

AGENCY FUNDS
 Uninsured and uncollateralized but covered by Act 72 \$ 316,060

Pension Trust Funds - As of December 31, 2018, 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	\$ <u>379,843</u>	\$ <u>112,393</u>	\$ <u>267,450</u>
INVESTMENTS			
Exchange traded funds	\$ 2,715,631	\$ 1,169,904	\$ 1,545,727
Mutual funds	24,899,292	19,900,807	4,998,485
International equity mutual funds	6,975,059	6,629,150	345,909
Common and preferred stock	780,158	-	780,158
Money market mutual funds	1,599,380	1,098,482	500,898
U.S. Government agency obligations	398,645	-	398,645
Certificates of deposit	1,436,070	-	1,436,070
Bank deposit program	33,752	-	33,752
Mortgage-backed security	1,358	-	1,358
	<u>\$ 38,839,345</u>	<u>\$ 28,798,343</u>	<u>\$ 10,041,002</u>

Pension Trust Fund bank deposits were insured for \$379,843. Pension Trust Fund certificates of deposit were FDIC insured for \$1,436,070.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE B - DEPOSIT AND INVESTMENT RISK (Continued)

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.

As of December 31, 2018, the Municipality had the following debt investments and maturities within its Pension Trust Fund accounts:

Type of Investment	Fair Market Value at December 31, 2018	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	\$ 398,645	\$ 309,913	\$ 88,732	\$ -	\$ -
Certificates of deposit	1,436,070	452,853	898,227	84,990	-
Bank deposit program	33,752	33,752	-	-	-
Mortgage-backed security	1,358	-	-	1,358	-
	<u>\$ 1,869,825</u>	<u>\$ 796,518</u>	<u>\$ 986,959</u>	<u>\$ 86,348</u>	<u>\$ -</u>
NORRISTOWN POLICE PENSION PLAN					
Money market mutual funds	\$ 1,098,482	\$ 1,098,482	\$ -	\$ -	\$ -

Fair Value Measurement

The Municipality categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. At December 31, 2018, all of the Municipality's investments were categorized as Level 1.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE B - DEPOSIT AND INVESTMENT RISK (Continued)

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, 2018. 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.

At December 31, 2018, 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, 2018	AAAm	AAA	AA+	Unrated
U.S. Government agency obligations	\$ 398,645	\$ -	\$ 297,414	\$ 101,231	\$ -
Certificates of deposit	1,436,070	-	-	-	1,436,070
Bank deposit program	33,752	-	-	-	33,752
Mortgage-backed security	1,358	-	-	-	1,358
	\$ 1,869,825	\$ -	\$ 297,414	\$ 101,231	\$ 1,471,180

Police Pension Plan

Type of Investment	Fair Market Value at December 31, 2018	AAAm	AAA	AA+	Unrated
Money market mutual funds	\$ 1,098,482	\$ 1,098,482	\$ -	\$ -	\$ -

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.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE B - DEPOSIT AND INVESTMENT RISK (Continued)

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, 2018, consist of the following:

Cash deposits	\$ <u>6,578,143</u>
Classification per the statement of net position:	
Cash and cash equivalents	\$ 2,703,517
Restricted cash and cash equivalents	<u>3,874,626</u>
	<u>\$ 6,578,143</u>

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, 2018, the carrying amount of the Authority's bank deposits was \$6,578,143, and the bank balance was \$6,559,324 of which \$250,000 was covered by Federal Depository Insurance. At December 31, 2018, the remaining bank deposit amount of \$6,309,324 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.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE C - CAPITAL ASSETS

Governmental Activities

Capital asset activities for the year ended December 31, 2018, 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	58,585,439	392,395	-	58,977,834
Land improvements	1,036,819	-	-	1,036,819
Buildings	5,378,070	302,485	-	5,680,555
Machinery, vehicles and equipment	12,748,522	2,097,800	(592,308)	14,254,014
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>77,748,850</u>	<u>2,792,680</u>	<u>(592,308)</u>	<u>79,949,222</u>
Accumulated depreciation				
Infrastructure	(43,498,216)	(970,153)	-	(44,468,369)
Land improvements	(1,018,198)	(3,233)	-	(1,021,431)
Buildings	(3,067,252)	(136,456)	-	(3,203,708)
Machinery, vehicles and equipment	(9,731,244)	(1,311,772)	592,308	(10,450,708)
TOTAL ACCUMULATED DEPRECIATION	<u>(57,314,910)</u>	<u>(2,421,614)</u>	<u>592,308</u>	<u>(59,144,216)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>20,433,940</u>	<u>371,066</u>	<u>-</u>	<u>20,805,006</u>
CAPITAL ASSETS, net	<u>\$ 25,329,157</u>	<u>\$ 371,066</u>	<u>\$ -</u>	<u>\$ 25,700,223</u>

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE C - CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs as follows:

General government	\$ 224,411
Highways and streets, public works	1,255,286
Recreation	40,658
Public safety	<u>901,259</u>
	<u>\$ 2,421,614</u>

Component Unit - Norristown Municipal Waste Authority

Capital asset activities for the year ended December 31, 2018, are as follows:

	Balance January 1, 2018	Additions	Transfers and Deletions	Balance December 31, 2018
CAPITAL ASSETS NOT BEING DEPRECIATED				
Construction in progress	\$ 1,080,164	\$ 1,087,497	\$ (1,783,810)	\$ 383,851
CAPITAL ASSETS BEING DEPRECIATED				
Sewer plant	22,316,889	1,420,948	(14,029)	23,723,808
Sewer collection system	11,659,784	414,181	-	12,073,965
Equipment	297,486	-	-	297,486
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>34,274,159</u>	<u>1,835,129</u>	<u>(14,029)</u>	<u>36,095,259</u>
Accumulated depreciation				
Sewer plant	(11,415,512)	(464,658)	14,029	(11,866,141)
Sewer collection system	(2,211,802)	(137,660)	-	(2,349,462)
Equipment	(249,435)	(16,017)	-	(265,452)
TOTAL ACCUMULATED DEPRECIATION	<u>(13,876,749)</u>	<u>(618,335)</u>	<u>14,029</u>	<u>(14,481,055)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>20,397,410</u>	<u>1,216,794</u>	<u>-</u>	<u>21,614,204</u>
CAPITAL ASSETS, net	<u>\$ 21,477,574</u>	<u>\$ 2,304,291</u>	<u>\$ (1,783,810)</u>	<u>\$ 21,998,055</u>

For the year ended December 31, 2018, the Authority capitalized \$40,021 of interest associated with construction projects.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 2018, was \$1,091,463. 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	\$ 233,885
Police Pension Plan	<u>857,578</u>
	<u>\$ 1,091,463</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, 487 Devon Drive, Suite 206, Wayne, PA 19087, or by calling (215) 657-7400.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE D - EMPLOYEES' RETIREMENT PLANS (Continued)

Plan Membership

At December 31, 2018, the Plan membership consisted of the following:

Current active members	71
Current active members electing DROP	2
Retirees and beneficiaries currently receiving benefits	75
Members vested, entitled to benefits, but not receiving them	<u>3</u>
	<u><u>151</u></u>

Benefits Provided - The Police Pension Plan provides for normal, deferred vested, early retirement and disability pensions 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% of 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, 2016, the maximum each participant contributes was increased to 8.0% 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, 2018

NOTE D - EMPLOYEES' RETIREMENT PLANS (Continued)

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 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 2018 was \$2,566,022, which was funded entirely by the Municipality through state aid and municipal contributions. Municipal contributions were \$1,708,444 of the required MMO. Employee contributions in 2018 totaled \$526,764. State aid and employee participant contributions in 2018 amounted to 12.3% and 7.6%, respectively, of the \$6,974,654 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, 2018:

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

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, 2018 was \$28,798,343.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018:

MUTUAL FUNDS

Johcm International Select Fund	\$ 1,660,862
Baird Core Plus Bond Fund Inst.	2,472,125
Vanguard Total Stock Mkt Index Fund	11,391,394
Vanguard Total Int'l ST Index Adm	2,126,615
Pgim Total Return Bond CI	1,709,160
Doubleline Core Fixed Income	<u>2,461,296</u>
	<u>\$ 21,821,452</u>

Rate of Return - For the year ended December 31, 2018, the annual money-weighted rate of return on Plan investments, net of Plan investment expenses, was -5.43%. 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, 2018 was as follows:

Total pension liability	\$ 43,981,620
Plan fiduciary net position	<u>(29,101,049)</u>
NET PENSION LIABILITY	<u>\$ 14,880,571</u>

Plan fiduciary net position as a percentage of the total pension liability	<u>66.17%</u>
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Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2018 using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	3%
Salary increases	4.75%, including inflation
Investment rate of return	7.75%, 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.

For the year ended December 31, 2017, the Municipality lowered its assumption for salary increases from 5.0% to 4.75% and the investment rate of return/discount rate from 8.0% to 7.75%.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018 and are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	7.50%
International equity	7.40%
Fixed income	5.10%
Real estate	6.50%
Cash	3.50%

Discount Rate - The discount rate used to measure the total pension liability was 7.75% as of December 31, 2018. The projection of cash flows used to determine the discount rate assumed that Plan participant contributions will be made at the current contribution rate and that the Municipality contributions will be made at 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 determinate the total pension liability.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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> </u>	<u> </u>	<u> </u>
Balances at December 31, 2017	\$ 42,210,498	\$ 30,321,725	\$ 11,888,773
Changes for the year			
Service cost	899,623	-	899,623
Interest	3,246,813	-	3,246,813
Differences between expected and actual experience	56,203	-	56,203
Changes of assumptions	-	-	-
Contributions			
Employer	-	2,566,022	(2,566,022)
Member	-	526,764	(526,764)
Net investment income	-	(1,801,449)	1,801,449
Benefit payments, including employee refunds	(2,431,517)	(2,431,517)	-
Administrative expense	-	(80,496)	80,496
Net changes	<u>1,771,122</u>	<u>(1,220,676)</u>	<u>2,991,798</u>
Balances at December 31, 2018	<u>\$ 43,981,620</u>	<u>\$ 29,101,049</u>	<u>\$ 14,880,571</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 7.75%, 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate as of December 2018:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
	<u> </u>	<u> </u>	<u> </u>
Net pension liability (asset)	\$ 19,742,213	\$ 14,880,571	\$ 10,754,319

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018, the Municipality recognized pension revenue of \$2,279,456 for the Police Pension Plan. At December 31, 2018, 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	\$ 133,474	\$ 615,814
Changes in assumptions	808,076	-
Net difference between projected and actual earnings on pension plan investments	<u>2,678,133</u>	<u>-</u>
	<u>\$ 3,619,683</u>	<u>\$ 615,814</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>	
2019	\$ 951,724
2020	574,265
2021	623,930
2022	853,950
2023	-
Thereafter	-

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 and the bank deposit program are carried at fair value which generally represents quoted market prices or the net asset value of mutual funds 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, 2018, the Plan membership consisted of the following:

Current active members	21
Retirees and beneficiaries currently receiving benefits	13
Members vested, entitled to benefits, but not receiving them	-
	<hr/>
	34
	<hr/>

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE D - EMPLOYEES' RETIREMENT PLANS (Continued)

Effective March 5, 2016, the Plan offers a three-year deferred retirement plan option (DROP) to all Fire Fighters who reach at least 53 and complete at least 25 years of service.

Effective March 5, 2016, a Fire Fighter may purchase up to two additional Years of Service for time served in the United States Armed Forces before becoming a Fire Fighter. The buyback amount is equal to 5% of the Fire Fighters current base salary for each year of military buyback purchase.

Benefits Provided - The Plan provides for normal, early, deferred vested and disability pension benefits 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 pension as of their normal retirement date 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 for married Fire Fighters and a Single Life Annuity with a 120 monthly payout guarantee for single Fire Fighters. 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 7.5% 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 2018, was \$735,994, which was funded entirely by the Municipality through state aid and municipal contributions. Municipal contributions were \$502,109 of the required MMO in 2018. Employee contributions in 2018, totaled \$160,379. State aid and employee participant contributions in 2018 amounted to 11% and 7.5%, respectively, of the \$2,136,264 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, 2018

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, 2018:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	62.5%
Fixed income/cash equivalents	<u>37.5%</u>
	<u>100%</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, 2018, was \$8,571,180.

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, 2018:

MUTUAL FUNDS	
MFS Total Return Fund-A	\$ 3,994,392
MFS Value Fund-A	<u>861,235</u>
	4,855,627
EXCHANGE TRADED FUNDS	
SPDR S+P 500 ETF Tr	<u>724,768</u>
	<u>\$ 5,580,395</u>

Rate of Return - For the year ended December 31, 2018, the weighted average rate of return on Plan investments, net of Plan investment expenses was -4.84%. 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, 2018

NOTE D - EMPLOYEES' RETIREMENT PLANS (Continued)

Net Pension Liability of the Plan

Total pension liability	\$ 14,051,096
Plan fiduciary net position-defined benefit	<u>(10,388,861)</u>
NET PENSION LIABILITY	\$ <u>3,662,235</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>73.94%</u>

Actuarial Assumptions - The total pension liability was determined by actuarial valuation as of December 31, 2018, using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	3%
Salary increases	4.50%, average, including inflation
Investment rate of return	7.50%, 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.

For the year ended December 31, 2017, the Municipality lowered its assumption for salary increases from 5.0% to 4.5% and the investment rate of return/discount rate from 8.0% to 7.5%.

The Plan's target return is the Plan's actuarial assumption of 7.5% as of December 31, 2018. 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	7.50%
Fixed income/cash equivalents	7.50%

Discount Rate - The discount rate used to measure the total pension liability was 7.5% as of December 31, 2018. 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, 2018

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> </u>	<u> </u>	<u> </u>
Balances at December 31, 2017	\$ 13,592,803	\$ 10,737,483	\$ 2,855,320
Changes for the year			
Service cost	281,284	-	281,284
Interest	1,014,923	-	1,014,923
Differences between expected and actual experience	(154,354)	-	(154,354)
Changes of assumptions	-	-	-
Contributions			
Employer	-	735,994	(735,994)
Member	-	160,379	(160,379)
Net investment income	-	(517,256)	517,256
Benefit payments, including employee refunds	(683,560)	(683,234)	(326)
Administrative expense	-	(44,505)	44,505
Net changes	<u>458,293</u>	<u>(348,622)</u>	<u>806,915</u>
Balances at December 31, 2018	<u>\$ 14,051,096</u>	<u>\$ 10,388,861</u>	<u>\$ 3,662,235</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 7.5%, 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 (6.5%) or 1-percentage-point higher (8.5%) than the current rate as of December 31, 2018:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
	<u> </u>	<u> </u>	<u> </u>
Net pension liability (asset)	\$ 5,257,327	\$ 3,662,235	\$ 2,315,633

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018, the Municipality recognized pension revenue of \$763,024 for the Paid Firefighters' Pension Plan. At December 31, 2018, 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	\$ 30,983	\$ 349,586
Changes in assumptions	507,567	-
Net difference between projected and actual earnings on pension plan investments	<u>1,009,823</u>	<u>-</u>
	<u>\$ 1,548,373</u>	<u>\$ 349,586</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>	
2019	\$ 394,314
2020	244,861
2021	254,432
2022	298,236
2023	11,682
Thereafter	(4,738)

MUNICIPALITY OF NORRISTOWN
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2018

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, 2018, the Plan membership consisted of the following:

Current active members	43
Retirees and beneficiaries currently receiving benefits	26
Members vested, entitled to benefits, but not receiving them	5
	74

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, 2018

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, and (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, 2017, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 17.84%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension (Asset) Liability of the Municipality

Total pension liability	\$ 6,338,735
Plan fiduciary net position-defined benefit	<u>(9,659,008)</u>
NET PENSION (ASSET) LIABILITY	\$ <u>(3,320,273)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>152.38%</u>

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE D - EMPLOYEES' RETIREMENT PLANS (Continued)

Actuarial Assumptions - The pension liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in this measurement:

Inflation		3.00%
Salary increases	Age related scale with merit and inflation component	
Investment rate of return		5.25%

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 the December 31, 2016 valuation were based on the PMRS Experience Study for the period covering January 1, 2009 through December 31, 2013, as well as subsequent Board approved changes including the decrease in the regular interest to 5.25% for the January 1, 2017 valuation, which was based on PMRS's annual analysis of its actuarial assumptions.

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.

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity (large capitalized firms)	5.60%
Domestic equity (small capitalized firms)	7.20%
International equities (international developed markets)	4.60%
International equities (emerging markets)	8.70%
Real estate	6.20%
Fixed income	2.10%

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, 2018

NOTE D - EMPLOYEES' RETIREMENT PLANS (Continued)

Changes in the Net Position (Asset) Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at December 31, 2016	\$ 6,148,979	\$ 8,466,545	\$ (2,317,566)
Changes for the year			
Service cost	222,190	-	222,190
Interest	325,175	-	325,175
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions			
PMRS assessment	-	100	(100)
Member	-	101,607	(101,607)
PMRS investment income	-	462,353	(462,353)
Market value investment income	-	1,008,715	(1,008,715)
Benefit payments, including employee refunds	(357,609)	(357,609)	-
PMRS administrative expense	-	(1,440)	1,440
Additional administrative expense	-	(21,263)	21,263
Net changes	<u>189,756</u>	<u>1,192,463</u>	<u>(1,002,707)</u>
Balances at December 31, 2017	<u>\$ 6,338,735</u>	<u>\$ 9,659,008</u>	<u>\$ (3,320,273)</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 5.25%, 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 (4.25%) and one percentage point higher (6.25%) than the current rate:

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Net pension liability (asset)	\$ <u>(2,500,845)</u>	\$ <u>(3,320,273)</u>	\$ <u>(3,998,289)</u>

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018, the Municipality recognized pension revenues of \$184,022 for the Non-Uniformed Employees' Pension Plan. At December 31, 2018, 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	\$ -	\$ 209,433
Changes in assumptions	100,629	23,541
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>585,471</u>
	<u>\$ 100,629</u>	<u>\$ 818,445</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>	
2019	\$ (187,391)
2020	(268,828)
2021	(237,990)
2022	(23,607)
2023	-
Thereafter	-

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018, the Plan membership consisted of the following:

Current active members	18
Retirees and beneficiaries currently receiving benefits	19
Members vested, entitled to benefits, but not receiving them	<u>5</u>
	<u>42</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 five-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>
2018	\$ -	\$ 69,972
2017	-	83,494
2016	-	94,058
2015	-	84,157
2014	-	79,206

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018, the Plan's membership consisted of the following:

Current active members	4
Retirees and beneficiaries currently receiving benefits	1
Members vested, entitled to benefits, but not receiving them	<u>6</u>
	<u><u>11</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 five-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>
2018	\$ -	\$ 25,929
2017	-	29,325
2016	-	25,391
2015	-	21,916
2014	-	27,082

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE E - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended December 31, 2018:

	<u>Maturity Date</u>
GOVERNMENTAL ACTIVITIES	
General obligation bonds and notes	
1998 Taxable Series	2018
2004 Series AAA	2018
2006 Series-SL Projects	2026
2006 Series-Capital	2026
Promissory Note, 2015 Series	2020
PA Transportation Loan	2027
2017 Series A	2023
2017 Series AA	2020
2017 Series AAA	2034
TOTAL GENERAL OBLIGATION BONDS AND NOTES	
Deferred amounts	
Issuance discount	
Revenue bonds and notes	
HUD 108 Series 2015A	2030
TOTAL BONDS AND NOTES 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 2013A	2023
Series 2013B	2025
Series 2013C	2033
TOTAL BONDS PAYABLE	
Compensated absences	
TOTAL COMPONENT UNIT LONG-TERM LIABILITIES	

Payments on the bonds and loans payable pertaining to the Municipality's governmental activities are made by the Debt Service Fund. Payments of compensated absences, net pension obligations and net other postemployment benefit obligations pertaining to the Municipality's governmental activities are made by the General Fund.

Balance January 1, 2018	Additions	Reductions	Balance December 31, 2018	Due Within One Year
\$ 450,000	\$ -	\$ (450,000)	\$ -	\$ -
275,000	-	(275,000)	-	-
2,044,374	-	(193,719)	1,850,655	201,335
1,400,000	-	(1,400,000)	-	-
350,380	-	(116,794)	233,586	116,794
3,500,000	-	(321,474)	3,178,526	327,502
8,467,000	-	(5,000)	8,462,000	2,019,000
1,533,000	-	(670,000)	863,000	863,000
7,655,000	-	(360,000)	7,295,000	360,000
<u>25,674,754</u>	<u>-</u>	<u>(3,791,987)</u>	<u>21,882,767</u>	<u>3,887,631</u>
(45,384)	-	45,384	-	-
-	5,000,000	(380,000)	4,620,000	380,000
<u>25,629,370</u>	<u>5,000,000</u>	<u>(4,126,603)</u>	<u>26,502,767</u>	<u>4,267,631</u>
311,261	-	(154,254)	157,007	76,309
1,916,263	248,157	(70,951)	2,093,469	50,941
1,921,500	3,294,977	(1,921,500)	3,294,977	-
<u>12,426,527</u>	<u>6,116,279</u>	<u>-</u>	<u>18,542,806</u>	<u>-</u>
<u>\$ 42,204,921</u>	<u>\$ 14,659,413</u>	<u>\$ (6,273,308)</u>	<u>\$ 50,591,026</u>	<u>\$ 4,394,881</u>
\$ 6,281,595	\$ -	\$ (1,005,573)	\$ 5,276,022	\$ 1,041,556
3,978,367	-	(462,390)	3,515,977	477,461
6,743,700	-	(48,000)	6,695,700	48,000
<u>17,003,662</u>	<u>-</u>	<u>(1,515,963)</u>	<u>15,487,699</u>	<u>1,567,017</u>
36,743	393	-	37,136	-
<u>\$ 17,040,405</u>	<u>\$ 393</u>	<u>\$ (1,515,963)</u>	<u>\$ 15,524,835</u>	<u>\$ 1,567,017</u>

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE E - LONG-TERM LIABILITIES (Continued)

Long-Term Debt

An analysis of debt service requirements to maturity on long-term debt follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2019	\$ 4,267,631	\$ 731,809	\$ 4,999,440
2020	4,357,686	634,545	4,992,231
2021	4,332,377	535,027	4,867,404
2022	1,817,302	430,277	2,247,579
2023	1,367,681	383,554	1,751,235
2024-2028	6,330,090	1,322,003	7,652,093
2029-2033	3,440,000	497,228	3,937,228
2034-2035	590,000	24,939	614,939
	<u>\$ 26,502,767</u>	<u>\$ 4,559,382</u>	<u>\$ 31,062,149</u>

The following is a summary of long-term 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 bonds were paid off during 2018.

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, 2017, amounted to \$275,000. The bonds were paid off during 2018.

A General Obligation Note, Series of 2006, was issued to fund capital projects in the amount \$1,411,000 and streetlights 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. This portion of the Note was paid off during 2018.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE E - LONG-TERM LIABILITIES (Continued)

Principal payments on the streetlight 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 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%. Principal balances on the capital projects and streetlight projects portions of the note amounted to \$0 and \$1,850,655, respectively at December 31, 2018.

A Promissory Note, 2015 Series, in the amount of \$583,968 was issued to fund Motorola emergency radio equipment. There is no interest due on the Note. Principal payments are due annually through January 25, 2020. The outstanding principal balance at December 31, 2018, amounted to \$233,586.

General Obligation Notes Series A of 2017, in the amount of \$8,467,000 were issued to fund the acquisition, construction, renovation, improvement, replacement and repairs of certain capital assets included in the capital improvement plan. Principal payments are due annually and interest payments are due semiannually at 2.35% through May 1, 2023. The outstanding principal balance at December 31, 2018, amounted to \$8,462,000.

Federally Taxable General Obligation Notes Series AA of 2017, in the amount of \$1,533,000 were issued for capital project improvements. Principal payments are due annually and interest payments are due semiannually at 2.50% through May 1, 2020. The outstanding principal balance at December 31, 2018, amounted to \$863,000.

General Obligation Bonds Series AAA of 2017, in the amount of \$8,130,000 were issued to fund capital projects, to currently refund the outstanding General Obligation Bond Series 2004 and pay the costs of issuing the bond. Interest rates range from 1.382% to 4.227%. Principal payments are due annually and interest payments are due semiannually through November 1, 2034. The outstanding principal balance at December 31, 2018, amounted to \$7,295,000.

A Promissory Note, 2017 Series, in the amount of \$3,500,000 was issued to fund, among other things, ADA curb ramps, and milling and overlay of streets located within the Municipality. Principal and interest payments are due annually at 1.875% through December 1, 2027. The outstanding principal balance at December 31, 2018, amounted to \$3,178,526.

The U.S. Department of Housing and Urban Development (HUD) issued a loan to the Redevelopment Authority of Montgomery County in the amount of \$5,000,000 under the Section 108 Program to be passed through as a loan to Johnson & Markley Redevelopment, L.P. for redevelopment of property located in Norristown. Under the terms of the financing agreement, the Municipality of Norristown guaranteed the payment of principal and interest on the HUD Section 108 loan with its Community Development Block Grant Funds. Johnson and Markley Redevelopment, L.P. has since defaulted on its obligations. As part of the Municipality's guarantee, HUD has the right to deduct the 108 payments from the annual CDBG entitlement of Norristown for the remaining term of the loan. Payments began in 2018 and will continue through 2030. Interest is paid semi-annually on February 1 and August 1 at a variable rate of interest. The outstanding principal balance at December 31, 2018 was \$4,620,000. See Note J.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE E - LONG-TERM LIABILITIES (Continued)

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, 2018, amounted to \$15,487,699.

Aggregate maturities required on long-term debt at December 31, 2018, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2019	\$ 1,567,017	\$ 443,044	\$ 2,010,061
2020	1,615,583	393,623	2,009,206
2021	1,665,708	341,599	2,007,307
2022	1,717,441	288,487	2,005,928
2023	1,480,943	234,560	1,715,503
2024-2028	3,483,143	835,211	4,318,354
2029-2033	<u>3,957,864</u>	<u>280,650</u>	<u>4,238,514</u>
	<u>\$ 15,487,699</u>	<u>\$ 2,817,174</u>	<u>\$ 18,304,873</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>
Police utility vehicles	\$ 79,387	5 years	\$ 17,460	
Police utility vehicles	29,948	4 years	8,152	
Multifunction printers	118,604	5 years	27,133	5.42%
Fire utility vehicle	30,936	3 years	11,134	7.26%
M1 Core i5 Intel laptops	<u>82,473</u>	4 years	<u>21,569</u>	3.09%
	<u>\$ 341,348</u>		<u>\$ 85,448</u>	

This equipment is included in machinery, vehicles and equipment in Note C. Accumulated depreciation at December 31, 2018, was \$373,664

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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>
2019	\$ 76,309	\$ 7,183	\$ 83,492
2020	62,972	3,190	66,162
2021	<u>17,726</u>	<u>362</u>	<u>18,088</u>
	<u>\$ 157,007</u>	<u>\$ 10,735</u>	<u>\$ 167,742</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 \$2,093,469 as of December 31, 2018.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE F - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivable and payable balances consist of the following at December 31, 2018:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Liquid Fuels Fund	\$ 15,722
General Fund	Debt Service Fund	421,546
General Fund	Community Development	122,904
General Fund	Capital Projects Fund	212,577
General Fund	Other Governmental Funds	30,930
HOME Program Fund	Community Development	34,072
		<u>\$ 837,751</u>

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

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 3,801,109
Debt Service Fund	3,801,109	23,509
Capital Projects Fund	<u>23,509</u>	<u>-</u>
	<u>\$ 3,824,618</u>	<u>\$ 3,824,618</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, 2018, the Municipality paid net insurance premiums of \$624,695.

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, 2018. 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, 2018

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, 2018.

NOTE I - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

Plan Administration - 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75.

Benefits Provided

Police Eligibility Requirements

For officers who retired before January 1, 1993, the retiree shall have the option of the Municipality paying \$120/month to a health carrier designated by the officer until the officer reaches age sixty-five (65) at which time all payments shall cease. For officers who retire on or after January 1, 1993, the retiree shall have the option of the Municipality paying \$300/month to a health care carrier designated by the officer until the officer reaches age sixty-five (65) at which time all payments shall cease. Effective January 1, 1999, the Municipality's contribution will be increased from \$300/month to \$400/month for officers who retire on or after that date. Effective January 1, 2003, the Municipality's contribution will be increased from \$400/month to \$500/month for officers who retire on or after that date.

Such coverage will be available only if the retiree does not have coverage elsewhere or if his/her spouse does not have coverage for the retiree. If this option is chosen, the retiree must take coverage for the hospitalization, medical- surgical and major medical while other coverage will be optional to the extent it is permitted by the insurance carrier(s). In the alternative, such payments can be applied by the retiree for life insurance coverage. Officers who retired before January 1, 1999, may purchase up to \$35,000 of coverage. Officers who retire on or after January 1, 1999, can purchase coverage up to an amount of one hundred (100%) percent of the officer's base salary at the time immediately preceding retirement.

In addition, the Municipality shall provide and pay for a \$5,000 whole life insurance policy to each retiring officer.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE I - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Fire Fighter's Eligibility Requirements

For fire fighters who retired before January 1, 1993, the retiree shall have the option of the Municipality paying \$120/month to a health carrier designated by the officer until the fire fighter reaches age sixty-five (65) at which time all payments shall cease. For fire fighters who retire on or after January 1, 1993, the retiree shall have the option of the Municipality paying \$300/month to a health care carrier designated by the fire fighter until the fire fighter reaches age sixty-five (65) at which time all payments shall cease. Effective January 1, 2004, the Municipality's contribution will be increased from \$300/month to \$500/month for fire fighters who retire on or after that date.

Such coverage will be available only if the retiree does not have coverage elsewhere or if his/her spouse does not have coverage for the retiree. If this option is chosen, the retiree must take coverage for the hospitalization, medical- surgical and major medical while other coverage will be optional to the extent it is permitted by the insurance carrier(s). Effective January 1, 2000, the Municipality shall provide and pay for a \$10,000 whole life insurance policy to each retiring fire fighter.

Employees Covered by Benefit Terms - At December 31, 2018, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	21
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>86</u>
	<u><u>107</u></u>

Total OPEB Liability

The Municipality's total OPEB liability of \$3,294,977 was measured as of December 31, 2018 and was determined by an actuarial valuation as of January 1, 2018.

Actuarial Assumptions and Other Inputs - The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0%
Salary increases	4% annual increase
Discount rate	4.10%
Healthcare cost trend rates	7.0% in 2018, decreasing my 0.5% per year to an ultimate rate of 5.0%

The discount rate was based on the December 31, 2018 Bond Buyer Municipal Bond Index AA. Mortality rates were based on the RP-2014 at 2006 Healthy Annuitant Mortality Table with Scale MP-17.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE I - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Changes in the Total OPEB Liability of the Municipality

	Total OPEB Liability
BALANCES AT DECEMBER 31, 2017	\$ 3,419,546
Changes for the year	
Service cost	130,306
Interest	120,403
Changes of benefit terms	-
Differences between expected and actual experience	(275,775)
Changes of assumptions	-
Benefit payments	(99,503)
Other changes	-
NET CHANGES	<u>(124,569)</u>
BALANCES AT DECEMBER 31, 2018	<u>\$ 3,294,977</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.44% in 2017 to 4.10% in 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following represents the total OPEB liability of the Municipality, as well as what the Municipality's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.10%) or 1-percentage point higher (5.10%) than the current discount rate:

	1% Decrease (3.10%)	Current Discount Rate (4.10%)	1% Increase (5.10%)
Total OPEB liability	\$ <u>3,582,163</u>	\$ <u>3,294,977</u>	\$ <u>3,034,727</u>

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

	1% Decrease (6.0%)	Current Healthcare Cost Trend Rate (7.0%)	1% Increase (8.0%)
Total OPEB liability	\$ <u>2,944,535</u>	\$ <u>3,294,977</u>	\$ <u>3,700,629</u>

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE I - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

OPEB Expense and Deferred Outflows of Resource and Deferred Inflows of Resources Related to OPEB - For the year ended December 31, 2018, the Municipality recognized OPEB expense of \$227,118. At December 31, 2018, the Municipality reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ <u> -</u>	\$ <u> 252,184</u>

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

<u>Year Ending December 31,</u>	
2019	\$ (23,591)
2020	(23,591)
2021	(23,591)
2022	(23,591)
2023	(23,591)
Thereafter	<u>(134,229)</u>
	<u>\$ (252,184)</u>

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 and August 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.

In 2018, the Municipality acknowledged its responsibility under the guarantee and began making principal payments on the loan. Accordingly, the Municipality has recorded a loss on the assumption of debt in the amount of \$5,000,000 for the year ended December 31, 2018.

NOTE K - COMBINING SCHEDULES OF FIDUCIARY FUNDS

The following is a combining schedule of fiduciary net position for the Pension Trust Funds:

	Police Pension Fund	Paid Firefighters' Pension Plan	Total Pension Trust Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash	\$ 112,393	\$ 267,450	\$ 379,843
Receivables	42,719	27,022	69,741
Prepaid plan expenses and pension benefits	196,283	69,445	265,728
Investments	<u>28,798,343</u>	<u>10,041,002</u>	<u>38,839,345</u>
TOTAL ASSETS	29,149,738	10,404,919	39,554,657
LIABILITIES			
Accounts payable and accrued expenses	<u>48,689</u>	<u>16,058</u>	<u>64,747</u>
NET POSITION			
Held in trust for pension benefits	<u>\$ 29,101,049</u>	<u>\$ 10,388,861</u>	<u>\$ 39,489,910</u>

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE K - COMBINING SCHEDULES OF FIDUCIARY FUNDS (Continued)

The following is a combining schedule of changes in fiduciary net position for the Pension Trust Funds:

	Police Pension Fund	Paid Firefighters' Pension Plan	Total Pension Trust Funds
	<u> </u>	<u> </u>	<u> </u>
ADDITIONS			
Investment income			
Net appreciation (depreciation) in fair value of investments	\$ (2,397,922)	\$ (846,495)	\$ (3,244,417)
Interest	16,176	62,367	78,543
Dividends	683,702	292,228	975,930
Investment expenses and foreign taxes paid	<u>(103,405)</u>	<u>(25,356)</u>	<u>(128,761)</u>
INVESTMENT INCOME, net	<u>(1,801,449)</u>	<u>(517,256)</u>	<u>(2,318,705)</u>
Contributions			
Commonwealth of Pennsylvania Act 205 pension allocation	857,578	233,885	1,091,463
Municipality contributions	1,708,444	502,109	2,210,553
Member contributions	<u>526,764</u>	<u>160,379</u>	<u>687,143</u>
TOTAL CONTRIBUTIONS	<u>3,092,786</u>	<u>896,373</u>	<u>3,989,159</u>
TOTAL ADDITIONS	<u>1,291,337</u>	<u>379,117</u>	<u>1,670,454</u>
DEDUCTIONS			
Monthly retirement benefits	2,431,517	683,234	3,114,751
Administrative expenses	<u>80,496</u>	<u>44,505</u>	<u>125,001</u>
TOTAL DEDUCTIONS	<u>2,512,013</u>	<u>727,739</u>	<u>3,239,752</u>
CHANGE IN NET POSITION	(1,220,676)	(348,622)	(1,569,298)
NET POSITION AT BEGINNING OF YEAR	<u>30,321,725</u>	<u>10,737,483</u>	<u>41,059,208</u>
NET POSITION AT END OF YEAR	<u>\$ 29,101,049</u>	<u>\$ 10,388,861</u>	<u>\$ 39,489,910</u>

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE L - PRIOR PERIOD ADJUSTMENT

Governmental Funds

During the year, the Municipality became aware of an adjustment needed to correct interfund balances. As a result of the adjustment, the beginning fund balance of the Community Development Fund increased from \$(251,682) to \$(122,619) and the balance due from other funds increased \$129,063.

Governmental Activities

The Municipality implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The objective of GASB Statement No. 75 is to improve accounting and financial reporting by state and local governments for other postemployment benefit (OPEB) plans. GASB Statement No. 75 states that the Municipality must record any unfunded liability of their OPEB plans.

For the government-wide governmental activities, the Municipality has treated the beginning of year net OPEB liability of \$3,419,546 as having been recognized in the period incurred. As part of the implementation, the previously recognized liability for other postemployment benefits under GASB 45 in the amount of \$1,921,500 will be reversed. The Municipality has adjusted beginning net position for the governmental activities from \$5,584,474 to \$4,086,428.

REQUIRED SUPPLEMENTARY INFORMATION

MUNICIPALITY OF NORRISTOWN
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
GENERAL FUND
YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 12,751,229	\$ 12,751,229	\$ 12,627,007	\$ (124,222)
Per capita taxes	45,000	45,000	79,719	34,719
Real estate transfer taxes	375,300	375,300	849,791	474,491
Earned income taxes	9,300,000	9,300,000	9,486,955	186,955
Local services taxes	540,000	540,000	540,475	475
Business privilege taxes	1,025,000	1,025,000	956,257	(68,743)
TOTAL TAXES	<u>24,036,529</u>	<u>24,036,529</u>	<u>24,540,204</u>	<u>503,675</u>
Licenses and permits				
Housing	550,000	550,000	581,505	31,505
Cable television franchise fees	449,600	449,600	418,497	(31,103)
Street encroachments	165,360	165,360	105,110	(60,250)
Other	11,100	11,100	8,961	(2,139)
	<u>1,176,060</u>	<u>1,176,060</u>	<u>1,114,073</u>	<u>(61,987)</u>
Fines and forfeitures				
District court fines	250,000	250,000	231,115	(18,885)
Vehicle code violations	70,000	70,000	34,304	(35,696)
Parking related violations	530,000	530,000	416,470	(113,530)
Forfeitures	3,500	3,500	924	(2,576)
Other code violations	17,500	17,500	18,765	1,265
TOTAL FINES AND FORFEITURES	<u>871,000</u>	<u>871,000</u>	<u>701,578</u>	<u>(169,422)</u>
Intergovernmental revenues				
Federal community development	157,181	157,181	425,565	268,384
Public utility realty tax	23,000	23,000	22,077	(923)
Alcoholic beverages tax	10,000	10,000	6,700	(3,300)
Foreign fire tax	131,880	131,880	120,501	(11,379)
State pension aid	1,097,149	1,097,149	1,095,701	(1,448)
Local government payments	22,700	22,700	12,700	(10,000)
Other grants				-
Police	55,000	55,000	254,586	199,586
Fire	11,000	11,000	348,634	337,634
Recycling/Act 101	18,123	18,123	53,245	35,122
Public works	13,000	13,000	18,188	5,188
	<u>1,539,033</u>	<u>1,539,033</u>	<u>2,357,897</u>	<u>818,864</u>
Charges for services				
General government	315,786	315,786	341,698	25,912
Public safety	890,500	890,500	851,942	(38,558)
Highways and streets	400,100	400,100	352,526	(47,574)
Solid waste collection	2,659,872	2,659,872	2,889,450	229,578
Culture and recreation	82,500	82,500	24,887	(57,613)
Rent	60,932	60,932	11,121	(49,811)
TOTAL CHARGES FOR SERVICES	<u>4,409,690</u>	<u>4,409,690</u>	<u>4,471,624</u>	<u>61,934</u>
Other				
Investment earnings	112,500	112,500	225,490	112,990
Miscellaneous	596,000	596,000	272,089	(323,911)
TOTAL OTHER	<u>708,500</u>	<u>708,500</u>	<u>497,579</u>	<u>(210,921)</u>
TOTAL REVENUES	<u>32,740,812</u>	<u>32,740,812</u>	<u>33,682,955</u>	<u>942,143</u>
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	<u>10,000</u>	<u>10,000</u>	<u>65,547</u>	<u>55,547</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 32,750,812</u>	<u>\$ 32,750,812</u>	<u>\$ 33,748,502</u>	<u>\$ 997,690</u>

See accompanying notes to the budgetary comparison schedules.

MUNICIPALITY OF NORRISTOWN
SCHEDULE OF FUNCTIONAL EXPENDITURES BY
ACTIVITIES AND OTHER FINANCING USES
GENERAL FUND
YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
EXPENDITURES				
General government				
Administration	420,927	420,927	419,623	1,304
Executive	80,200	80,200	77,384	2,816
Finance	610,018	610,018	529,001	81,017
Tax collection	158,515	158,515	163,582	(5,067)
Legal	392,500	392,500	438,493	(45,993)
Human resources	206,442	206,442	182,592	23,850
IT	263,500	263,500	353,265	(89,765)
Vehicle maintenance	562,803	562,803	672,732	(109,929)
Buildings and plant	419,411	419,411	486,104	(66,693)
Insurance	1,412,061	1,412,061	1,429,517	(17,456)
Overhead	4,036,163	4,036,163	3,863,601	172,562
TOTAL GENERAL GOVERNMENT	8,562,540	8,562,540	8,615,894	(53,354)
Public safety				
Police	11,336,479	11,336,479	11,169,664	166,815
Fire	3,684,181	3,684,181	3,851,681	(167,500)
Planning and zoning	596,008	596,008	559,010	36,998
Business development	240,000	240,000	181,746	58,254
Shared business services	36,098	36,098	49,625	(13,527)
Code enforcement	874,494	874,494	821,263	53,231
TOTAL PUBLIC SAFETY	16,767,260	16,767,260	16,632,989	134,271
Sanitation	2,316,348	2,316,348	2,324,783	(8,435)
Highways and streets				
General	457,212	457,212	700,008	(242,796)
Street maintenance	604,171	604,171	503,877	100,294
Traffic signals and street signs	261,148	261,148	234,178	26,970
Street lighting	55,000	55,000	38,551	16,449
TOTAL HIGHWAYS AND STREETS	1,377,531	1,377,531	1,476,614	(99,083)
Culture and recreation				
Parks	263,710	263,710	240,060	23,650
Recreation	345,941	345,941	268,007	77,934
TOTAL CULTURE AND RECREATION	609,651	609,651	508,067	101,584
Community development	44,500	44,500	38,594	5,906
TOTAL EXPENDITURES	29,677,830	29,677,830	29,596,941	80,889
OTHER FINANCING USES				
Transfers out	4,200,000	4,200,000	3,801,109	398,891
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 33,877,830	\$ 33,877,830	\$ 33,398,050	\$ 479,780

See accompanying notes to the budgetary comparison schedules.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BUDGETARY COMPARISON SCHEDULES
YEAR ENDED DECEMBER 31, 2018

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, 2018, expenditures exceeded appropriations in the following General Fund amounts:

General government - tax collection	\$	5,067
General government - legal		45,993
General government - IT		89,765
General government - vehicle maintenance		109,929
General government - buildings and plant		66,693
General government - insurance		17,456
Public safety - fire		167,500
Public safety - shared business services		13,527
Highways and streets - general		242,796

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
LAST FIVE FISCAL YEARS

	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY					
Service cost	\$ 899,623	\$ 895,945	\$ 874,495	\$ 860,540	\$ 742,377
Interest	3,246,813	3,049,663	3,136,765	2,946,663	2,837,181
Differences between expected and actual experience	56,203	123,388	(1,507,870)	48,139	280,388
Changes of assumptions	-	901,586	-	831,674	-
Benefit payments	(2,431,517)	(2,429,255)	(2,338,562)	(2,310,845)	(2,447,676)
NET CHANGE IN TOTAL PENSION LIABILITY	1,771,122	2,541,327	164,828	2,376,171	1,412,270
Total pension liability, beginning	42,210,498	39,669,171	39,504,343	37,128,172	35,715,902
TOTAL PENSION LIABILITY, ENDING (a)	\$ 43,981,620	\$ 42,210,498	\$ 39,669,171	\$ 39,504,343	\$ 37,128,172
PLAN FIDUCIARY NET POSITION					
Contributions					
Employer	\$ 2,566,022	\$ 3,268,557	\$ 2,373,206	\$ 2,213,742	\$ 1,580,660
Member	526,764	551,619	516,887	479,263	428,217
Net investment income	(1,801,449)	4,011,362	1,373,062	64,102	1,142,207
Benefit payments, including refunds of member contributions	(2,431,517)	(2,429,255)	(2,338,562)	(2,310,845)	(2,447,676)
Administrative expense	(80,496)	(75,468)	(72,796)	(74,274)	(75,771)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(1,220,676)	5,326,815	1,851,797	371,988	627,637
Plan fiduciary net position, beginning	30,321,725	24,994,910	23,143,113	22,771,125	22,143,488
PLAN FIDUCIARY NET POSITION, ENDING (b)	\$ 29,101,049	\$ 30,321,725	\$ 24,994,910	\$ 23,143,113	\$ 22,771,125
NET PENSION LIABILITY (ASSET), ENDING (a)-(b)	\$ 14,880,571	\$ 11,888,773	\$ 14,674,261	\$ 16,361,230	\$ 14,357,047
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	66.17%	71.83%	63.01%	58.58%	61.33%
COVERED PAYROLL	\$ 6,974,654	\$ 6,831,479	\$ 6,681,750	\$ 6,819,667	\$ 6,494,921
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	213.35%	174.03%	219.62%	239.91%	221.05%

For the year ended December 31, 2017, the Municipality lowered its assumption for salary increases from 5.0% to 4.75% and the investment rate of return/discount rate from 8.0% to 7.75%.

Note: This schedule is intended to show information for the last ten fiscal years. All available information is presented. Additional information will be presented as it becomes available.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 2,566,022	\$ 2,388,825	\$ 2,364,835	\$ 2,213,742	\$ 1,580,660
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>2,566,022</u>	<u>2,388,825</u>	<u>2,364,835</u>	<u>2,213,742</u>	<u>1,580,660</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>				
COVERED PAYROLL	<u>\$ 6,974,654</u>	<u>\$ 6,831,479</u>	<u>\$ 6,681,750</u>	<u>\$ 6,819,667</u>	<u>\$ 6,494,921</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>36.79%</u>	<u>34.97%</u>	<u>35.39%</u>	<u>32.46%</u>	<u>24.34%</u>

NOTES TO SCHEDULE

Valuation date:

January 1, 2017

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	Market value
Inflation	3%
Salary increases	4.75% average, including inflation
Investment rate of return	7.75%, 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

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 1,567,645	\$ 1,294,190	\$ 1,342,405	\$ 629,124	\$ 561,254
<u>1,567,645</u>	<u>1,294,190</u>	<u>1,342,405</u>	<u>629,124</u>	<u>561,254</u>
\$ <u> -</u>				
\$ <u>5,698,376</u>	\$ <u>5,954,543</u>	\$ <u>5,822,171</u>	\$ <u>6,047,527</u>	\$ <u>5,215,234</u>
<u>27.51%</u>	<u>21.73%</u>	<u>23.06%</u>	<u>10.40%</u>	<u>10.76%</u>

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>-5.43%</u>	<u>16.66%</u>	<u>6.57%</u>	<u>0.67%</u>

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>5.80%</u>	<u>16.86%</u>	<u>13.54%</u>	<u>0.97%</u>	<u>13.18%</u>	<u>23.10%</u>

MUNICIPALITY OF NORRISTOWN
SCHEDULE OF CHANGES IN THE NET PAID FIREFIGHTERS' PENSION
PLAN LIABILITY AND RELATED RATIOS
LAST FIVE FISCAL YEARS

	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY					
Service cost	\$ 281,284	\$ 312,686	\$ 296,524	\$ 285,130	\$ 262,056
Interest	1,014,923	948,062	955,198	897,037	861,549
Differences between expected and actual experience	(154,354)	(226,021)	59,813	(134,791)	(129,405)
Changes of assumptions	-	563,609	-	245,002	-
Benefit payments	(683,560)	(667,347)	(586,354)	(567,145)	(492,695)
NET CHANGE IN TOTAL PENSION LIABILITY	458,293	930,989	725,181	725,233	501,505
Total pension liability, beginning	13,592,803	12,661,814	11,936,633	11,211,400	10,709,895
TOTAL PENSION LIABILITY, ENDING (a)	\$ 14,051,096	\$ 13,592,803	\$ 12,661,814	\$ 11,936,633	\$ 11,211,400
PLAN FIDUCIARY NET POSITION					
Contributions					
Employer	\$ 735,994	\$ 901,381	\$ 710,112	\$ 709,534	\$ 447,259
Member	160,379	147,419	131,535	97,563	97,858
Net investment income	(517,256)	1,022,069	731,319	(74,097)	569,939
Benefit payments, including refunds of member contributions	(683,234)	(667,347)	(586,354)	(567,145)	(492,695)
Administrative expense	(44,505)	(45,672)	(45,151)	(44,605)	(44,883)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(348,622)	1,357,850	941,461	121,250	577,478
Plan fiduciary net position, beginning	10,737,483	9,379,633	8,438,172	8,316,922	7,739,444
PLAN FIDUCIARY NET POSITION, ENDING (b)	\$ 10,388,861	\$ 10,737,483	\$ 9,379,633	\$ 8,438,172	\$ 8,316,922
NET PENSION LIABILITY (ASSET), ENDING (a)-(b)	\$ 3,662,235	\$ 2,855,320	\$ 3,282,181	\$ 3,498,461	\$ 2,894,478
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	73.94%	78.99%	74.08%	70.69%	74.18%
COVERED PAYROLL	\$ 2,136,264	\$ 2,041,398	\$ 2,041,160	\$ 1,915,886	\$ 1,824,654
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	171.43%	139.87%	160.80%	182.60%	158.63%

For the year ended December 31, 2017, the Municipality lowered its assumption for salary increases from 5.0% to 4.50% and the investment rate of return/discount rate from 8.0% to 7.50%.

Note: This schedule is intended to show information for the last ten fiscal years. All available information is presented. Additional information will be presented as it becomes available.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 735,994	\$ 700,241	\$ 705,815	\$ 709,534
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>735,994</u>	<u>700,241</u>	<u>705,815</u>	<u>709,534</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
COVERED PAYROLL	<u>\$ 2,136,264</u>	<u>\$ 2,041,398</u>	<u>\$ 2,041,160</u>	<u>\$ 1,915,886</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>34.45%</u>	<u>34.30%</u>	<u>34.58%</u>	<u>37.03%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2017

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	7 years
Asset valuation method	Smoothed market value - 5 years
Inflation	3%
Salary increases	4.5% average, including inflation
Investment rate of return	7.5%, 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

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 447,259	\$ 464,961	\$ 357,542	\$ 367,556	\$ 267,008	\$ 242,045
<u>447,259</u>	<u>464,961</u>	<u>357,542</u>	<u>367,556</u>	<u>267,008</u>	<u>242,045</u>
\$ <u> -</u>					
\$ <u>1,824,654</u>	\$ <u>1,776,293</u>	\$ <u>1,677,733</u>	\$ <u>1,630,379</u>	\$ <u>1,528,219</u>	\$ <u>1,354,125</u>
<u>24.51%</u>	<u>26.18%</u>	<u>21.31%</u>	<u>22.54%</u>	<u>17.47%</u>	<u>17.87%</u>

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>-4.84%</u>	<u>11.25%</u>	<u>8.92%</u>	<u>(0.84)%</u>

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>7.68%</u>	<u>19.19%</u>	<u>16.67%</u>	<u>1.43%</u>	<u>10.63%</u>	<u>17.97%</u>

MUNICIPALITY OF NORRISTOWN
SCHEDULE OF CHANGES IN THE NET NON-UNIFORMED EMPLOYEES'
PENSION PLAN LIABILITY AND RELATED RATIOS
LAST FOUR FISCAL YEARS

	2017	2016	2015	2014
TOTAL PENSION LIABILITY				
Service cost	\$ 222,190	\$ 192,887	\$ 204,394	\$ 229,958
Interest	325,175	334,816	327,188	323,005
Changes for experience	-	(293,882)	(7,169)	(101,109)
Changes of assumptions	-	176,100	(47,082)	-
Benefit payments	(357,609)	(307,842)	(360,036)	(326,484)
NET CHANGE IN TOTAL PENSION LIABILITY	189,756	102,079	117,295	125,370
Total pension liability, beginning	6,148,979	6,046,900	5,929,605	5,804,235
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 6,338,735</u>	<u>\$ 6,148,979</u>	<u>\$ 6,046,900</u>	<u>\$ 5,929,605</u>
PLAN FIDUCIARY NET POSITION				
Contributions, PMRS assessment	\$ 100	\$ 280	\$ 100	\$ 3,083
Contributions, participants	101,607	94,682	90,131	97,864
Net investment income	1,471,068	624,651	48,739	457,397
Benefit payments, including refunds of member contributions	(357,609)	(307,842)	(360,036)	(326,484)
Administrative expenses	(22,703)	(24,349)	(20,527)	(18,536)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	1,192,463	387,422	(241,593)	213,324
Plan fiduciary net position, beginning	8,466,545	8,079,123	8,320,716	8,107,392
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 9,659,008</u>	<u>\$ 8,466,545</u>	<u>\$ 8,079,123</u>	<u>\$ 8,320,716</u>
NET PENSION (ASSET) LIABILITY, ENDING (a)-(b)	<u>\$ (3,320,273)</u>	<u>\$ (2,317,566)</u>	<u>\$ (2,032,223)</u>	<u>\$ (2,391,111)</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>152.38%</u>	<u>137.69%</u>	<u>133.61%</u>	<u>140.32%</u>
COVERED PAYROLL	<u>\$ 2,220,965</u>	<u>\$ 2,088,440</u>	<u>\$ 1,987,299</u>	<u>\$ 2,245,112</u>
NET PENSION (ASSET) LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>-149.50%</u>	<u>-110.97%</u>	<u>-102.26%</u>	<u>-106.50%</u>

Note: This schedule is intended to show information for the last ten fiscal years. All available information is presented. Additional information will be presented as it becomes available.

MUNICIPALITY OF NORRISTOWN
SCHEDULE OF NON-UNIFORMED EMPLOYEES' PENSION PLAN
CONTRIBUTIONS
LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ -	\$ -	\$ -	\$ -
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>100</u>	<u>280</u>	<u>100</u>	<u>3,083</u>
CONTRIBUTION EXCESS	<u>\$ (100)</u>	<u>\$ (280)</u>	<u>\$ (100)</u>	<u>\$ (3,083)</u>
COVERED PAYROLL	<u>\$ 2,220,965</u>	<u>\$ 2,088,440</u>	<u>\$ 1,987,299</u>	<u>\$ 2,245,112</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>0.00%</u>	<u>0.01%</u>	<u>0.01%</u>	<u>0.14%</u>

NOTES TO SCHEDULE

Valuation date January 1, 2015

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	5.5%
Retirement age	Normal retirement age
Mortality	RP-2000 Mortality Table

Note: This schedule is intended to show information for the last ten fiscal years. All available information is presented. Additional information will be presented as it becomes available.

MUNICIPALITY OF NORRISTOWN

SCHEDULE OF CHANGES IN THE MUNICIPALITY'S TOTAL OPEB PLAN LIABILITY AND RELATED RATIOS LAST FISCAL YEAR

TOTAL OPEB LIABILITY	
Service cost	\$ 130,306
Interest	120,403
Changes of benefit terms	-
Differences between expected and actual experience	(275,775)
Changes of assumptions	-
Benefit payments	<u>(99,503)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	(124,569)
TOTAL OPEB LIABILITY, BEGINNING	<u>3,419,546</u>
TOTAL OPEB LIABILITY, ENDING (a)	<u>\$ 3,294,977</u>
COVERED PAYROLL	<u>\$ 8,795,847</u>
NET OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>37.46%</u>

NOTES TO SCHEDULE

Changes in assumptions: In 2018 the discount rate was changed from 3.44% to 4.10%.

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

SUPPLEMENTARY INFORMATION

MUNICIPALITY OF NORRISTOWN
DESCRIPTION OF NONMAJOR FUNDS
OTHER GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes as follows:

- The *Police Grant Fund* is used to account for grants and contributions for public safety.
- The *Main & Cherry Parking Lot Fund* is used to account for transactions specific to the parking lot.

MUNICIPALITY OF NORRISTOWN
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	Police Grant Fund	Main & Cherry Parking Lot Fund	Total Other Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ <u>34,538</u>	\$ <u>2,160</u>	\$ <u>36,698</u>
LIABILITIES AND FUND BALANCES (DEFICIT)			
LIABILITIES			
Unearned revenues	\$ 4,548	\$ -	\$ 4,548
Due to other funds	<u>30,930</u>	<u>-</u>	<u>30,930</u>
TOTAL LIABILITIES	35,478	-	35,478
FUND BALANCES (DEFICIT)			
Restricted	-	2,160	2,160
Unassigned	<u>(940)</u>	<u>-</u>	<u>(940)</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ <u>34,538</u>	\$ <u>2,160</u>	\$ <u>36,698</u>

MUNICIPALITY OF NORRISTOWN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OTHER GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2018

	<u>Police Grant Fund</u>	<u>Main & Cherry Parking Lot Fund</u>	<u>Total Other Governmental Funds</u>
REVENUES			
Intergovernmental	\$ 34,339	\$ -	\$ 34,339
EXPENDITURES			
Public safety	<u>35,048</u>	<u>-</u>	<u>35,048</u>
NET CHANGE IN FUND BALANCES	(709)	-	(709)
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	<u>(231)</u>	<u>2,160</u>	<u>1,929</u>
FUND BALANCES (DEFICIT) AT END OF YEAR	<u>\$ (940)</u>	<u>\$ 2,160</u>	<u>\$ 1,220</u>

MUNICIPALITY OF NORRISTOWN

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUND

YEAR ENDED DECEMBER 31, 2018

	Tax Fund			Balance December 31, 2018
	Balance January 1, 2018	Additions	Deletions	
ASSETS				
Cash	\$ 372,036	\$ 110,696	\$ -	\$ 482,732
Due from governmental funds	<u>60,712</u>	<u>-</u>	<u>-</u>	<u>60,712</u>
TOTAL ASSETS	<u>\$ 432,748</u>	<u>\$ 110,696</u>	<u>\$ -</u>	<u>\$ 543,444</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 110,997	\$ -	\$ (1,067)	\$ 109,930
Tax collections due to				-
County of Montgomery	28,759	-	(26,847)	1,912
Municipality of Norristown	123,963	45,166	-	169,129
Tax refunds due to residents	<u>169,029</u>	<u>93,444</u>	<u>-</u>	<u>262,473</u>
TOTAL LIABILITIES	<u>\$ 432,748</u>	<u>\$ 138,610</u>	<u>\$ (27,914)</u>	<u>\$ 543,444</u>

STATISTICAL SECTION

STATISTICAL SECTION

This part of the Municipality's Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the Municipality's overall financial health.

Contents

Financial Trends

These tables (1-5) contain trend information to help the reader understand how the Municipality's financial performance and well-being have changed over time.

Revenue Capacity

These tables (6-11) contain information to help the reader assess the Municipality's most significant revenue sources.

Debt Capacity

These tables (12-15) present information to help the reader assess the affordability of the Municipality's current levels of outstanding debt and its ability to issue additional debt in the future.

Demographic and Economic Information

These tables (16-17) offer demographic and economic indicators to help the reader understand the environment within which the Municipality's financial activities take place.

Operational Information

These tables (18-20) contain service and miscellaneous data to help the reader understand how the information in the Municipality's financial report relates to the service it provides and the activities it performs.

Table 1.

MUNICIPALITY OF NORRISTOWN
Financial Trend Information
Net Position by Component
 (Last Ten Fiscal Years)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental activities:										
Net Investment in Capital Assets	4,456,779	10,831	17,764,249	15,774,229	15,029,542	14,369,503	13,920,492	13,072,190	13,220,375	12,957,694
Restricted	9,886,153	12,723,608	1,089,028	890,504	649,810	871,174	429,547	1,163,804	9,934,807	11,888,377
Unrestricted	(12,582,046)	(7,149,965)	(15,343,568)	(15,597,472)	(1,883,795)	(3,923,142)	(4,606,941)	(6,451,491)	(7,972,836)	(9,886,045)
Total governmental activities net position	1,760,886	5,584,474	3,509,709	1,067,261	13,795,557	11,317,535	9,743,098	7,784,503	15,182,346	14,960,026
Component unit activities:										
Net Investment in Capital Assets	10,362,993	8,818,874	7,160,264	6,455,330	5,577,229	2,654,502	(1,227,652)	(2,002,297)	(3,643,862)	(2,665,301)
Restricted		0	20,252	11,842	202,709	1,313,146	4,090,845	4,628,313	5,533,826	2,588,715
Unrestricted	3,586,362	3,122,067	2,859,419	2,591,741	1,710,733	2,503,353	2,459,116	2,256,515	2,281,704	3,147,102
Total component unit activities net position	13,949,355	11,940,941	10,039,935	9,058,913	7,490,671	6,471,001	5,322,309	4,882,531	4,171,668	3,070,516

Source: Audited Financial Statements.

Table 2.

MUNICIPALITY OF NORRISTOWN
Financial Trends Information
Changes in Net Position
 (Last Ten Fiscal Years)

Expenses	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental activities:										
General government	8,481,333	8,061,270	7,448,040	6,876,370	6,756,446	7,328,425	7,432,164	7,200,127	7,137,352	6,151,595
Public safety	16,548,598	15,565,713	15,309,348	15,109,483	14,254,440	13,970,579	13,403,871	13,651,277	12,916,930	12,243,689
Public works - highways and streets	3,662,167	2,637,673	2,546,737	2,659,326	2,452,907	2,388,281	3,172,495	3,328,509	3,639,940	3,482,930
Public works - sanitation	2,324,783	2,399,147	2,333,677	2,264,838	2,380,116	2,291,982	2,311,692	2,325,354	1,432,545	1,381,378
Culture, recreation & community development	1,808,131	1,502,252	1,710,291	1,084,140	1,194,616	1,647,377	2,419,210	2,132,823	2,250,653	1,875,665
Interest on long-term debt	526,427	559,142	881,131	1,117,991	1,219,971	1,343,208	1,470,781	1,584,325	1,692,078	1,784,923
Total governmental activities expenses	33,351,439	30,725,197	30,229,224	29,112,148	28,258,496	28,969,852	30,210,213	30,222,415	29,069,498	26,920,180
Component unit expenses										
Norristown Waste Authority	4,179,002	4,097,098	4,585,138	4,464,179	4,391,636	4,566,752	4,732,913	4,764,373	4,585,413	4,628,605
Program Revenue										
Governmental activities:										
Charges for services:										
General government	1,741,974	1,533,622	1,510,334	1,603,299	1,494,888	1,265,171	1,289,200	1,313,553	1,533,953	1,404,570
Public safety	941,143	1,122,063	1,595,436	1,511,556	1,770,588	1,890,232	2,004,088	2,235,484	1,601,449	1,801,687
Public works - highways and streets	399,011	421,306	446,240	374,305	437,070	455,589	455,017	275,770	267,176	278,206
Public works - sanitation	2,889,450	2,826,070	2,491,734	2,887,941	2,668,146	2,433,679	2,405,394	2,426,099	1,346,860	35,843
Parks and recreation	201,774	220,863	232,644	150,235	118,652	122,791	209,528	125,126	143,498	164,148
Grants, contributions & intergovernmental aid	4,846,932	3,318,715	4,086,215	3,466,845	3,188,145	4,267,510	5,252,119	5,473,144	5,959,784	4,327,921
Total governmental activities program revenue	11,020,284	9,442,639	10,362,603	9,994,181	9,677,489	10,434,972	11,615,346	11,849,176	10,852,720	8,012,375
Component unit revenue										
Norristown Waste Authority	5,799,882	5,827,112	5,510,673	5,555,967	5,212,889	5,676,842	5,308,173	5,318,609	5,494,743	5,618,892
Net (expenses)/revenues										
Governmental activities										
Governmental activities revenue	11,020,284	9,442,639	10,362,603	9,994,181	9,677,489	10,434,972	11,615,346	11,849,176	10,852,720	8,012,375
Governmental activities expenses	(33,351,439)	(30,725,197)	(30,229,224)	(29,112,148)	(28,258,496)	(28,969,852)	(30,210,213)	(30,222,415)	(29,069,498)	(26,920,180)
Total governmental net	(22,331,155)	(21,282,558)	(19,866,621)	(19,117,967)	(18,581,007)	(18,534,880)	(18,594,867)	(18,373,239)	(18,216,778)	(18,907,805)
Component unit										
Norristown Waste Authority Revenues	5,799,882	5,827,112	5,510,673	5,555,967	5,212,889	5,676,842	5,308,173	5,318,609	5,494,743	5,618,892
Norristown Waste Authority Expenses	(4,179,002)	(4,097,098)	(4,585,138)	(4,464,179)	(4,391,636)	(4,566,752)	(4,732,913)	(4,764,373)	(4,585,413)	(4,628,605)
Total component unit	1,620,880	1,730,014	925,535	1,091,788	821,253	1,110,090	575,260	554,236	909,330	990,287

Source: Audited Financial Statements.

Table 3.

MUNICIPALITY OF NORRISTOWN
Financial Trends Information
Fund Balances of Governmental Funds
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General fund:										
Nonspendable, prepaid items	4,350	4,350	56,781	0	0	52,167	154,672	59,605	0	0
Restricted	0	0	0	0	0	0	0	0	0	0
Committed	0	0	0	1,202,298	1,202,298	1,202,298	1,202,298	1,202,298	0	0
Unassigned	9,570,060	9,219,608	10,005,692	9,316,121	9,272,112	8,348,734	7,931,428	7,322,124	9,510,164	9,765,404
Total general fund	9,574,410	9,223,958	10,062,473	10,518,419	10,474,410	9,603,199	9,288,398	8,584,027	9,510,164	9,765,404
All other governmental funds										
Restricted	9,886,153	12,723,608	1,089,028	890,504	649,810	871,174	429,547	1,163,804	1,429,589	2,342,873
Community Development	(75,550)	(251,682)	(40,101)	18,503	1,079	348	(129)	0	0	0
Unassigned other governmental funds	(363,795)	(367,842)	(417,934)	(305,119)	(349,960)	(345,973)	(93,660)	(61,498)	0	0
Total all other Governmental Funds	9,446,808	12,104,084	630,993	603,888	300,929	525,549	335,758	1,102,306	1,429,589	2,342,873
Total all governmental funds	19,021,218	21,328,042	10,693,466	11,122,307	10,775,339	10,128,748	9,624,156	9,686,333	10,939,753	12,108,277

Source: Audited Financial Statements.

Table 4.

MUNICIPALITY OF NORRISTOWN
Financial Trend Information
Change in Fund Balances of Governmental Funds
 (Last Ten Fiscal Years)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenue:										
Taxes	24,540,204	23,026,952	22,105,869	21,205,436	21,061,093	20,707,821	20,402,013	18,061,610	17,657,396	16,847,020
Fees, licenses and permits	1,114,133	1,180,414	1,012,326	1,134,813	1,018,725	988,897	972,618	975,417	863,121	884,591
Fines and forfeitures	701,578	814,813	1,153,907	1,123,194	1,362,944	1,477,395	1,635,958	1,719,973	1,219,414	1,239,019
Interest income & rent	310,594	110,107	83,283	89,183	81,927	78,884	83,317	20,286	18,525	47,296
Intergovernmental revenue	4,486,444	3,218,331	3,609,376	3,458,091	3,169,830	4,267,510	5,256,597	5,473,146	5,959,784	4,327,921
Charges for services	4,459,377	4,155,182	4,549,100	4,294,093	4,107,675	3,701,170	3,754,651	3,680,640	2,810,401	1,560,844
Other	309,879	126,548	66,560	14,926	77,180	38,004	89,563	68,369	604,352	721,923
Total Revenue	35,922,209	32,632,347	32,580,421	31,319,736	30,879,374	31,259,681	32,194,717	29,999,441	29,132,993	25,628,614
Expenditures:										
General Government	9,052,052	9,411,733	7,796,557	6,828,230	6,735,030	7,377,459	7,472,691	7,262,229	6,653,214	5,678,914
Public safety	16,031,005	15,657,196	15,276,923	14,907,368	13,629,549	13,281,490	12,721,361	13,005,698	12,691,934	12,056,863
Public works - highways and streets	1,815,973	1,552,922	1,747,276	1,709,179	1,555,129	1,380,627	1,407,939	1,544,284	1,911,429	1,822,871
Public Works - sanitation	2,324,783	2,400,195	2,387,512	2,264,838	2,380,116	2,305,955	2,311,692	2,325,354	1,432,545	1,381,378
Culture and recreation	508,067	747,758	494,097	255,061	311,899	440,622	449,504	400,261	398,468	298,288
Community development	1,022,106	207,028	421,174	546,238	689,217	1,140,384	1,935,319	1,696,830	1,823,524	1,546,186
Payments on capital leases	159,690	207,069	207,047	189,723	207,107	177,681	133,123	63,573	0	0
Capital outlay	3,653,453	2,422,484	1,405,562	346,371	827,433	866,881	2,217,463	952,137	1,671,406	2,897,786
Debt service:										
Principal	3,353,719	3,444,562	3,291,284	3,109,605	3,029,780	2,948,245	2,878,988	2,813,199	2,769,031	2,676,214
Interest and other charges	502,795	664,386	796,731	894,102	974,802	1,063,259	1,124,106	1,189,296	1,258,856	1,361,093
Debt issuance costs	0	151,301	0	0	0	0	0	0	0	0
Total Expenditures	38,423,643	36,866,634	33,824,163	31,050,715	30,340,062	30,982,603	32,652,186	31,252,861	30,610,407	29,719,593
Excess (deficiency) of revenue over expenditures	(2,501,434)	(4,234,287)	(1,243,742)	269,021	539,312	277,078	(457,469)	(1,253,420)	(1,477,414)	(4,090,979)
Other Financing Sources (Uses)										
Capital lease proceeds	0	113,409	227,939	68,911	107,279	227,514	395,292	0	308,890	0
Proceeds from sale of capital assets	65,547	85,077	2,994	9,036	0	0	0	0	0	0
Proceeds from issuance of debt	0	13,500,000	583,968	0	0	0	0	0	0	0
Proceeds from refunding bonds	0	8,130,000	0	0	0	0	0	0	0	0
Payments to refunding escrow agent	0	(6,959,623)	0	0	0	0	0	0	0	0
Interfund transfers in	3,824,618	4,157,282	4,151,175	4,016,643	4,000,595	3,734,933	4,116,243	0	286,482	1,053,564
Interfund transfers out	(3,824,618)	(4,157,282)	(4,151,175)	(4,016,643)	(4,000,595)	(3,734,933)	(4,116,243)	0	(286,482)	(1,053,564)
Total other financing sources (uses)	65,547	14,868,863	814,901	77,947	107,279	227,514	395,292	0	308,890	0
Net Change in Fund Balance	(2,435,887)	10,634,576	(428,841)	346,968	646,591	504,592	(62,177)	(1,253,420)	(1,168,524)	(4,090,979)
Fund balance beginning of year	5,128,786	(5,505,790)	(5,076,949)	(5,423,917)	(6,070,508)	(6,575,100)	(6,512,923)	(5,259,503)	(4,090,979)	0
Fund balance end of year	2,692,899	5,128,786	(5,505,790)	(5,076,949)	(5,423,917)	(6,070,508)	(6,575,100)	(6,512,923)	(5,259,503)	(4,090,979)
Capital expenditures (included above)	3,813,143	2,629,553	1,612,609	536,094	1,034,540	1,044,562	2,350,586	1,015,710	1,671,406	2,897,786
Debt Service as % of non-capital expenditures	11.1%	12.0%	12.7%	13.1%	13.7%	13.4%	13.2%	13.2%	13.9%	15.1%
Debt Service as % of total expenditures	10.0%	11.6%	12.1%	12.9%	13.2%	12.9%	12.3%	12.8%	13.2%	13.6%

Source: Audited Financial Statements.

Table 5.

**Municipality of Norristown
Financial Trends Information
Changes in Pension Plans Net Position
(Last Five Years)**

	2018	2017	2016	2015	2014
Police Pension Plan					
Total pension liability ending	43,981,620	42,210,498	39,669,171	39,504,343	37,128,172
Plan net position ending	29,101,049	30,321,725	24,994,910	23,143,113	22,771,125
Net pension liability ending	14,880,571	11,888,773	14,674,261	16,361,230	14,357,047
Plan net position as a percentage of total pension liability ending	66.17%	71.83%	63.01%	58.58%	61.33%
Paid Firefighters' Pension Plan					
Total pension liability ending	14,051,096	13,592,803	12,661,814	11,936,633	11,211,400
Plan net position ending	10,388,518	10,737,483	9,379,633	8,438,172	8,316,922
Net pension liability ending	3,662,578	2,855,320	3,282,181	3,498,461	2,894,478
Plan net position as a percentage of total pension liability ending	73.93%	78.99%	74.08%	70.69%	74.18%
Non-Uniform Employees Pension Plan	n/a				
Total pension liability ending		6,338,735	6,148,979	6,046,900	5,929,605
Plan net position ending		9,659,008	8,466,545	8,079,123	8,320,716
Net pension liability ending		(3,320,273)	(2,317,566)	(2,032,223)	(2,391,111)
Plan net position as a percentage of total pension liability ending		152.38%	137.69%	133.61%	140.32%

Note: Future years will be added until 10 years are shown.

Source: Audited Financial Statements.

Table 6.

MUNICIPALITY OF NORRISTOWN

Revenue Capacity Information

Local Tax Revenue by Source

(Last Ten Fiscal Years)

Year	Real Estate		Real Estate		Earned Income		Local Services		Business		Total		Total		% of Total Governmental Revenue
	Taxes	Transfer Taxes	Transfer Taxes	Taxes	Taxes	Taxes	Taxes	Taxes	Privilege Taxes	Local Tax Revenue	Governmental Revenue	Governmental Revenue			
2018	12,700,037	849,791	849,791	9,486,955	540,475	956,257	24,533,515	33,558,647	73.1%						
2017	11,261,652	371,900	371,900	9,671,845	711,461	1,072,668	23,089,526	32,632,347	70.8%						
2016	11,052,131	341,040	341,040	9,083,963	554,279	1,107,188	22,138,601	32,580,421	68.0%						
2015	11,093,484	502,819	502,819	8,129,005	534,149	912,301	21,171,758	31,319,736	67.6%						
2014	10,773,093	291,859	291,859	8,297,202	523,276	993,976	20,879,406	30,879,374	67.6%						
2013	10,600,216	206,798	206,798	8,193,285	533,496	979,344	20,513,139	31,259,681	65.6%						
2012	10,525,849	489,504	489,504	7,791,772	590,106	931,257	20,328,488	32,194,717	63.1%						
2011	10,204,594	181,152	181,152	6,298,133	601,481	1,023,818	18,309,178	29,999,441	61.0%						
2010	9,436,177	237,075	237,075	6,543,020	624,895	921,835	17,763,002	29,132,993	61.0%						
2009	9,112,866	257,291	257,291	6,486,754	573,506	860,301	17,290,718	25,628,614	67.5%						

Source: DOF compilation of accounting system data.

Table 7.

MUNICIPALITY OF NORRISTOWN
Revenue Capacity Information
Comparison of Market Values to Assessed Values
(Last Ten Fiscal Years)

Year	Estimated Market Value	Common Level Ratio	Taxable Assessed Value
2018	1,258,154,350	69.87%	879,072,444
2017	1,213,943,272	72.61%	881,444,210
2016	1,209,647,585	72.67%	879,050,900
2015	1,199,217,966	73.20%	877,827,551
2014	1,182,606,114	73.50%	869,215,494
2013	1,181,063,342	73.87%	872,451,491
2012	1,186,439,106	73.75%	874,998,841
2011	1,121,363,396	77.23%	866,028,951
2010	1,148,514,806	76.72%	881,140,559
2009	1,047,219,007	84.01%	879,768,688

Source: State Tax Equalization Board.

Table 8.

MUNICIPALITY OF NORRISTOWN
Revenue Capacity Information
Direct and Overlapping Property Tax Rates
(Last ten years)

Year	Norristown Municipality	Norristown Area School District	Montgomery County	Montgomery Community College	Total	Norristown as % of Total
2018	14.700	36.919	3.459	0.390	55.468	26.50%
2017	12.700	35.879	3.459	0.390	52.428	24.22%
2016	12.700	34.389	3.459	0.000	50.548	25.12%
2015	12.700	33.179	3.152	0.000	49.031	25.90%
2014	12.700	32.572	3.152	0.000	48.424	26.23%
2013	12.360	31.744	3.152	0.000	47.256	26.16%
2012	12.360	30.912	3.152	0.000	46.424	26.62%
2011	11.950	30.288	2.695	0.000	44.933	26.60%
2010	10.600	29.637	2.695	0.000	42.932	24.69%
2009	10.600	28.417	2.695	0.000	41.712	25.41%

Source: Montgomery County Controller's Office.

Table 9.

MUNICIPALITY OF NORRISTOWN
Revenue Capacity Information
Top Ten Property Taxpayers
 (2018 and 2009)

Taxpayer	Type of Business	2018 Assessment			2009 Assessment		
		Assessed Valuation	Rank	% of Total Assessed Valuation	Assessed Valuation	Rank	% of Total Assessed Valuation
SPUS7 Regatta LP		\$ 15,413,920	1	1.75%	\$ 15,413,920	2	1.74%
SHDC DeKalb Investors LP		12,727,990	2	1.44%			
BT Curren Terrace LP		11,924,850	3	1.35%	11,924,850	3	1.35%
Marshall Wood Property LLC		9,278,100	4	1.05%	9,278,100	4	1.05%
Norristown Center A LP		7,817,260	5	0.89%			
Tiger Norristown LP		5,537,500	6	0.63%			
Lighthouse Sandy Hill, LLC		5,353,920	7	0.61%			
Norristown Center LP		4,236,770	8	0.48%			
LG-OHI Norristown LP		3,783,640	9	0.43%			
Farragut Family, LP		3,137,050	10	0.36%			
		<u>\$ 79,211,000</u>		<u>8.99%</u>			
Montgomery County					15,532,160	1	1.75%
Johnson & Markley Redevelopment LP					9,139,670	5	1.03%
Montgomery CIDC					5,564,700	6	0.63%
Pennsylvania Associates					5,353,920	7	0.60%
Montgomery Hospital					3,894,910	8	0.44%
Norristown Nursing & Rehab Ctr.					3,783,640	9	0.43%
Eton Investments LP					2,796,430	10	0.32%
					<u>82,682,300</u>		<u>9.34%</u>

Source: County Assessor's Office.

Table 10.

NORRISTOWN MUNICIPALITY
Revenue Capacity Information
Property Tax Levies and Collection Rates
 (Last Ten Years)

Calendar Year	Tax Rate	Current Year Tax Levy	Collection on		Percent of		Delinquent Collections in Current Year	Total Tax Collections	Percent of Total Collections
			Current Year Tax Levy	Current Year Tax Levy	Current Year Levy	Collected			
2018	14.70	12,751,228	12,552,258	98.44%	147,779	12,700,037	99.60%		
2017	12.70	11,204,581	10,891,601	97.21%	363,338	11,254,939	100.45%		
2016	12.70	11,209,791	10,245,142	91.39%	818,538	11,063,680	98.70%		
2015	12.70	11,171,918	10,205,799	91.35%	909,798	11,115,597	99.50%		
2014	12.70	11,011,052	10,057,636	91.34%	934,538	10,992,174	99.83%		
2013	12.36	10,703,819	9,810,263	91.65%	951,806	10,762,069	100.54%		
2012	12.36	10,771,130	9,590,242	89.04%	742,265	10,332,507	95.93%		
2011	11.95	10,369,419	9,438,045	91.02%	417,409	9,855,454	95.04%		
2010	10.60	9,340,090	9,189,664	98.39%	87,688	9,277,352	99.33%		
2009	10.60	9,325,548	8,541,129	91.59%	82,796	8,623,925	92.48%		

Source: DOF compilation & calculation.

Table 11.

NORRISTOWN MUNICIPALITY
Revenue Capacity Information
Assessed Value by Class of Property
 (Last Ten Years)

Year	Apartments	Residential	Commercial	Industrial	Exempt	Total Assessed Value	Total Taxable Value	% Exempt
2018	81,030,350	602,812,850	173,553,039	23,554,335	160,399,415	1,041,349,989	880,950,574	15.40%
2017	80,886,800	603,596,010	175,340,085	23,554,335	150,028,275	1,033,405,505	883,377,230	14.52%
2016	78,633,490	606,038,060	174,018,385	23,916,545	147,514,275	1,030,120,755	882,606,480	14.32%
2015	78,773,860	603,647,470	175,120,206	23,960,295	179,235,885	1,060,737,716	881,501,831	16.90%
2014	78,773,860	606,621,960	161,717,899	23,848,535	192,415,385	1,063,377,639	870,962,254	18.09%
2013	78,393,860	603,683,060	166,372,986	23,947,635	212,376,495	1,084,774,036	872,397,541	19.58%
2012	78,382,520	602,445,450	175,699,366	23,960,905	208,509,755	1,088,997,996	880,488,241	19.15%
2011	78,496,340	604,634,770	162,319,026	26,068,215	213,981,900	1,085,500,251	871,518,351	19.71%
2010	78,621,980	604,580,915	176,051,614	27,309,010	199,378,670	1,085,942,189	886,563,519	18.36%
2009	78,976,270	602,678,730	176,049,738	27,458,200	198,367,570	1,083,530,508	885,162,938	18.31%

Source: Montgomery County Assessor's Office.

Table 12.

MUNICIPALITY OF NORRISTOWN
Debt Capacity Information
Computation of Legal Debt Margin
 (Year ending December 31, 2018)

Borrowing Base Revenue

2018	35,922,209
2017	32,632,347
2016	32,580,421
Total Revenue	\$ 101,134,977

Debt Limit for General Obligation Debt:

Average borrowing base revenue for past three years	33,711,659
Multiplier (debt limit percent)	250.0%
Net non-electoral Debt Limit	\$ 84,279,148
Less: non-electoral debt	26,502,767
Remaining non-electoral debt borrowing capacity	\$ 57,776,381

Debt Limit for General Obligation bonds and lease rental debt:

Average borrowing base revenue for past three years	\$33,711,659
Multiplier (debt limit percent)	350%
Net Non-electoral debt and net lease rental debt limit	117,990,807
Less: Non-electoral debt	26,502,767
Remaining non-electoral and lease rental debt capacity	91,488,040

Source: DOF analysis of data.

Table 13.

MUNICIPALITY OF NORRISTOWN

Debt Capacity Information

Debt Capacity Ratios

(Last Ten Years)

Year	3-Year Revenue Base	Debt Limit (at 250%)	General Obligation Debt Outstanding	General Obligation Debt Capacity Remaining	% Debt Capacity Utilized
2018	33,711,659	84,279,148	26,502,767	57,776,381	31.4%
2017	30,742,971	76,857,428	25,940,631	50,916,797	33.8%
2016	30,155,599	75,388,998	14,389,400	60,999,598	19.1%
2015	29,316,504	73,291,260	17,013,215	56,278,045	23.2%
2014	29,252,985	73,132,463	19,965,786	53,166,677	27.3%
2013	28,423,130	71,057,825	22,771,733	48,286,092	32.0%
2012	26,234,259	65,585,648	25,437,295	40,148,353	38.8%
2011	23,281,532	58,203,830	28,076,669	30,127,161	48.2%
2010	20,983,737	52,459,343	30,664,606	21,794,737	58.5%
2009	20,330,451	50,826,128	32,718,529	18,107,599	64.4%
2008	21,428,692	53,571,730	34,973,581	18,598,149	65.3%

Source: DOF analysis of data.

Table 14.

MUNICIPALITY OF NORRISTOWN
Debt Capacity Information
Direct and Overlapping General Obligation Debt
 (At December 31, 2018)

Jurisdiction	Total Outstanding Debt	Percent Applicable to Municipality	Amount Applicable to Municipality
Direct general obligation debt:			
Municipality of Norristown	<u>26,502,767</u>	100.00%	<u>26,502,767</u>
Overlapping general obligation debt:			
Norristown Area School District	59,353,335	31.34%	18,601,335
Montgomery County	<u>538,260,628</u>	1.45%	<u>7,804,779</u>
Total Overlapping Debt	597,613,963		26,406,114
Total direct and overlapping general obligation debt	<u>624,116,730</u>		<u>52,908,881</u>

Note: Calculated based on percentage of attributable assessed valuation.

Source: DOF analysis of data.

Table 15.

**Municipality of Norristown
Debt Capacity Information
Debt to Assessed Value and Population**

Year	General Obligation Debt	Assessed Value	Debt to Assessed Value	Population	Per Capita Debt
2018	26,502,767	880,988,644	3.01%	34,556	767
2017	25,940,631	881,444,210	2.94%	34,510	752
2016	14,389,400	879,050,900	1.64%	34,533	417
2015	17,013,215	877,827,551	1.94%	34,513	493
2014	19,965,786	869,215,494	2.30%	34,606	577
2013	22,771,733	872,451,491	2.61%	34,576	659
2012	25,437,295	874,998,841	2.91%	34,574	736
2011	28,076,669	866,028,951	3.24%	34,544	813
2010	30,664,606	881,140,559	3.48%	34,363	892
2009	32,718,529	879,768,688	3.72%	34,324	953

Source: DOF calculation.

Table 16.

**Municipality of Norristown
Demographic and Economic Information
Top Ten Employers
(2018 & 2009)**

Employer	2018			2009		
	Employees	Rank	Percent of total Norristown employment	Employees	Rank	Percent of total Norristown employment
County of Montgomery	2,384	1	17.3%	1665	1	15.9%
Commonwealth of Pennsylvania	1,359	2	9.9%	859	3	8.2%
Kehoe Construction Inc.	690	3	5.0%			
Montgomery County Intermediate Unit	473	4	3.4%	429	5	4.1%
Norristown Are School District	300	5	2.2%	368	6	3.5%
USM Inc.	290	6	2.1%			
Development Enterp Corp.	263	7	1.9%			
Strategic Alliance Staffing	235	8	1.7%			
Albert Einstein Medical Center	233	9	1.7%			
JHA Services, Inc.	223	10	1.6%			
Montgomery Hospital				1006	2	9.6%
Transfield Services NA, Inc.				530	4	5.1%
Central Behavioral Health				241	7	2.3%
Pennsylvania Virtual Charter School				236	8	2.3%
Regina Nursing Center				157	9	1.5%
Labor Ready Northeast Inc.				154	10	1.5%
Total top ten	<u>6,450</u>		46.8%	<u>3,321</u>		31.8%
Total employment in Norristown	<u>13,779</u>			<u>10,449</u>		

Note: Based on total employees reported on 4th qtr. local services tax (LST) returns.

Source: H. A. Berkheimer, Inc.

Table 17.

MUNICIPALITY OF NORRISTOWN
Demographic and Economic Information
Comparative Demographic & Economic Statistics
 (July 1, 2018)

	Montgomery County	Municipality of Norristown	Township of Upper Merion	Township of Plymouth	Township of West Norriton	Township of East Norriton
1	828,604	34,422	31,056	17,570	15,651	14,014
2	3.6	0.2	9.4	6.3	0.0	3.0
3	483.0	3.5	17.0	8.4	5.9	6.1
4	1,716	9,779	1,831	2,094	2,657	2,316
5	75.7	29.3	72.7	75.5	75.7	78.0
6	9.8	38.5	4.8	9.8	12.2	11.1
7	5.2	26.6	3.8	4.8	3.3	3.9
8	7.9	2.7	18.7	9.0	6.8	5.6
9	72.2	39.2	68.7	68.6	65.3	76.6
10	\$299,300	\$153,300	\$323,200	\$328,200	\$215,400	\$265,300
11	\$1,211	\$1,083	\$1,369	\$1,357	\$1,356	\$1,287
12	312,805	12,616	12,176	6,864	7,436	6,039
13	2.55	2.67	2.36	2.48	2.09	2.25
14	13.5	27.7	23.0	13.4	16.1	10.9
15	48.2	22.1	58.6	46.9	43.9	44.3
16	4.7	19.5	3.8	5.0	5.4	3.6
17	\$16,036,285	\$134,487	\$1,826,990	\$1,318,370	\$213,907	\$215,023
18	\$19,353	\$3,906	\$64,006	\$79,315	\$13,576	\$15,343
19	\$60,021,152	\$881,444	\$3,552,180	\$1,691,567	\$974,575	\$956,697
20	\$72,436	\$25,607	\$114,380	\$96,276	\$62,269	\$68,267
21	\$84,791	\$45,017	\$91,515	\$83,654	\$70,458	\$78,125
22	\$45,048	\$23,453	\$53,088	\$41,617	\$39,716	\$43,511
23	5.8	21.5%	4.9%	4.8%	6.4%	5.1%

Source: U.S Census QuickFacts & Pa. DCED data.

Table 18.

**Municipality of Norristown
Operational Information
Municipal Employees by Department
(2009-2018)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Full Time										
Administration	6.00	6.00	6.00	4.00	4.00	5.00	5.00	5.00	5.00	5.00
Finance	7.00	7.00	7.00	7.00	7.00	6.00	7.00	6.00	7.00	5.00
Police	82.00	82.00	80.00	82.00	80.00	77.00	81.00	78.00	84.00	88.00
Fire	21.00	18.00	19.00	20.00	20.00	20.00	18.00	18.00	18.00	18.00
Code Enforcement	10.00	10.00	10.00	10.00	12.00	14.00	14.00	15.00	15.00	14.00
Planning & Development	4.00	4.00	5.00	5.00	5.00	5.00	5.00	4.00	4.00	5.00
Public Works	24.00	23.00	22.00	21.00	21.00	23.00	24.00	24.00	23.00	22.00
Parks & Recreation	2.00	1.00	1.00	2.00	2.00	2.00	1.00	1.00	1.00	1.00
Total	156.00	151.00	150.00	151.00	151.00	152.00	155.00	151.00	157.00	158.00
Part Time										
Crossing Guides	21.00	20.00	20.00	19.00	20.00	21.00	20.00	24.00	20.00	21.00
Other Part time & Seasonal	5.00	5.00	0.00	4.00	3.00	3.00	2.00	1.00	1.00	3.00
Total	26.00	25.00	20.00	23.00	23.00	24.00	22.00	25.00	21.00	24.00

Source: Human Resources Manager.

Table 19.

**Municipality of Norristown
Operating Information
Operating Indicators by Function/Program
(2009-2018)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Real estate tax certifications	1,281	1,182	781	907	714	807	794			
Real estate tax parcels	10,283	10,306	10,306	10,223	10,208	10,203	10,185	10,269	10,180	10,240
Vendor payments processed	4,043	4,085	4,088	3,700	3,863	4,001	4,265	3,980	4,113	3,277
Payroll checks & advices issued	5,256	5,184	5,103	5,051						
Police calls for service	41,590	44,485	45,116	50,083						
Major crimes (Part I)	690	754	793	932	1,177	1,453	1,392	1,376	1,445	1,338
Directed patrols	17,764	13,732	2,273	9,702	2,863	486				
Parking violations	26,601	32,490	35,042	37,690	37,387	42,256	53,268	61,668	59,184	62,193
Fire calls for service	1,211	1,161	1,207	1,235	1,164	1,569	n/a	1,245	1,261	1,217
Fire average response time	04:00	04:20	04:15	04:04	03:58	n/a	n/a	n/a	03:59	04:05
Civilian fire fatalities	1	0	5	1	0	0	0	1	0	0
Firefighter reported injuries	12	16	5	14	10	n/a	n/a	n/a	7	10
Commercial fire inspections	583	400	636	991	804	n/a	n/a	n/a	456	804
Smoke detector installations	334	429	595	277	270	n/a	n/a	n/a	88	138
Fire training events	537	459	499	479	418	n/a	n/a	n/a	319	429
Fire public outreach/education	246	60	194	43	46	n/a	n/a	n/a	39	43
Fire protection permits	66	21	32	67	27	40				
Building permits	633	486	402	282	388	303				
Mechanical permits	345	271	228	196	222	130				
Electrical permits	360	307	297	249	242	243				
Plumbing permits	279	233	180	175	160	162				
Miles of streets resurfaced	1.20	1.40	0.00	0.00	0.63	0.00	2.00	0.00	2.90	1.70

Source: DOF compilation.

Table 20.

**Municipality of Norristown
Operating Information
Capital Asset Statistics by Function/Program
(2009-2018)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	38	39	40	40	40	40	40	40	40	40
Fire stations	4	4	4	4	4	4	4	5	5	5
Fire vehicles	22	21	20	21	20	20	20	20	20	20
Fire hydrants	343	342	337	337	337	336	336	336	336	336
Miles of municipal streets	50.8	50.8	50.8	50.8	50.8	50.8	50.8	50.8	50.8	50.8
Number of intersections with traffic signals	53	53	53	53	53	53	53	53	53	53
Number of street lights	2,006	2,006	2,006	2,006	2,006	2,006	2,006	2,006	2,006	2,006
Number of parks	12	12	12	12	12	12	12	12	12	12
Number of acres of park land	94.71	94.71	94.71	94.71	94.71	94.71	94.71	94.71	94.71	94.71
Number of community centers	1	0	0	0	0	0	0	0	0	0
Miles of storm sewers	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Number of municipal parking lots	12	12	12	12	12	12	12	12	12	12
Number of metered parking spaces	423	423	423	423	423	423	423	423	423	423

Source: DOF compilation.