

ANNUAL COMPREHENSIVE FINANCIAL REPORT

MUNICIPALITY OF NORRISTOWN

MONTGOMERY COUNTY

PENNSYLVANIA

Year Ended December 31, 2021



MUNICIPALITY OF NORRISTOWN DEPARTMENT OF FINANCE

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ACCOUNTANTS • ADVISORS

**MUNICIPALITY OF
NORRISTOWN
MONTGOMERY COUNTY
PENNSYLVANIA**

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

For the Year Ended December 31, 2021

Municipality of Norristown Department of Finance

Crandall O. Jones, Municipal Administrator

INTRODUCTORY SECTION



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Municipality of Norristown
Pennsylvania**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2020

Christopher P. Morill

Executive Director/CEO

MUNICIPALITY OF NORRISTOWN

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Municipality of Norristown

235 East Airy Street
Norristown, PA 19401

November 28, 2022

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

The Annual Comprehensive Financial Report (COA) for the Municipality of Norristown for the fiscal year ended December 31, 2021 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 COA 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 COA 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, buildings and code compliance, and parks and recreation programs.

Key Report Sections

The introductory section includes information about 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 35,800 people, has a relatively high population density of 10,179 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 gradually being reversed.

Demographic and Socio-Economic Information

Norristown is an ethnically and racially diverse community with an educational attainment rate of 82.8% for high school graduation or beyond. Possessing a labor force of approximately 19,000, major businesses in Norristown include education and social services, administrative and government services, construction, and manufacturing.

Norristown's 2021 unemployment rate is 4.1%, a significant decrease from its unemployment rate of 8.5% in 2010, and a significant decrease from its 2020 unemployment rate during the COVID-19 pandemic of 8.2%. Three more indicators: U.S. Census data indicate the median value of homes has increased slightly from \$153,100 in 2010 to \$158,900 in 2020; per capita income increased by \$6,201 from \$20,123 to \$26,324 (30.8%); and median household income has increased from \$43,551 to \$54,409 (24.9%). The poverty rate decreased from 18.0% to 16.9% 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 specifically 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 16 support staff. Its fire department employs 23 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 seven other departments: Administration which consists of the Office of the Administrator, clerk, Information Technology, Public Information, Municipal Engineer, and various legal counsel; Human Resources, which manages personnel records management, training and development, and employee benefit services for Municipal staff; Finance, which provides tax and revenue collection, accounts payable, payroll, procurement, and debt & cash management; Buildings & Code Compliance, 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/redevelopment; 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 the storm water system, public rights-of-way, and parks; and Parks & Recreation which offers sports and recreational activities and events to the public.

Economic Condition and Outlook

Although predominantly residential, Norristown also serves as an important commercial and service center for the immediate area, as well as outlying communities. Norristown's role as the county seat and hub of government activities also influences the Municipality's economy, given the number of government and related employees, as well as lawyers and other professional people attracted to the area (Norristown has one of the largest legal communities in the Delaware Valley outside of Philadelphia). Municipal, county, state and federal offices are located throughout Norristown, and include among others, the state Department of Environmental Protection, U.S. Representative Madeleine Dean's district office, State Representative Matt Bradford's office; State Senator Amanda Cappelletti's office, the county courts, district attorney's office, county planning commission, veteran's affairs office, and the county commissioners.

Norristown continues to experience both residential and commercial growth stimulating the private sector's interest in the redevelopment opportunities available in the Municipality.

The Municipality has invested general fund and capital projects fund dollars, created public/private partnerships, and received federal, state and county grant funds to advance its economic development potential. Those efforts have been catalytic. There are many highly visible publicly funded improvement projects in the core neighborhoods of Norristown that are stimulating private development. While not all-inclusive, the following list of projects/activities are 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.

Opportunity Zone – Obtained federal *Opportunity Zone* designation for census block central to the redevelopment area. Qualified Opportunity Zones were created by the 2017 Tax Cut and Jobs Act. These zones are designed to spur economic development and job creation in distressed communities throughout the country and U.S. possessions by providing tax benefits to investors who invest eligible capital into these communities. Taxpayers may defer tax on eligible gains by making an appropriate investment in a Qualified Opportunity Fund and meeting other requirements

Riverfront Feasibility Study – Adopted by Council on January 16, 2020, this redevelopment planning and feasibility study created a targeted and actionable plan for redevelopment along the riverfront that will help reconnect the community of Norristown to the Schuylkill River. Redevelopment will be funded through the DCED Local Share Fund program.

Montgomery County Justice Center – Construction has begun on the \$500 million project that includes expanding the county offices at One Montgomery Plaza on Swede Street, an addition and renovations to the courthouse and its garage, ongoing interior and exterior renovations to the nearby county administration offices, and an overhaul of Hancock Square Park.

Kennedy-Kenrick High School Redevelopment (250 E. Johnson Highway) – Vacant high school for over 10 years on a 12.68-acre property contains a convent located across Arch Street, a caretaker house, and a sports field. The redevelopment plan for the property is slated to have 317 residences made up of apartment units, townhomes and “multiplexes.” There are also 568 parking spaces proposed. Municipal council approved a zoning change to support the development in September 2021. The preliminary land development application has been submitted to the Municipality. The investment by the developer is projected to be \$117 million.

Lafayette Street Project – In concert with the Lafayette Street Interchange Project led by the Pennsylvania Turnpike Commission, Montgomery County is heading the ongoing Lafayette Street Extension Project between the future interchange area and downtown Norristown. PennDOT and Montgomery County completed construction on Phase 3 of the Lafayette Street Extension in Norristown. Phase 3 consisted of reconstructing and widening existing Lafayette Street, relocating the Schuylkill River Trail, and creating a linear park. The project was constructed and is open to traffic. Phase 4 consists of a new interchange with the PA Turnpike, and the project is in design. The project is broken into five phases and has a budget of over \$114 million.

Markley Reconstruction Project Phase II – Markley Street is part of a major thoroughfare also known as U.S. Route 202, which runs through the southeastern part of Pennsylvania connecting the western and northern suburbs of Philadelphia. The route follows a general southwest to northeast direction through the Commonwealth. The \$20.8 million reconstruction of Markley Street is critical in reestablishing the connectivity with the surrounding communities. This project is in its final stages.

King of Prussia High Speed Line – The King of Prussia (KOP) Rail project, involves the expansion of the Norristown High-Speed Line (NHSL) service to provide improved transportation between KOP, Norristown, and Center City Philadelphia. KOP Rail is a transformative project with the power to promote and strengthen regional growth, meet the needs of current and future development trends, as well as increasing transportation needs.

KOP Rail will extend the existing Norristown High Speed Line into King of Prussia, providing a more frequent, reliable transit option for both commuters to King of Prussia and commuters traveling from King of Prussia and the western suburbs to Philadelphia.

Improved transit service will better link the region’s three largest employment hubs, increase regional mobility, and help reduce congestion by providing an alternative to auto travel and support development of multimodal transportation options. KOP Rail brings an array of benefits for residents, businesses and commuters.

The project schedule consists of completing the final environmental impact statement phase, which began in March 2018 within two years, engineering and design within four years, and construction within ten years. The estimated cost of the project is \$1.2 billion.

Norristown State Hospital – The Commonwealth of Pennsylvania is set to convey to the Municipality approximately 68 acres of land for redevelopment. Prior to the conveyance, the state will spend up to \$30 million dollars for demolition of buildings and site remediation in readiness for redevelopment. Demolition and site remediation is about 80% complete and is expected to be fully completed by the end of 2022. In anticipation of the conveyance, the Municipality is undertaking a masterplan study (RFP development for master developer is underway) that will encourage mixed-use light industrial, office, and residential development.

Main & DeKalb Mixed Use Development Project – The Municipality invested \$2.2 million to recently acquire and assemble key properties on Main Street for a mixed-use redevelopment project. A request for proposals from qualified developers were issued in the summer of 2021. Four firms responded to the RFP issued for development of the property, the development proposal from M&M Partners for the Main and DeKalb Streets received Council Approval at its September 9th 2021 meeting. Construction is expected to begin in 2022.

Montgomery Park Senior Housing (1301 Powell St.)

- Phase I – The first phase is a 4 story, 50-unit new construction building for low-income seniors. Total development cost was \$14.7 million, and it was completed in May 2018.
- Phase II – The second phase is a 4 story, 42-unit new construction building for low-income seniors. Total development cost is \$13 million, and it was completed in fall 2021.
- Phase III – The third phase will also be a 4 story, 42-unit new construction building for low-income seniors. Total development cost is estimated to be \$13 million. The developer is currently applying for funding.

Arbor Knoll Townhomes (1505 DeKalb St.) – Third project in Norristown with Progressive New Homes, LLC. Progressive New Homes previously completed the Arbor Heights (12 townhomes) and Arbors Mews (24 townhomes) housing development projects in Norristown. Completed in 2019, Arbor Knoll is a \$7.4 million investment to construct 34 units of townhomes for homeownership on the site which are all fully occupied.

Housing Rehabilitation Program – Completed sixteen (16) homes under the Municipality’s owner-occupied Rehabilitation Housing Program projects utilizing HUD CDBG funds and leveraging DCED HOME funds during 2015-2021. The Municipality has programmed \$530,000 for the continuation of the program.

First-Time Homebuyers Financial Assistance Program – Funded first-time home-buyers financial assistance program, including down payment, and closing cost assistance to help qualified borrowers. The program is CDBG funded and provides a maximum of up to \$5,000 depending on the need of the applicant. The Municipality has programmed \$50,000 for the continuation of the program.

Baer Building Redevelopment (118-120 E. Main St.) – Conditional use approval granted in 2021 for a residential mixed use to include The E-Spot, Brew Pub/Sports Bar, Willis Brothers BBQ, Bike Shop/Car Detail, 17 Residential Units, and Rooftop Bar. Construction will begin in the near-future and expected investment is \$2 Million.

Von C Brewing (1210 Stanbridge St.) – Von C Brewing Company completed construction and opened a 20-barrel, 16,000 sq. ft. microbrewery with a 2,500 sq. ft. tasting room including a spacious outside beer garden. The brewery uses family recipes and offers nine other beverages on draft. The development investment for the project was \$1.4 million.

257 E. Main St. Mixed-Use Redevelopment – Approved in 2021 and beginning construction in the near-future, development of a five-story building with 24 residential units atop commercial space on the first floor. Construction will begin in the near-future and expected investment is \$3.90 Million.

Logan Commerce Center (1700 Markley St.) – Construction and redevelopment of a commercial shopping center has been completed in 2020. The estimated cost of the project is \$3,000,000.

Elmwood Park Zoo – Construction completed for the Elmwood Park Zoo infrastructure improvements including significant expansion of parking capacity. The zoo is the second most visited zoo in Pennsylvania and in 2018 became the first zoo in the world to earn the distinction as a certified autism center. In October 2021, the zoo received a \$1 million donation from the Genuardi Family Foundation. The gift will fund the construction of a 100-foot-long vehicle and pedestrian bridge that spans the creek. The bridge is the crucial first step in allowing the zoo to develop the land for future animal enclosures, guest amenities and more. In June 2022, zoo management presented a master plan for development of the park over the next 5+ years. The total investment for this master plan is estimated to be \$150 million. The developments will be carried out in roughly three phases with each phase constituting an investment of around \$50 million.

Royal Farms (1882 Markley St.) – Royal Farms gas station and convenience store already constructed; current land development completed for additional car wash on site. Investment in this project was over \$3 million.

Benjamin Court (200 E Logan St) – The developer has proposed the construction of five (5) building groups of six (6) rowhomes for a total of thirty (30) dwelling units, as well as an access road, parking, landscaping, lighting, and storm water management improvements. The proposed project investment is \$8 million.

1421 Green Valley Road – The developer has proposed to demolish the existing one-story ranch dwelling and detached garage to construct twenty-six (26) new townhomes and total building footprint of 21,550 SF. Each dwelling is proposed with an attached one (1) - car garage parking and additional parking in the roadway cartway. The construction of the development will also include a new retaining wall, landscaping areas including a filtering buffer, public utilities (water, gas, sanitary sewer), and storm water management facilities. The proposed project investment is \$7.5 million.

1417 & 1419 New Hope Street – The developer has proposed the construction of a twin dwelling spanning on two existing vacant lots. Access to the twin dwelling will be by way of a driveway that intersects New Hope Street. The proposed project investment is \$500,000.

15 & 17 E Fornance Street – The developer has proposed to demolish the existing asphalt parking area on both lots and to construct a twin dwelling spanning both lots. Access to the 1,600 SF twin dwelling (or 800 SF per dwelling) will be by way of a new driveway access that intersects the adjacent Bringham Alley (aka. Houpt Alley) located in the rear of the property. The proposed project investment is \$500,000.

26-36 W Wood Street – The developer has proposed to consolidate six (6) existing parcels and subdivide the lots into five (5) lots; demolish the existing asphalt parking area; and construct one (1) single family detached dwelling and two (2) twin dwellings (total of five (5) new units). Each dwelling will have a detached garage located in the rear yard of each lot. Access to the units will be in the rear yards of the proposed lots by way of an unnamed alley that intersects Locust Street and Grady Alley. The proposed project investment is \$1.25 million.

820 Thomas Street – The developer has proposed to consolidate three (3) existing irregular shaped vacant parcels into one (1) tract totaling 22,272 SF (or 0.5113 acres), and construct a single row of an eight (8)-unit residential rowhomes, and an access driveway with front parking for each unit. The proposed project investment is \$2 million.

1437 DeKalb Street – The developer has proposed the construction of a 3,028 SF expansion of the first floor of an existing two story 13,650 SF medical office building as well as a 136 SF stair tower addition to the same existing building. The proposed project investment is \$500,000.

Curren Terrace (1011 New Hope St) – This project is located on an 11.59-acre tract of land, which is currently occupied by the existing Curren Terrace Apartments complex encompassing a total of 318 existing units. This project includes the construction of an additional thirty-six (36) unit multi-family apartment building that is three (3) stories, each floor consisting of 9,468 sf, for a gross floor area of 28,404 sf. The proposed project investment is \$8 million.

Stinson Hall (1651 Markley St) – The developer has proposed the construction of a Multifamily Residential Building - Garden Condos consisting of a three (3) story building with eighteen (18) dwelling units with parking located to the rear of the building. Access to and from the lot will be by way of two (2) existing driveways, one (1) from Markley Street and one (1) from the unopened Roberts Street. The proposed project investment is \$4 million.

Sandy Hill (722 Sandy St) – The developer has proposed to demolish the existing single family residential building and construct a new gross 62,800 SF, four (4) story multifamily garden apartment building with a total of seventy-six (76) units as follows:

- Twenty-nine (29) - Studio Units with 1 Bathroom (approx. 560 SF per Unit)
- Thirty-eight (38) - 1-Bedroom Units with 1.5 Bathrooms (approx. 630 SF per Unit)
- Nine (9) - 2-Bedroom Units with 2.5 Bathrooms (approx. 960 SF per Unit)

The proposed project investment is \$15 million.

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 frequently evaluates its revenue generating capacity, periodically assesses and revises its fiscal policies as necessary, annually examines the fees it charges for services, and regularly 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 monitors Best Practices of the Government Finance Officers Association (GFOA). Those best practices, particularly in the areas of operating and capital budgets, capital improvements, debt, and fund balances, guide the Municipality's evaluation of its comprehensive fiscal goals and policy discussions.

Management Responsibility for Internal Controls

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 internal control structure is designed to provide reasonable, but not absolute, assurance the Municipality's objectives are met. The concept of reasonable assurance recognizes that:

1. The cost of the control should not exceed its benefit, and
2. The evaluation of cost and benefits requires estimates and judgments by management.

All internal accounting control evaluations occur within the above framework. We believe that the Municipality's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of transactions and maintenance of asset accountability.

In addition to the above-referenced controls, The Municipality maintains budgetary accounting controls. The objective of these controls is to ensure compliance with legal provisions embodied within the annual budget approved by the Municipal Council. Activities of all Municipal funds, with the exception of escrow funds and pension trust funds, are included in the annual appropriation budget. The annual budget process officially begins in August of each year with the request for budget proposals sent to the Municipality's department heads.

Throughout the course of September and October requests for funding are submitted to and reviewed by the Municipality's management. A proposed annual budget is submitted to the Municipal Council in October or November. The Council holds a public hearing on the proposed and the process culminates with a vote for adoption by the Council in November or December. The Municipality's fiscal year begins on January 1st and ends on December 31st. All annual appropriations lapse at year-end.

The level of budgetary control (i.e. the level at which expenditures cannot exceed the appropriated amount) is maintained at the department manager level. Each department is required to operate within the annual departmental budget established by the Municipal Council. The Municipal Administrator may transfer funds between departments and will report those transfers to Municipal Council.

As demonstrated by the statements and schedules included in the financial section of this report, the Municipality continues to meet its responsibility for sound financial management.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate for Achievement for Excellence in Financial Reporting to the Municipality of Norristown for its annual comprehensive report (COA) for the fiscal year ended December 31, 2020. This was the third year the Municipality prepared a annual comprehensive financial report and achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Timely preparation of this COA 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. We also extend our appreciation to the Municipal Council for its leadership and guidance 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,

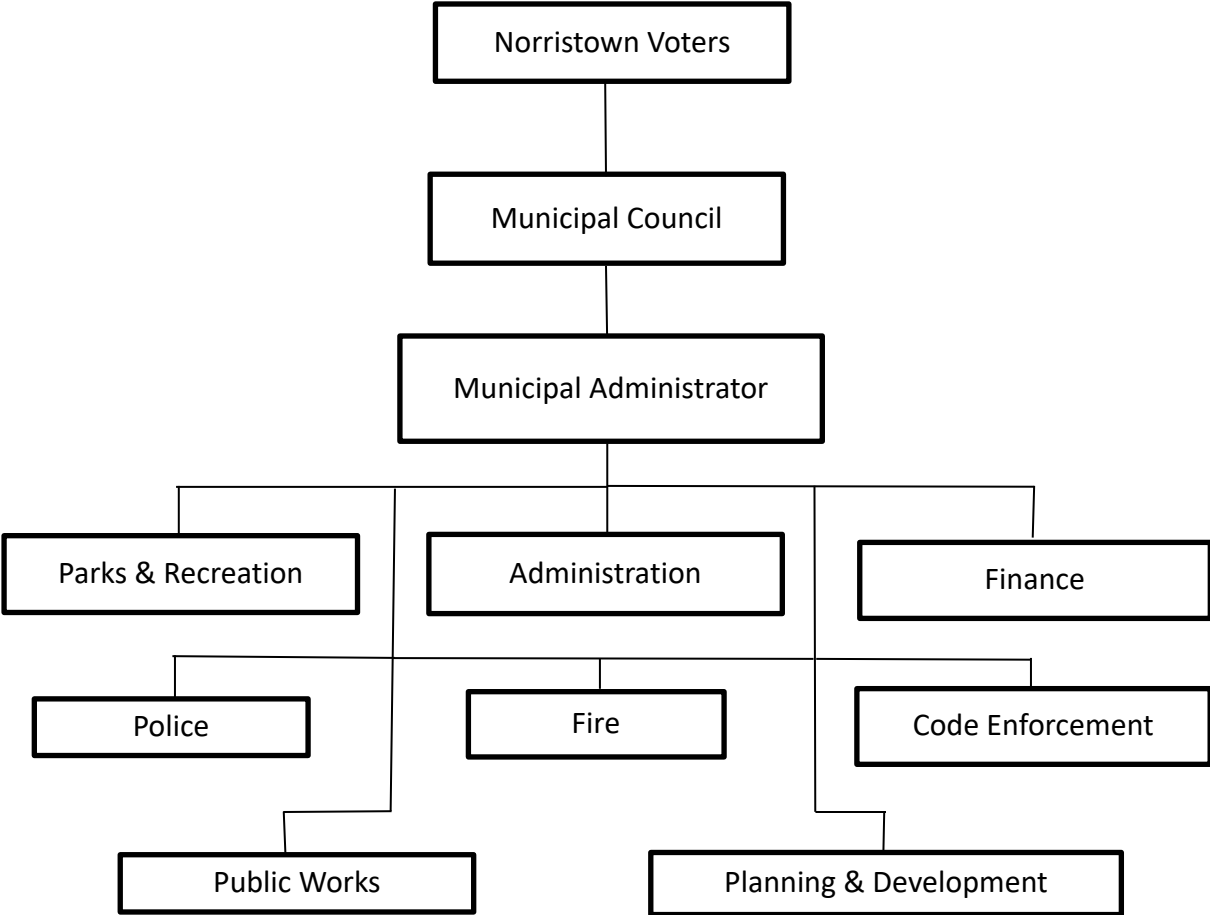


Crandall O. Jones, ICMA-CM
Municipal Administrator/CAO



Kathy L. Pfister
Director of Finance

Municipality of Norristown, Pennsylvania



**Municipality of Norristown
List of Principal Officials
December 31, 2021**

Municipal Council

Thomas Lepera.....	President, At Large
Heather Lewis.....	Vice President, District 2
Rashaad Bates.....	District 1
Dustin Queenan.....	District 3
Hakim K. Jones.....	District 4
Rebecca Smith.....	At Large
Tiffani Hendley.....	At Large

Administrative Officials

Crandall O. Jones.....	Municipal Administrator
Kathy Pfister.....	Director of Finance
Jayne Musonye.....	Director of Planning & Development
Derrick Wood.....	Police Chief
Thomas O'Donnell.....	Fire Chief
Thomas Odenigbo.....	Director of Public Works
Amrinder Singh.....	Code 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 Audit of the Financial Statements

Opinions

We have audited the 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, 2021, 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.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements 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, 2021, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Norristown Police Pension Plan, the Norristown Paid Fire Fighters' Pension Plan and Norristown Municipal Waste Authority, which represent 100% of the assets, net position and revenues of the Pension Trust Funds and 100% of the assets, net position and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Norristown Police Pension Plan, the Norristown Paid Fire Fighters' Pension Plan and Norristown Municipal Waste Authority, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller general of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. The financial statements of the Norristown Police Pension Plan, the Norristown Paid Fire Fighters' Pension Plan and Norristown Municipal Waste Authority were not audited in accordance with Government Auditing Standards. We are required to be independent of the Municipality of Norristown, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Honorable Municipal Council
Municipality of Norristown
Norristown, Pennsylvania

Responsibilities of Management for the Financial Statements

The Municipality of Norristown's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality of Norristown's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Municipality of Norristown's ability to continue as a going concern for a reasonable period of time.

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

To the Honorable Municipal Council
Municipality of Norristown
Norristown, Pennsylvania

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 21 through 30, budgetary comparison on pages 88 through 90, pension plan information on pages 91 through 98, and postemployment benefits other than pension plan information on page 99 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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.

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.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

To the Honorable Municipal Council
Municipality of Norristown
Norristown, Pennsylvania

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2022 on our consideration of Municipality of Norristown's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Municipality of Norristown's internal control over financial reporting and compliance.



Limerick, Pennsylvania
November 28, 2022

MUNICIPALITY OF NORRISTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

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, 2021. 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, 2021.

FINANCIAL HIGHLIGHTS

The Municipality of Norristown's Department of Finance continued to make the accounting system more organized to ensure accurate presentation of its 2021 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, 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.

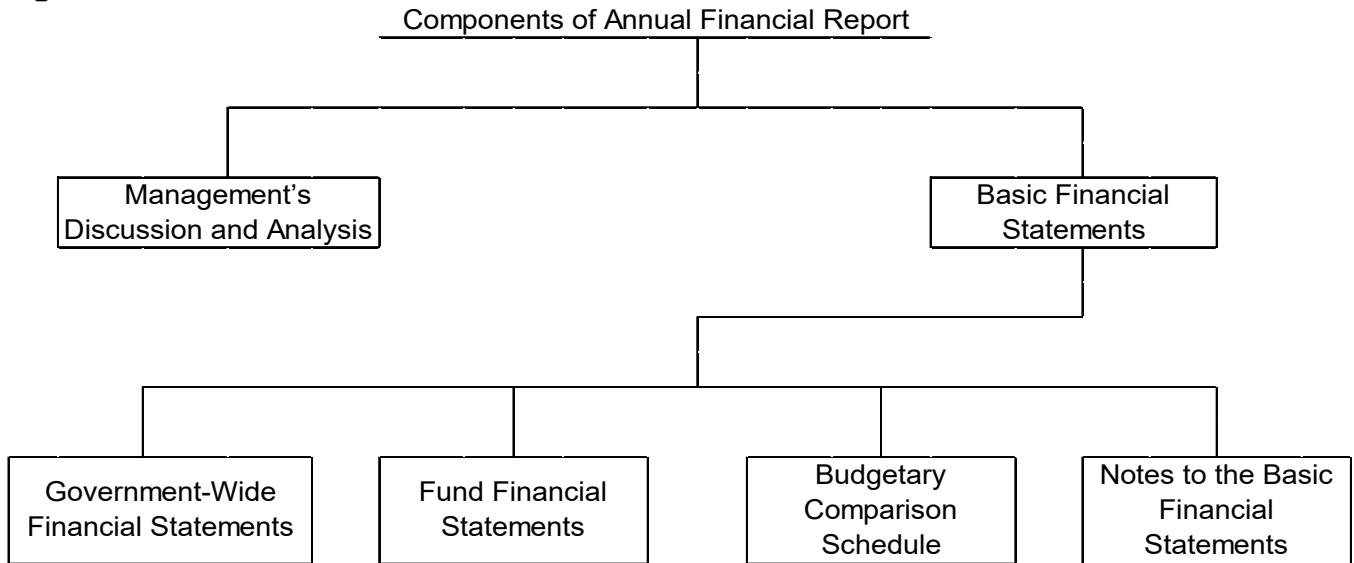
Significant federal revenues were provided by the U.S. Department of Housing and Urban Development in the form of Community Development Block Grants, the Department of Justice JAG Grants and through the U.S. Department of Transportation, Federal Highway Administration, passed through the Pennsylvania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

In 2021, 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 2021, non-union employees received a 2.25% base wage increase. The American Federation of State, County and Municipal Employees (AFSCME) employees were provided a 2.25% wage increase effective January 1, 2020, along with normal longevity applications. The International Association of Fire Fighters (IAFF) employees were provided a 3.00% wage increase effective January 1, 2021, along with normal longevity applications. The Fraternal Order of Police (FOP) employees were provided a 3.00% wage increase effective January 1, 2021, along with normal longevity applications.

OVERVIEW OF THE FINANCIAL STATEMENTS

Figure 1



Management's Discussion and Analysis (MD&A)

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

Basic Financial Statements

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

- Government-Wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements
- Required Supplementary Information (Other than MD&A)

MUNICIPALITY OF NORRISTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

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, 2021

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 Custodial 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, 2021

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 \$75,906,558 as of December 31, 2021. Of this amount, \$32.8 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 \$10.9 million as of December 31, 2021, which represents the balance of net position at year-end. Of this amount, \$19,281,110 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 \$2,622,905. The portion of the Municipality's net position that is unrestricted represents a deficit balance of \$11,019,822.

Figure 2 - Statement of Net Position

	<u>2021</u>	<u>2020</u>	<u>Change</u>
ASSETS			
Current assets	\$ 38,381,485	\$ 31,990,628	\$ 6,390,857
Capital assets, net	32,772,365	29,449,003	3,323,362
Other non-current assets	4,752,708	3,469,266	1,283,442
TOTAL ASSETS	<u>75,906,558</u>	<u>64,908,897</u>	<u>10,997,661</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>3,831,047</u>	<u>1,500,958</u>	<u>2,330,089</u>
LIABILITIES			
Current	18,593,232	6,951,079	11,642,153
Noncurrent	42,055,330	47,916,491	(5,861,161)
TOTAL LIABILITIES	<u>60,648,562</u>	<u>54,867,570</u>	<u>5,780,992</u>
DEFERRED INFLOWS OF RESOURCES	<u>8,204,850</u>	<u>5,001,261</u>	<u>3,203,589</u>
NET POSITION			
Net investment in capital assets	19,281,110	7,313,622	11,967,488
Restricted	2,622,905	2,419,291	203,614
Unrestricted	<u>(11,019,822)</u>	<u>(3,191,889)</u>	<u>(7,827,933)</u>
TOTAL NET POSITION	<u>\$ 10,884,193</u>	<u>\$ 6,541,024</u>	<u>\$ 4,343,169</u>

MUNICIPALITY OF NORRISTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

Net cost of service expenses indicate the amount of support required from taxes and other general revenues for a program of the government. In 2021, the Municipality's real estate tax revenues of \$14.5 million and the earned income tax revenue of \$10.2 million along with other enabling tax collections indicates the Municipality relied heavily on these revenues to fund its activities in 2021.

Figure 3 - Statement of Activities

	<u>2021</u>	<u>2020</u>	<u>Change</u>
REVENUES			
Program revenues			
Charges for services	\$ 8,075,654	\$ 6,056,125	\$ 2,019,529
Operating grants and contributions	2,047,342	1,816,064	231,278
Capital grants and contributions	2,286,584	1,362,234	924,350
General revenues			
Taxes (property, enabling)	26,990,606	24,505,415	2,485,191
Investment earnings	201,189	150,021	51,168
Miscellaneous	237,804	893,710	(655,906)
TOTAL REVENUES	<u>39,839,179</u>	<u>34,783,569</u>	<u>5,055,610</u>
EXPENSES			
General government	4,602,744	3,412,141	1,190,603
Public safety	19,509,366	19,413,605	95,761
Public works			
Highways and streets	3,777,360	3,824,172	(46,812)
Sanitation	4,103,360	2,396,631	1,706,729
Community development	1,166,448	278,793	887,655
Culture and recreation	1,438,357	820,441	617,916
Interest on long-term debt	898,375	1,334,960	(436,585)
TOTAL EXPENSES	<u>35,496,010</u>	<u>31,480,743</u>	<u>4,015,267</u>
CHANGE IN NET POSITION	4,343,169	3,302,826	1,040,343
NET POSITION, BEGINNING OF YEAR	<u>6,541,024</u>	<u>3,238,198</u>	<u>3,302,826</u>
NET POSITION, END OF YEAR	<u>\$ 10,884,193</u>	<u>\$ 6,541,024</u>	<u>\$ 4,343,169</u>

The Municipality's 2021 tax rate was 16.00 mills. In 2021, the Municipality derived approximately 36.3% of its revenues from property taxes.

The real estate tax is based on the assessed value of real property; therefore, changes in the assessed valuation affect tax revenues. The Municipality's assessed valuation of real property increased \$5.2 million in 2021. 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, 2021

Capital Assets

The Municipality's capital assets as of December 31, 2021, were approximately \$32.8 million. Capital assets consist primarily of land, buildings, vehicles, equipment and infrastructure. Refer to Note C for additional information on the Municipality's capital assets.

Figure 4 - Capital Assets

	Beginning Balance	Additions	Disposals	Ending Balance
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 7,152,266	\$ 30,920	\$ -	\$ 7,183,186
Construction in progress	-	4,999,381	-	4,999,381
	<u>7,152,266</u>	<u>5,030,301</u>	<u>-</u>	<u>12,182,567</u>
CAPITAL ASSETS BEING DEPRECIATED				
Infrastructure	62,335,143	239,181	-	62,574,324
Land improvements	1,051,945	-	-	1,051,945
Buildings	6,495,005	-	-	6,495,005
Machinery, vehicles and equipment	<u>15,350,799</u>	<u>436,454</u>	<u>(211,413)</u>	<u>15,575,840</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>85,232,892</u>	<u>675,635</u>	<u>(211,413)</u>	<u>85,697,114</u>
Accumulated depreciation				
Infrastructure	(46,612,301)	(1,173,743)	-	(47,786,044)
Land improvements	(1,026,515)	(2,450)	-	(1,028,965)
Buildings	(3,503,853)	(149,970)	-	(3,653,823)
Machinery, vehicles and equipment	<u>(11,793,486)</u>	<u>(1,056,411)</u>	<u>211,413</u>	<u>(12,638,484)</u>
TOTAL ACCUMULATED DEPRECIATION	<u>(62,936,155)</u>	<u>(2,382,574)</u>	<u>211,413</u>	<u>(65,107,316)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>22,296,737</u>	<u>(1,706,939)</u>	<u>-</u>	<u>20,589,798</u>
CAPITAL ASSETS, net	<u>\$ 29,449,003</u>	<u>\$ 3,323,362</u>	<u>\$ -</u>	<u>\$ 32,772,365</u>

Significant capital asset activities for the year included the following:

- Purchase of land within the Municipality - \$30,920
- Municipal building renovations - \$4,999,381
- Purchase of public safety vehicles and equipment - \$407,434
- Sawmill run creek culvert replacement - \$190,886
- Upgrade of Streetlights - \$48,295

MUNICIPALITY OF NORRISTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

Figure 5 - Debt Administration

At December 31, 2021, the Municipality of Norristown had \$32.9 million in outstanding debt. See Note E for additional information on the Municipality's debt.

GENERAL OBLIGATION DEBT, JANUARY 1, 2021	\$ 34,548,382
Reductions	<u>(1,635,898)</u>
 GENERAL OBLIGATION DEBT, DECEMBER 31, 2021	 \$ <u><u>32,912,484</u></u>

During 2021, the Municipality retired \$1,635,898 of general obligation debt compared to \$10,556,754 in 2020.

In 2017, the Municipality entered into capital leases for laptop computers and fire equipment. The amount financed totaled \$113,409. In 2019, the Municipality entered into capital leases for equipment and vehicles. The amount financed totaled \$338,040. The balance of capital lease obligations at December 31, 2021, is \$148,461.

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 reported ending fund balances of \$21,923,947. Of this year-end total: \$2,620,745 is restricted for highway and street projects and \$9,540,501 is restricted for capital projects.

Major Governmental Funds - The General Fund is the Municipality's primary operating fund. The General Fund balance at fiscal year-end was \$10,430,243, an increase of \$1,900,014 over 2020. The General Fund balance is 30% of our 2021 operating expense and 28% of revenue.

MUNICIPALITY OF NORRISTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

The Liquid Fuels Fund is the fund used to report activity related to highway and streets funding received from the Commonwealth. The fiscal year-end balance for the Liquid Fuels Fund was \$2,620,745. This is an increase of \$205,836 over the ending fund balance for 2020.

The Community Development Fund is the fund used to report activity related to community development including Federal and State grants related to HUD programs. The fiscal year-end balance for the Community Development Fund was \$(304,632). This is a decrease of \$124,703 over the ending fund balance for 2020.

The Capital Projects Fund is the fund used to report activity related to the issuance of debt for capital purposes and the related expenditures. The fiscal year-end balance for the Capital Projects Fund was \$9,540,501. This is a decrease of \$6,394,260 over the ending fund balance for 2020, resulting from the Municipality expenditures related to the municipal building renovations.

Governmental Funds Revenues

Governmental Funds revenues totaled \$39,927,242 for the year ended December 31, 2021. Property tax revenues in 2021 increased by \$1,224,646 from prior year. Local enabling tax collection revenue increase by \$1,172,410. Intergovernmental revenues increase by \$1,217,665 million due to more grant money. Most other line items saw an increase from prior year amounts.

Figure 6 - Governmental Fund Revenues

	<u>2021</u>	<u>2020</u>	<u>Change</u>
REVENUES			
Property taxes	\$ 14,465,208	\$ 13,240,562	\$ 1,224,646
Local enabling taxes	12,578,566	11,406,156	1,172,410
Licenses and permits	1,493,292	1,191,046	302,246
Fines and forfeits	912,870	783,223	129,647
Intergovernmental	4,290,561	3,072,896	1,217,665
Charges for services	5,732,372	4,231,615	1,500,757
Investment earnings	201,189	150,021	51,168
Miscellaneous	<u>253,184</u>	<u>1,321,569</u>	<u>(1,068,385)</u>
TOTAL REVENUES	<u>\$ 39,927,242</u>	<u>\$ 35,397,088</u>	<u>\$ 4,530,154</u>

Governmental Funds Expenditures

Governmental Funds expenditures totaled \$44,344,852 for the year ended December 31, 2021. Public Works, sanitation division, increased from the prior year by \$1,706,729, which was due to entering a new 3-year trash contract. Debt services expenditures decreased \$7,134,134 from the prior year. Capital expenditures amounted to \$6.8 million in 2021, which were \$3.6 million more than prior year due to building renovations.

MUNICIPALITY OF NORRISTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

Figure 7 - Governmental Fund Expenditures

	<u>2021</u>	<u>2020</u>	<u>Change</u>
EXPENDITURES			
General government	\$ 5,561,137	\$ 5,949,205	\$ (388,068)
Public safety	21,564,101	21,563,822	279
Public works			
Sanitation	4,103,360	2,396,631	1,706,729
Highways and streets	2,134,628	2,201,095	(66,467)
Culture and recreation	608,417	593,529	14,888
Community development	504,248	415,546	88,702
Debt service			
Principal	1,736,969	8,871,103	(7,134,134)
Interest and fees	1,236,560	899,221	337,339
Debt issuance costs	-	19,885	(19,885)
Capital outlays	<u>6,895,432</u>	<u>3,277,200</u>	<u>3,618,232</u>
TOTAL EXPENDITURES	\$ <u>44,344,852</u>	\$ <u>46,187,237</u>	\$ <u>(1,842,385)</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 2021 from the original budget of \$36.4 million. On an actual to budget comparison, the Municipality realized a \$758,379 favorable revenue budget variance.

The 2021 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 \$1,136,727.

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, 2021

	Primary Governmental Activities	Component Unit
ASSETS		
Cash and cash equivalents	\$ 34,399,838	\$ 2,688,479
Investments	72,276	-
Receivables, net		
Accounts	261,121	960,391
Taxes	3,607,041	-
Intergovernmental	36,859	140,982
Prepays	4,350	-
Net pension asset	4,752,708	-
Other assets	-	58,337
Restricted assets		
Cash and cash equivalents	-	4,638,771
Capital assets		
Not being depreciated	12,182,567	10,262,073
Being depreciated	20,589,798	21,207,692
TOTAL ASSETS	<u>75,906,558</u>	<u>39,956,725</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pension activity	3,195,076	-
Deferred outflows of resources - OPEB activity	635,971	-
Unamortized loss on refunding	-	18,654
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>3,831,047</u>	<u>18,654</u>
LIABILITIES		
Accounts payable	2,773,188	220,792
Accrued liabilities	1,923,608	368,345
Accrued interest payable	213,148	24,197
Escrow deposits	384,144	24,673
Unearned revenues	10,538,322	-
Long-term liabilities		
Due within one year		
General obligation debt	1,552,914	-
Revenue bonds payable	380,000	2,412,971
Capital lease obligations	64,806	-
Compensated absences	763,102	12,819
Due in more than one year		
General obligation debt	28,877,112	-
Revenue bonds payable	3,100,000	-
Capital lease obligations	83,655	-
Compensated absences	1,072,869	25,642
Total OPEB liability	4,453,698	-
Net pension liability	4,467,996	-
Revenue notes payable	-	17,302,887
TOTAL LIABILITIES	<u>60,648,562</u>	<u>20,392,326</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pension activity	7,985,140	-
Deferred inflows of resources - OPEB activity	219,710	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>8,204,850</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	19,281,110	16,386,569
Restricted		
Highways and streets	2,622,905	-
Unrestricted	(11,019,822)	3,196,484
TOTAL NET POSITION	<u>\$ 10,884,193</u>	<u>\$ 19,583,053</u>

See accompanying notes to the basic financial statements.

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MUNICIPALITY OF NORRISTOWN

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

Functions/Programs	Expenses	Program Services	
		Charges for Services	Operating Grants and Contributions
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES			
General government	\$ 4,602,744	\$ 1,605,966	\$ 151,913
Public safety	19,509,366	1,592,964	1,281,380
Public works			
Highways and streets	3,777,360	324,434	-
Sanitation	4,103,360	4,247,742	-
Community development	1,166,448	274,142	580,243
Culture and recreation	1,438,357	30,406	33,806
Interest on long-term debt	898,375	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL GOVERNMENTAL ACTIVITIES	\$ <u>35,496,010</u>	\$ <u>8,075,654</u>	\$ <u>2,047,342</u>
COMPONENT UNIT			
Norristown Municipal Waste Authority	\$ <u>4,107,593</u>	\$ <u>5,696,799</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			
CHANGE IN NET POSITION			
NET POSITION AT BEGINNING OF YEAR			
NET POSITION AT END OF YEAR			

See accompanying notes to the basic financial statements.

	Net (Expense) Revenue and Changes in Net Position	
	Primary	
	Governmental Governmental Activities	Component Unit
Capital		
Grants and Contributions		
\$ -	\$ (2,844,865)	
78,032	(16,556,990)	
771,203	(2,681,723)	
-	144,382	
1,315,424	1,003,361	
121,925	(1,252,220)	
-	(898,375)	
<u>\$ 2,286,584</u>	<u>(23,086,430)</u>	
<u>\$ 244,446</u>		<u>\$ 1,833,652</u>
	14,412,040	-
	10,205,639	-
	661,199	-
	763,093	-
	38,333	-
	910,302	-
	201,189	2,349
	237,804	276,475
	<u>27,429,599</u>	<u>278,824</u>
	4,343,169	2,112,476
	<u>6,541,024</u>	<u>17,470,577</u>
	<u>\$ 10,884,193</u>	<u>\$ 19,583,053</u>

MUNICIPALITY OF NORRISTOWN

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2021

	<u>General Fund</u>	<u>Liquid Fuels Fund</u>
ASSETS		
Cash and cash equivalents	\$ 10,825,960	\$ 2,727,824
Investments	72,276	-
Receivables, net		
Accounts	261,121	-
Taxes	3,607,041	-
Intergovernmental	-	-
Prepaid items	4,350	-
Due from other funds	961,006	-
	<u>15,731,754</u>	<u>2,727,824</u>
TOTAL ASSETS	\$ <u>15,731,754</u>	\$ <u>2,727,824</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)		
LIABILITIES		
Accounts payable	\$ 1,683,175	\$ 17,815
Accrued liabilities	1,908,313	15,295
Unearned revenues	487,903	-
Escrows payable	383,844	-
Due to other funds	-	73,969
	<u>4,463,235</u>	<u>107,079</u>
TOTAL LIABILITIES	<u>4,463,235</u>	<u>107,079</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues, property taxes	838,276	-
FUND BALANCES (DEFICIT)		
Nonspendable, prepaid items	4,350	-
Restricted	-	2,620,745
Unassigned	10,425,893	-
	<u>10,430,243</u>	<u>2,620,745</u>
TOTAL FUND BALANCES (DEFICIT)	<u>10,430,243</u>	<u>2,620,745</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)		
	\$ <u>15,731,754</u>	\$ <u>2,727,824</u>

See accompanying notes to the basic financial statements.

Debt Service Fund	Community Development Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 58,754	\$ 184,708	\$ 20,567,232	\$ 35,360	\$ 34,399,838
-	-	-	-	72,276
-	-	-	-	261,121
-	-	-	-	3,607,041
-	36,859	-	-	36,859
-	-	-	-	4,350
-	-	-	-	961,006
<u>\$ 58,754</u>	<u>\$ 221,567</u>	<u>\$ 20,567,232</u>	<u>\$ 35,360</u>	<u>\$ 39,342,491</u>

\$ -	\$ 65,543	\$ 1,006,655	\$ -	\$ 2,773,188
-	-	-	-	1,923,608
-	265,251	9,780,620	4,548	10,538,322
-	300	-	-	384,144
421,546	195,105	239,456	30,930	961,006
<u>421,546</u>	<u>526,199</u>	<u>11,026,731</u>	<u>35,478</u>	<u>16,580,268</u>

-	-	-	-	838,276
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-	-	-	-	4,350
-	-	9,540,501	2,160	12,163,406
(362,792)	(304,632)	-	(2,278)	9,756,191
<u>(362,792)</u>	<u>(304,632)</u>	<u>9,540,501</u>	<u>(118)</u>	<u>21,923,947</u>

<u>\$ 58,754</u>	<u>\$ 221,567</u>	<u>\$ 20,567,232</u>	<u>\$ 35,360</u>	<u>\$ 39,342,491</u>
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MUNICIPALITY OF NORRISTOWN

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2021

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ <u>21,923,947</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Land	7,183,186
Construction in progress	4,999,381
Infrastructure, net of \$47,786,044 accumulated depreciation	14,788,280
Site land improvements, net of \$1,028,965 accumulated depreciation	22,980
Buildings, net of \$3,653,823 accumulated depreciation	2,841,182
Machinery, vehicles and equipment, net of \$12,638,484 accumulated depreciation	2,937,356
	<u>32,772,365</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>4,752,708</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>(4,373,803)</u>
Revenue not available to pay for the current period's expenditures and therefore reported as unearned revenue in the funds:	
Property taxes	<u>838,276</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	(32,912,484)
Unamortized bond discounts (premiums), net	(997,542)
Accrued interest on bonds	(213,148)
Net pension liability	(4,467,996)
Other postemployment benefit liability	(4,453,698)
Capital lease obligations payable	(148,461)
Compensated absences	(1,835,971)
COMBINED LIABILITY ADJUSTMENT	<u>(45,029,300)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>10,884,193</u></u>

See accompanying notes to the basic financial statements.

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MUNICIPALITY OF NORRISTOWN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2021

	<u>General Fund</u>	<u>Liquid Fuels Fund</u>
REVENUES		
Property taxes	\$ 14,465,208	\$ -
Local enabling taxes	12,578,566	-
Licenses and permits	1,493,292	-
Fines and forfeits	912,870	-
Intergovernmental	1,709,552	893,128
Charges for services	5,732,372	-
Investment earnings	193,086	406
Miscellaneous	50,358	-
TOTAL REVENUES	<u>37,135,304</u>	<u>893,534</u>
EXPENDITURES		
General government	5,104,952	-
Public safety	21,481,569	-
Sanitation	4,103,360	-
Highways and streets	1,880,115	241,656
Culture and recreation	608,417	-
Community development	23,844	-
Debt service		
Principal	967,796	389,173
Interest and fees	1,065,237	56,173
Capital outlays	-	696
TOTAL EXPENDITURES	<u>35,235,290</u>	<u>687,698</u>
NET CHANGE IN FUND BALANCES	1,900,014	205,836
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	<u>8,530,229</u>	<u>2,414,909</u>
FUND BALANCES (DEFICIT) AT END OF YEAR	<u>\$ 10,430,243</u>	<u>\$ 2,620,745</u>

See accompanying notes to the basic financial statements.

Debt Service Fund	Community Development Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 14,465,208
-	-	-	-	12,578,566
-	-	-	-	1,493,292
-	-	-	-	912,870
-	1,302,568	307,281	78,032	4,290,561
-	-	-	-	5,732,372
3	19	7,675	-	201,189
-	-	202,826	-	253,184
<u>3</u>	<u>1,302,587</u>	<u>517,782</u>	<u>78,032</u>	<u>39,927,242</u>
-	451,736	4,449	-	5,561,137
-	-	-	82,532	21,564,101
-	-	-	-	4,103,360
-	-	12,857	-	2,134,628
-	-	-	-	608,417
-	480,404	-	-	504,248
-	380,000	-	-	1,736,969
-	115,150	-	-	1,236,560
-	-	6,894,736	-	6,895,432
<u>-</u>	<u>1,427,290</u>	<u>6,912,042</u>	<u>82,532</u>	<u>44,344,852</u>
3	(124,703)	(6,394,260)	(4,500)	(4,417,610)
<u>(362,795)</u>	<u>(179,929)</u>	<u>15,934,761</u>	<u>4,382</u>	<u>26,341,557</u>
\$ <u><u>(362,792)</u></u>	\$ <u><u>(304,632)</u></u>	\$ <u><u>9,540,501</u></u>	\$ <u><u>(118)</u></u>	\$ <u><u>21,923,947</u></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, 2021

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (4,417,610)

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 (\$5,705,936) exceeds depreciation (\$2,382,574) in the current period.

3,323,362

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	1,635,898
Net amortization of bond issue discounts/premiums, refunding loss	259,643
Principal paid on capital lease obligations	<u>101,071</u>
NET ADJUSTMENT	<u>1,996,612</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>(36,608)</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>(53,168)</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	194,100
Pension expense	3,536,100
Change in OPEB	<u>(199,619)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 4,343,169

See accompanying notes to the basic financial statements.

MUNICIPALITY OF NORRISTOWN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2021

	<u>Pension Trust Funds</u>	<u>Custodial Funds</u>
ASSETS		
Cash	\$ 250,771	\$ 665
Receivables	68,301	-
Prepaid plan expenses and pension benefits	306,386	-
Investments		
Mutual funds	33,914,080	-
Exchange traded funds	25,590,916	-
Certificates of deposit	1,913,865	-
Common and preferred stock	1,392,768	-
Other	59,303	-
TOTAL INVESTMENTS	<u>62,870,932</u>	<u>-</u>
TOTAL ASSETS	<u>63,496,390</u>	<u>665</u>
LIABILITIES		
Accounts payable and accrued expenses	<u>117,468</u>	<u>-</u>
NET POSITION		
Restricted for custodial purposes	-	665
Restricted for pensions	<u>63,378,922</u>	<u>-</u>
TOTAL NET POSITION	<u>\$ 63,378,922</u>	<u>\$ 665</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, 2021

	<u>Pension Trust Funds</u>	<u>Custodial Funds</u>
ADDITIONS		
Investment income		
Net appreciation (depreciation) in fair value of investments	\$ 6,108,118	\$ -
Interest	1,502,402	-
Investment expenses and foreign taxes paid	(383,560)	-
INVESTMENT INCOME, net	<u>7,226,960</u>	<u>-</u>
Contributions		
Commonwealth of Pennsylvania Act 205 pension allocation	1,132,159	-
Municipality contributions	2,447,325	-
Member contributions	693,269	-
TOTAL CONTRIBUTIONS	<u>4,272,753</u>	<u>-</u>
TOTAL ADDITIONS	<u>11,499,713</u>	<u>-</u>
DEDUCTIONS		
Monthly retirement benefits	3,273,890	-
Account B benefits	55,430	-
DROP benefits	22,665	-
Return of contributions	59,660	-
Administrative expenses	193,280	-
Payment to beneficiary	-	420
TOTAL DEDUCTIONS	<u>3,604,925</u>	<u>420</u>
CHANGE IN NET POSITION	7,894,788	(420)
NET POSITION AT BEGINNING OF YEAR	<u>55,484,134</u>	<u>1,085</u>
NET POSITION AT END OF YEAR	<u>\$ 63,378,922</u>	<u>\$ 665</u>

See accompanying notes to the basic financial statements.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

The Municipality of Norristown (“Municipality”) was incorporated as a borough in 1812 under the laws of the Commonwealth of Pennsylvania. The Municipality operates under a home rule charter approved by voters on November 6, 1984 and effective January 6, 1986. In July 2004 the Municipality transitioned from a mayoral form of government to one governed by a municipal council and managed by a municipal administrator. The Municipality provides the following services as authorized by its charter: public safety (fire and police), street maintenance, sanitation collection and disposal, culture and recreation, planning and zoning, and general administrative services.

Financial statements are prepared in accordance with generally accepted accounting principles 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

Financial accountability is defined in GASB Statement No. 14, “The Financial Reporting Entity,” as amended by GASB Statement No. 61. The Municipality is financially accountable for legally separate organizations if it appoints a voting majority of the organization’s board and (1) it is able to impose its will on that organization; or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Municipality. The Municipality also may be financially accountable if an organization is fiscally dependent on the Municipality regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. Fiduciary component units are legally separate entities; however, they place a financial burden on the Municipality and the Municipality can impose its will on them. Thus, fiduciary component units are appropriately presented as funds of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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 is financially accountable to the primary government because the primary government can impose its will on the authority and the authority can impose a financial benefit or burden on 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 25 E. Marshall Street, Norristown, Pennsylvania 19401.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

Fiduciary Component Units

- The Police Pension Plan is a single employer defined benefit pension plan that provides pensions for all regular, full-time sworn police officers. Although the plan is a separate legal entity it is reported as if it is part of the government as it is governed by a board of trustees comprised of members appointed by the Municipal Council and the Municipality is responsible for funding the plan. The plan is reported as a fiduciary fund and issues separate financial statements.
- The Firefighters Pension Plan is a single employer defined benefit pension plan that provides pensions for all regular full-time, firefighters. Although the plan is a separate legal entity it is reported as if it is part of the government as it is governed by a board of trustees comprised of members appointed by the Municipal Council and the Municipality is responsible for funding the plan. The plan is reported as a fiduciary fund and issues separate financial statements.

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.

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.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

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 Custodial 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, 2021

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 *Custodial Fund* accounts for monies held for community groups to which the Municipality of Norristown provides accounting services.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value, rather than 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, 2021

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 \$3,905,021.

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, 2021

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 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, 2021

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 assets 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 three 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, the deferred outflow of resources related to pensions and OPEB are reported in the government-wide statement of net position and are deferred and recognized as an outflow of resources in the period that the amounts become available.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets 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

Interfund services provided and used 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 action 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, 2021

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, 2021

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, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value, rather than fair 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, 2021

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 February 15, 2021. A 2% discount was allowed on bills paid by April 15, 2021, and a 10% penalty was assessed for bills paid after June 15, 2021. Unpaid property taxes attach as an enforceable lien on property on January 1, 2022.

The rate of real estate taxation in 2021 was 16.00 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 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, 2021

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	\$ 20,857,592
Pennsylvania Local Government Investment Trust	<u>13,542,246</u>
	<u>\$ 34,399,838</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, 2021, \$35,197,768 of the Municipality's Governmental Funds bank balance of \$35,697,768 was exposed to custodial credit risk as follows:

GOVERNMENTAL FUNDS

Uninsured and uncollateralized	\$ 14,213,503
Uninsured and uncollateralized but covered under Act 72	<u>20,984,265</u>
	<u>\$ 35,197,768</u>

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE B - DEPOSIT AND INVESTMENT RISK (Continued)

A portion of the Municipality's deposits is in the PLGIT program, of which are funds similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PLGIT cash investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at December 31, 2021, is \$14,213,503 and is included in cash and cash equivalents. These assets maintain a stable net asset value of \$1 per share. All investments are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis.

Governmental Funds' investments consist of the following:

INVESTMENT, E TRADE PORTFOLIO \$ 72,276

Pension Trust Funds - As of December 31, 2021, 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>250,771</u>	\$ <u>63,123</u>	\$ <u>187,648</u>
INVESTMENTS			
Exchange traded funds	\$ 21,851,093	\$ 18,509,216	\$ 3,341,877
Mutual funds	23,240,310	15,761,376	7,478,934
International equity mutual funds	11,618,979	11,054,180	564,799
Common and preferred stock	1,392,768	-	1,392,768
Money market mutual funds	2,794,614	1,894,145	900,469
Certificates of deposit	1,913,865	-	1,913,865
Bank deposit program	58,647	-	58,647
Mortgage-backed security	656	-	656
	<u>\$ 62,870,932</u>	<u>\$ 47,218,917</u>	<u>\$ 15,652,015</u>

Pension Trust Fund bank deposits were insured for \$250,771. Pension Trust Fund certificates of deposit were FDIC insured for \$1,913,865.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE B - DEPOSIT AND INVESTMENT RISK (Continued)

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 market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Municipality has the following recurring fair value measurements as of December 31, 2021:

Investments in exchange traded funds of \$25,590,916, domestic and international equity mutual funds of \$31,119,466, common and preferred stock of \$1,392,768, money market mutual funds of \$2,794,614, and mortgage-backed securities of \$656 are valued using quoted market prices (Level 1 inputs). Certificates of deposit of \$1,913,865 and investments in the bank deposit program of \$58,647 are measured at cost-plus interest earned which approximates fair value.

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, 2021, the Municipality had the following debt investments and maturities within its Pension Trust Fund accounts:

Type of Investment	Fair Value at December 31, 2021	Investment Maturities (In Years)			
		Less Than 1	1 to 5	6 to 10	More than 10
NORRISTOWN PAID FIREFIGHTERS' PENSION PLAN					
Certificates of deposit	\$ 1,913,865	\$ 494,159	\$ 1,419,706	\$ -	\$ -
Bank deposit program	58,647	58,647	-	-	-
Mortgage-backed security	656	-	-	656	-
	<u>\$ 1,973,168</u>	<u>\$ 552,806</u>	<u>\$ 1,419,706</u>	<u>\$ 656</u>	<u>\$ -</u>
NORRISTOWN POLICE PENSION PLAN					
Money market mutual funds	<u>\$ 1,894,145</u>	<u>\$ 1,894,145</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021. 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, 2021, the Municipality's retirement fixed income investments had a credit quality rating as follows:

Paid Firefighters' Pension Plan

Type of Investment	Fair Value at December 31, 2021	AAAm	AAA	AA+	Unrated
Certificates of deposit	\$ 1,913,865	\$ -	\$ -	\$ -	\$ 1,913,865
Bank deposit program	58,647	-	-	-	58,647
Mortgage-backed security	656	-	-	-	656
	<u>\$ 1,973,168</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,973,168</u>

Police Pension Plan

Type of Investment	Fair Value at December 31, 2021	AAAm	AAA	AA+	Unrated
Money market mutual funds	\$ 1,894,145	\$ 1,894,145	\$ -	\$ -	\$ -

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, 2021

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, 2021, consist of the following:

Cash deposits	\$ <u>7,327,250</u>
Classification per the statement of net position:	
Cash and cash equivalents	\$ 2,688,479
Restricted cash and cash equivalents	<u>4,638,771</u>
	<u>\$ 7,327,250</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, 2021, the carrying amount of the Authority's bank deposits was \$7,327,250, and the bank balance was \$7,328,551 of which \$250,000 was covered by Federal Depository Insurance. At December 31, 2021, the remaining bank deposit amount of \$7,078,551 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, 2021

NOTE C - CAPITAL ASSETS

Governmental Activities

Capital asset activities for the year ended December 31, 2021, are as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 7,152,266	\$ 30,920	\$ -	\$ 7,183,186
Construction in progress	-	4,999,381	-	4,999,381
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>7,152,266</u>	<u>5,030,301</u>	<u>-</u>	<u>12,182,567</u>
CAPITAL ASSETS BEING DEPRECIATED				
Infrastructure	62,335,143	239,181	-	62,574,324
Land improvements	1,051,945	-	-	1,051,945
Buildings	6,495,005	-	-	6,495,005
Machinery, vehicles and equipment	15,350,799	436,454	(211,413)	15,575,840
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>85,232,892</u>	<u>675,635</u>	<u>(211,413)</u>	<u>85,697,114</u>
Accumulated depreciation				
Infrastructure	(46,612,301)	(1,173,743)	-	(47,786,044)
Land improvements	(1,026,515)	(2,450)	-	(1,028,965)
Buildings	(3,503,853)	(149,970)	-	(3,653,823)
Machinery, vehicles and equipment	(11,793,486)	(1,056,411)	211,413	(12,638,484)
TOTAL ACCUMULATED DEPRECIATION	<u>(62,936,155)</u>	<u>(2,382,574)</u>	<u>211,413</u>	<u>(65,107,316)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>22,296,737</u>	<u>(1,706,939)</u>	<u>-</u>	<u>20,589,798</u>
CAPITAL ASSETS, net	<u>\$ 29,449,003</u>	<u>\$ 3,323,362</u>	<u>\$ -</u>	<u>\$ 32,772,365</u>

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE C - CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs as follows:

General government	\$ 165,951
Highways and streets, public works	653,738
Recreation	1,486,903
Public safety	<u>75,982</u>
	<u>\$ 2,382,574</u>

Component Unit - Norristown Municipal Waste Authority

Capital asset activities for the year ended December 31, 2021, are as follows:

	Balance January 1, 2021	Additions	Transfers and Deletions	Balance December 31, 2021
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
CAPITAL ASSETS NOT BEING DEPRECIATED				
Construction in progress	\$ 5,134,655	\$ 5,127,418	\$ -	\$ 10,262,073
CAPITAL ASSETS BEING DEPRECIATED				
Sewer plant	24,875,026	-	-	24,875,026
Sewer collection system	12,331,644	-	-	12,331,644
Equipment	297,486	170,002	(259,522)	207,966
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>37,504,156</u>	<u>170,002</u>	<u>(259,522)</u>	<u>37,414,636</u>
Accumulated depreciation				
Sewer plant	(12,855,428)	(527,779)	-	(13,383,207)
Sewer collection system	(2,634,466)	(143,307)	-	(2,777,773)
Equipment	(297,486)	(8,000)	259,522	(45,964)
TOTAL ACCUMULATED DEPRECIATION	<u>(15,787,380)</u>	<u>(679,086)</u>	<u>259,522</u>	<u>(16,206,944)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>21,716,776</u>	<u>(509,084)</u>	<u>-</u>	<u>21,207,692</u>
CAPITAL ASSETS, net	<u>\$ 26,851,431</u>	<u>\$ 4,618,334</u>	<u>\$ -</u>	<u>\$ 31,469,765</u>

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 2021, was \$1,132,159. The allocation of these funds is based on the actuarial valuation of the plans, which may differ from state receipts because of the use of accrual basis accounting.

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

Paid Fire Fighter Pension Plan	\$ 263,793
Police Pension Plan	<u>868,366</u>
	\$ <u>1,132,159</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: Lawrence C. Musgrove Associates, Inc., PO Box 1769, Salem, VA 24153.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE D - EMPLOYEES' RETIREMENT PLANS (Continued)

Plan Membership

At December 31, 2021, the Plan membership consisted of the following:

Current active members	64
Current active members electing DROP	6
Retirees and beneficiaries currently receiving benefits	74
Members vested, entitled to benefits, but not receiving them	1
	145

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, 2021

NOTE D - EMPLOYEES' RETIREMENT PLANS (Continued)

Deferred Retirement Option Plan - Effective January 1, 2008, the Plan was amended to offer a five-year deferred retirement option plan ("DROP") to all Police Officers who reach the age of 55 and who complete at least 25 years of service. Each month during the DROP enrollment period, the Plan will transfer the monthly benefit that the participant would have received had the participant retired on their DROP enrollment date into an individual bookkeeping account in the name of the DROP participant. DROP accounts are credited annually with the amount of the Plan's investment earnings. If the monthly DROP contributions exceed the calendar year tax law limits, the participant will be paid for the months above the limit.

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 2021 was \$2,809,733, which was funded entirely by the Municipality through state aid and municipal contributions. Municipal contributions were \$1,941,367 of the required MMO. Employee contributions in 2021 totaled \$493,537. State aid and employee participant contributions in 2021 amounted to 12.4% and 7.0%, respectively, of the \$7,000,400 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, 2021:

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

Investments are reported at fair value. The fair value is the quoted market price. The plan's fair value of investments as of December 31, 2021 was \$47,218,917.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021:

MUTUAL FUNDS

Johcm International Select Fund	\$ 2,590,822
Harding Loevner International Equity	2,904,409
Baird Core Plus Bond Fund Inst.	2,481,005
Vanguard Total Stock Mkt Index Fund	17,544,479
Vanguard Total Int'l ST Index Adm	3,739,823
Pgim Total Return Bond CI	<u>3,169,670</u>
	<u>\$ 32,430,208</u>

Rate of Return - For the year ended December 31, 2021, the annual money-weighted rate of return on Plan investments, net of Plan investment expenses, was 13.53%. 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, 2021 was as follows:

Total pension liability	\$ 51,954,042
Plan fiduciary net position	<u>(47,486,046)</u>
NET PENSION LIABILITY	<u>\$ 4,467,996</u>

Plan fiduciary net position as a percentage of the total pension liability	<u>91.40%</u>
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Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2021 using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	3%
Salary increases	4.5%, including inflation
Investment rate of return	7.5%, net of pension plan investment expense, including inflation

Mortality rates were based on the 2010 Public Safety Mortality Table with generational improvement using Scale MP-2018.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021 and are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	7.60%
International equity	7.30%
Fixed income	3.90%
Real estate	6.60%
Cash	2.20%

Discount Rate - The discount rate used to measure the total pension liability was 7.50% as of December 31, 2021. 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, 2021

NOTE D - EMPLOYEES' RETIREMENT PLANS (Continued)

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances at December 31, 2020	\$ 47,786,005	\$ 41,606,648	\$ 6,179,357
Changes for the year			
Service cost	1,022,518	-	1,022,518
Interest	3,679,869	-	3,679,869
Differences between expected and actual experience	(1,250,777)	-	(1,250,777)
Changes of assumptions	3,369,109	-	3,369,109
Contributions			
Employer	-	2,809,733	(2,809,733)
Member	-	493,537	(493,537)
Net investment income	-	5,340,225	(5,340,225)
Benefit payments, including employee refunds	(2,652,682)	(2,652,682)	-
Administrative expense	-	(111,415)	111,415
Net changes	<u>4,168,037</u>	<u>5,879,398</u>	<u>(1,711,361)</u>
Balances at December 31, 2021	<u>\$ 51,954,042</u>	<u>\$ 47,486,046</u>	<u>\$ 4,467,996</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 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate as of December 2021:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
	<u>(6.50%)</u>	<u>Rate (7.50%)</u>	<u>(8.50%)</u>
Net pension liability (asset)	\$ 10,433,464	\$ 4,467,996	\$ (531,596)

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021, the Municipality recognized pension expense of \$364,754 for the Police Pension Plan. At December 31, 2021, 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	\$ 167,435	\$ 1,086,313
Changes in assumptions	2,754,627	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>4,184,323</u>
	<u>\$ 2,922,062</u>	<u>\$ 5,270,636</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>	
2022	\$ (480,081)
2023	(1,334,032)
2024	(631,647)
2025	(52,436)
2026	149,622
Thereafter	<u>-</u>
	<u>\$ (2,348,574)</u>

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 Lawrence C. Musgrove Associates, Inc., PO Box 1769, Salem, VA 24153.

Plan Membership

At December 31, 2021, the Plan membership consisted of the following:

Current active members	22
Current active members electing DROP	1
Retirees and beneficiaries currently receiving benefits	13
Terminated plan members entitled to return of contributions	1
Members vested, entitled to benefits, but not receiving them	1
	<hr/>
	38
	<hr/> <hr/>

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 2021, was \$769,751, which was funded entirely by the Municipality through state aid and municipal contributions. Municipal contributions were \$505,958 of the required MMO in 2021. Employee contributions in 2021, totaled \$199,732. State aid and employee participant contributions in 2021 amounted to 10.5% and 8.0%, respectively, of the \$2,500,568 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, 2021

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, 2021:

<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, 2021, was \$15,652,015.

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, 2021:

MUTUAL FUNDS	
MFS Total Return Fund-A	\$ 6,003,522
MFS Value Fund-A	<u>1,448,740</u>
	<u>7,452,262</u>
EXCHANGE TRADED FUNDS	
SPDR S+P 500 ETF Tr	<u>1,172,430</u>
	<u>\$ 8,624,692</u>

Rate of Return - For the year ended December 31, 2021, the weighted average rate of return on Plan investments, net of Plan investment expenses was 15.32%. 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, 2021

NOTE D - EMPLOYEES' RETIREMENT PLANS (Continued)

Net Pension Liability(Asset) of the Plan

Total pension liability	\$ 15,486,124
Plan fiduciary net position-defined benefit	<u>(15,892,876)</u>
NET PENSION LIABILITY(ASSET)	<u>\$ (406,752)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>102.63%</u>

Actuarial Assumptions - The total pension liability was determined by actuarial valuation as of December 31, 2021, 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 Table (Blue Collar) projected to 2018 using Scale AA.

The Plan's target return is the Plan's actuarial assumption of 7.5% as of December 31, 2021. 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.

Asset Class	Long-Term Expected Real Rate of Return
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, 2021. 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, 2021

NOTE D - EMPLOYEES' RETIREMENT PLANS (Continued)

Changes in the Net Pension Liability(Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a) - (b)
Balances at December 31, 2020	\$ 14,987,323	\$ 13,664,976	\$ 1,322,347
Changes for the year			
Service cost	358,734	-	358,734
Interest	1,124,572	-	1,124,572
Differences between expected and actual experience	(280,972)	-	(280,972)
Contributions			
Employer	-	769,751	(769,751)
Member	-	199,732	(199,732)
Net investment income	-	2,043,815	(2,043,815)
Benefit payments, including employee refunds	(703,533)	(703,533)	-
Administrative expense	-	(81,865)	81,865
Net changes	<u>498,801</u>	<u>2,227,900</u>	<u>(1,729,099)</u>
Balances at December 31, 2021	\$ <u>15,486,124</u>	\$ <u>15,892,876</u>	\$ <u>(406,752)</u>

Sensitivity of Net Pension Liability(Asset) to Changes in the Discount Rate - The following presents the net pension liability(asset) of the Plan calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability(asset) 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, 2021:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability (asset)	\$ <u>2,161,140</u>	\$ <u>(406,752)</u>	\$ <u>(1,347,673)</u>

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021, the Municipality recognized pension expense of \$52,903 for the Paid Firefighters' Pension Plan. At December 31, 2021, 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	\$ 2,153	\$ 641,106
Changes in assumptions	156,166	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>1,036,307</u>
	<u>\$ 158,319</u>	<u>\$ 1,677,413</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>	
2022	\$ (236,957)
2023	(523,511)
2024	(321,292)
2025	(298,162)
2026	(86,409)
Thereafter	<u>(52,763)</u>
	<u>\$ (1,519,094)</u>

MUNICIPALITY OF NORRISTOWN
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2021

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 Annual Comprehensive Financial Report (ACFR).

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 Annual Comprehensive Financial Report (ACFR). A copy of the ACFR 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, 2020, the Plan membership consisted of the following:

Current active members	44
Retirees and beneficiaries currently receiving benefits	24
Members vested, entitled to benefits, but not receiving them	<u>7</u>
	<u>75</u>

Benefits Provided - The Plan was established by the Municipality to provide pension benefits for all its full-time non-uniformed employees. All benefits vest after 7 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, 2021

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 5.25% 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. No contributions were required for the current year.

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>
Private equity	16.0%
Global public equity	48.0%
Real estate	12.0%
Multi-strategy	10.0%
Fixed income	11.0%
Cash	3.0%
	<u>100%</u>

Rate of Return - For the year ended December 31, 2020, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 5.25%. 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	\$ 6,412,837
Plan fiduciary net position-defined benefit	<u>10,758,793</u>
NET PENSION LIABILITY(ASSET)	\$ <u>(4,345,956)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>-167.77%</u>

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE D - EMPLOYEES' RETIREMENT PLANS (Continued)

Actuarial Assumptions - The pension liability was determined by an actuarial valuation as of January 1, 2019, using the following actuarial assumptions, applied to all periods included in this measurement:

Inflation		2.80%
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 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
Private equity	7.25%
Global public equity	5.15%
Real estate	5.26%
Multi-strategy	4.44%
Fixed income	1.26%
Cash	0.00%

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

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

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE D - EMPLOYEES' RETIREMENT PLANS (Continued)

Changes in the Net Position (Asset) Liability

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability (Asset) <u>(a) - (b)</u>
Balances at December 31, 2019	\$ 6,495,384	\$ 9,964,650	\$ (3,469,266)
Changes for the year			
Service cost	260,176	-	260,176
Interest	345,841	-	345,841
Differences between expected and actual experience	(487,177)	-	(487,177)
Changes of assumptions	134,307	-	134,307
Contributions			
employer, net	-	-	-
PMRS assessment	-	160	(160)
Member	-	119,332	(119,332)
PMRS investment income	-	488,816	(488,816)
Fair value investment income	-	544,406	(544,406)
Benefit payments, including employee refunds	(335,694)	(335,694)	-
PMRS administrative expense	-	(1,580)	1,580
Additional administrative expense	-	(21,297)	21,297
Net changes	<u>(82,547)</u>	<u>794,143</u>	<u>(876,690)</u>
Balances at December 31, 2020	<u>\$ 6,412,837</u>	<u>\$ 10,758,793</u>	<u>\$ (4,345,956)</u>

Sensitivity of the Net Pension Liability(Asset) to Changes in the Discount Rate - The following presents the net pension (asset) of the Municipality, calculated using the discount rate of 5.25%, as well as what the Municipality's net pension (asset) 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 <u>(4.25%)</u>	Current Discount Rate <u>(5.25%)</u>	1% Increase <u>(6.25%)</u>
Net pension liability (asset)	\$ <u>(3,474,593)</u>	\$ <u>(4,345,956)</u>	\$ <u>(5,063,605)</u>

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021, the Municipality recognized pension revenues of \$459,203 for the Non-Uniformed Employees' Pension Plan. At December 31, 2021, 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	\$ -	\$ 472,159
Changes in assumptions	114,695	5,886
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>559,046</u>
	<u>\$ 114,695</u>	<u>\$ 1,037,091</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>	
2022	\$ (234,732)
2023	(461,158)
2024	(167,694)
2025	(58,812)
2026	-
Thereafter	<u>-</u>
	<u>\$ (922,396)</u>

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MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE E - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended December 31, 2021:

	<u>Maturity Date</u>
GOVERNMENTAL ACTIVITIES	
General obligation bonds and notes	
PA Transportation Loan	2027
2017 Series AAA	2034
2019 Series A	2030
2019 Series B	2030
2020 Series A	2023
2020 Series B	2027
2020 Series C	2046
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 and notes	
Series 2013A	2023
Series 2013B	2025
Series 2013C	2033
Sewer revenue notes	2025
TOTAL BONDS PAYABLE AND NOTES 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 General Fund and Capital Projects Fund. Payments of compensated absences, net pension obligations and net other postemployment benefit obligations pertaining to the Municipality's governmental activities are also made by the General Fund.

Balance January 1, 2021	Additions	Reductions	Balance December 31, 2021	Due Within One Year
\$ 2,517,382	\$ -	\$ (339,898)	\$ 2,177,484	\$ 335,000
5,695,000	-	(330,000)	5,365,000	346,271
529,855	-	(49,275)	480,580	49,883
341,145	-	(31,725)	309,420	32,117
12,500,000	-	-	12,500,000	-
7,110,000	-	(440,000)	6,670,000	460,000
1,995,000	-	(65,000)	1,930,000	70,000
<u>30,688,382</u>	<u>-</u>	<u>(1,255,898)</u>	<u>29,432,484</u>	<u>1,293,271</u>
1,257,185	-	(259,643)	997,542	259,643
3,860,000	-	(380,000)	3,480,000	380,000
<u>35,805,567</u>	<u>-</u>	<u>(1,895,541)</u>	<u>33,910,026</u>	<u>1,932,914</u>
249,532	-	(101,071)	148,461	64,806
2,030,071	-	(194,100)	1,835,971	763,102
4,346,529	107,169	-	4,453,698	-
<u>7,501,704</u>	<u>-</u>	<u>(3,033,708)</u>	<u>4,467,996</u>	<u>-</u>
<u>\$ 49,933,403</u>	<u>\$ 107,169</u>	<u>\$ (5,224,420)</u>	<u>\$ 44,816,152</u>	<u>\$ 2,760,822</u>
\$ 3,162,329	\$ -	\$ (1,110,392)	\$ 2,051,937	\$ 1,149,103
2,550,168	-	(504,300)	2,045,868	520,338
6,599,700	-	(48,000)	6,551,700	48,000
4,268,000	5,149,000	(350,647)	9,066,353	695,530
<u>16,580,197</u>	<u>5,149,000</u>	<u>(2,013,339)</u>	<u>19,715,858</u>	<u>2,412,971</u>
29,054	-	(3,412)	25,642	-
<u>\$ 16,609,251</u>	<u>\$ 5,149,000</u>	<u>\$ (2,016,751)</u>	<u>\$ 19,741,500</u>	<u>\$ 2,412,971</u>

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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>
2022	\$ 1,673,271	\$ 1,171,729	\$ 2,845,000
2023	14,210,764	875,417	15,086,181
2024	1,754,378	575,866	2,330,244
2025	1,797,116	524,015	2,321,131
2026	1,840,981	469,616	2,310,597
2027-2031	6,505,974	1,598,093	8,104,067
2032-2036	3,970,000	587,792	4,557,792
2037-2041	865,000	112,812	977,812
2042-2046	295,000	36,129	331,129
	<u>\$ 32,912,484</u>	<u>\$ 5,951,469</u>	<u>\$ 38,863,953</u>

The following is a summary of long-term debt outstanding:

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, 2021, amounted to \$5,365,000.

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, 2021, amounted to \$2,177,484.

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, 2021 was \$3,480,000. See Note J.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE E - LONG-TERM LIABILITIES (Continued)

A General Obligation Note, Series of 2019, was issued to fund capital projects in the amount of \$950,000. Principal and interest payments are due annually through December 30, 2030. The issue bears interest at annual rates of 1.72%. The notes outstanding balance at December 31, 2021, amounted to \$790,000.

In June 2020, the Municipality issued a General Obligation Note, Series of 2020 A was issued to fund capital projects and to pay the costs and expenses related to the issuance of the bonds in the amount of \$12,500,000. Principal and interest payments are due annually through December 30, 2023. The issue bears interest at annual rates of 4.00%. The outstanding principal balance at December 31, 2021, amounted to \$12,500,000.

In June 2020, the Municipality issued a General Obligation Note, Series of 2020 B was issued to currently refund the General Obligation Notes Series A of 2017, and to pay the costs and expenses related to the issuance of the bonds in the amount of \$7,375,000. Principal and interest payments are due annually through December 30, 2027. The issue bears interest at annual rates of 3.00% to 4.00%. The outstanding principal balance at December 31, 2021, amounted to \$6,670,000.

In June 2020, the Municipality issued a General Obligation Note, Series of 2020 C was issued to currently refund the Promissory Note, 2015 Series and to pay the costs and expenses related to the issuance of the bonds in the amount of \$2,045,000. Principal and interest payments are due annually through December 30, 2046. The issue bears interest at annual rates ranging from 1.76% to 3.97%. The notes outstanding balance at December 31, 2021, amounted to \$1,930,000.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE E - LONG-TERM LIABILITIES (Continued)

Component Unit - Norristown Municipal Waste Authority

In May of 2020, the Authority issued Sewer Revenue Note, Series 2020 for \$10,000,000, which will be used for the acquisition, construction, and improvements of facility. The Notes bearing interest at 2.7% with interest only payments until June of 2021 and the principle and interest payment of \$67,802 and a final balloon payment in 2025.

In 2013 the Authority issued sewer obligation notes which were used for the acquisition, construction, and improvements of facility. Sewer Revenue Note 2013C was issued for \$440,000. In 2014 the Authority drew the remaining \$6,460,000 which was required to be taken per the loan agreement. This was issued at a fixed rate of 2.87% through 2023, and then will be adjusted as per the agreement. Interest and principal payments on all loans are calculated based upon a 20-year amortization schedule.

Aggregate maturities required on long-term debt at December 31, 2021, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 2,412,971	\$ -	\$ 2,412,971
2023	2,191,704	470,202	2,661,906
2024	1,315,313	352,663	1,667,976
2025	7,601,971	314,648	7,916,619
2026	724,084	319,709	1,043,793
2027-2031	3,948,789	624,709	4,573,498
2032-2033	1,521,026	97,052	1,618,078
	<u>\$ 19,715,858</u>	<u>\$ 2,178,983</u>	<u>\$ 21,894,841</u>

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE E - LONG-TERM LIABILITIES (Continued)

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>
Master Lease Purchase	\$ 199,037	4 years	\$ 55,627	4.61%
John Deere Backhoe	<u>70,118</u>	5 years	<u>16,602</u>	5.75%
	<u>\$ 269,155</u>		<u>\$ 72,229</u>	

This equipment is included in machinery, vehicles and equipment in Note C. Accumulated depreciation at December 31, 2021, was \$164,001.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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>
2022	\$ 64,806	\$ 7,422	\$ 72,228
2023	67,977	4,253	72,230
2024	<u>15,678</u>	<u>926</u>	<u>16,604</u>
	<u>\$ 148,461</u>	<u>\$ 12,601</u>	<u>\$ 161,062</u>

Compensated Absences

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

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

Total compensated absence liabilities presented on the statement of net position amounted to \$1,835,971 as of December 31, 2021.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE F - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances consist of the following at December 31, 2021:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Liquid Fuels Fund	\$ 73,969
General Fund	Debt Service Fund	421,546
General Fund	Community Development	195,105
General Fund	Capital Projects Fund	239,456
General Fund	Other Governmental Funds	30,930
		<u>\$ 961,006</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, 2021, the Municipality paid net insurance premiums of \$617,719.

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, 2021. 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, 2021

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, 2021.

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 \$8,500 whole life insurance policy to each retiring officer.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021, 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	89
	<hr/>
	110
	<hr/> <hr/>

Total OPEB Liability

The Municipality's total OPEB liability of \$4,453,698 was measured as of December 31, 2021 and was determined by an actuarial valuation as of January 1, 2020.

Actuarial Assumptions and Other Inputs - The total OPEB liability in the January 1, 2020 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	3.5% annual increase
Discount rate	2.06%
Healthcare cost trend rates	7% in 2020, decrease by 0.5% per year to an ultimate rate of 5.0%

The discount rate changed from 2.12% to 2.06% and was based on the December 31, 2021 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, 2021

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

Changes in the Total OPEB Liability of the Municipality

Changes of assumptions and other inputs reflect a discount rate of 2.06% in 2021.

	Total OPEB Liability
BALANCES AT DECEMBER 31, 2020	\$ <u>4,346,529</u>
Changes for the year	
Service cost	161,928
Interest	94,450
Differences between expected and actual experience	(42,670)
Benefit payments	<u>(106,539)</u>
NET CHANGES	<u>107,169</u>
BALANCES AT DECEMBER 31, 2021	\$ <u><u>4,453,698</u></u>

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 (1.06%) or 1-percentage point higher (3.06%) than the current discount rate:

	1% Decrease (1.06%)	Current Discount Rate (2.06%)	1% Increase (3.06%)
Total OPEB liability	\$ <u>4,881,319</u>	\$ <u>4,453,698</u>	\$ <u>4,076,717</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>4,020,991</u>	\$ <u>4,453,698</u>	\$ <u>4,960,431</u>

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021, the Municipality recognized OPEB expense of \$306,158. At December 31, 2021, 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>635,971</u>	\$ <u>219,710</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>	
2022	\$ 49,780
2023	49,780
2024	49,780
2025	49,780
2026	49,780
Thereafter	<u>167,361</u>
	<u>\$ 416,261</u>

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. During 2021, the Municipality made principal payments of \$380,000 and interest payments of \$115,150, ending the year with an outstanding balance of \$3,480,000.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE K - SUBSEQUENT EVENT

In June 2022, the Municipality received an additional \$10,070,108.50 from the American Rescue Plan Act of 2021. The Municipality plans to use these funds for capital and infrastructure projects over the period of performance.

In 2022, the “Norristown Stormwater Authority” began operations to address the many stormwater related issues the community faces. The Authority will be reported as a blended component unit due to the appointment of all Board members by Municipal Council and the operational responsibility of the Stormwater Authority resting with Municipal Management.

In December 2022, the Municipality plans to close on a new \$18 million bond issue. A portion of the proceeds of the 2022 Bonds will be used to take out the \$12.5 million Bond Anticipation Note issued in 2020 to initially fund the Municipal Building Renovations and replace the Note with long term fixed rate debt. An additional approximately \$5 million in new money will fund the remaining portion of the Municipal Building Renovations.

NOTE L - 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	\$ 63,123	\$ 187,648	\$ 250,771
Receivables	46,329	21,972	68,301
Prepaid plan expenses and pension benefits	238,116	68,270	306,386
Investments			
Mutual Funds	24,969,878	8,944,202	33,914,080
Exchange traded funds	22,249,039	3,341,877	25,590,916
Certificates of deposit	-	1,913,865	1,913,865
Common and preferred stock	-	1,392,768	1,392,768
Other	-	59,303	59,303
TOTAL INVESTMENTS	<u>47,218,917</u>	<u>15,652,015</u>	<u>62,870,932</u>
TOTAL ASSETS	<u>47,566,485</u>	<u>15,929,905</u>	<u>63,496,390</u>
LIABILITIES			
Accounts payable and accrued expenses	<u>80,439</u>	<u>37,029</u>	<u>117,468</u>
NET POSITION			
Held in trust for pension benefits	<u>\$ 47,486,046</u>	<u>\$ 15,892,876</u>	<u>\$ 63,378,922</u>

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE L - 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	\$ 4,656,410	\$ 1,451,708	\$ 6,108,118
Interest and dividends	848,116	654,286	1,502,402
Investment expenses and foreign taxes paid	<u>(164,301)</u>	<u>(219,259)</u>	<u>(383,560)</u>
INVESTMENT INCOME, net	<u>5,340,225</u>	<u>1,886,735</u>	<u>7,226,960</u>
Contributions			
Commonwealth of Pennsylvania Act 205 pension allocation	868,366	263,793	1,132,159
Municipality contributions	1,941,367	505,958	2,447,325
Member contributions	<u>493,537</u>	<u>199,732</u>	<u>693,269</u>
TOTAL CONTRIBUTIONS	<u>3,303,270</u>	<u>969,483</u>	<u>4,272,753</u>
TOTAL ADDITIONS	<u>8,643,495</u>	<u>2,856,218</u>	<u>11,499,713</u>
DEDUCTIONS			
Benefits and return of contributions	2,570,357	703,533	3,273,890
Account B benefits	-	55,430	55,430
DROP benefits	22,665	-	22,665
Return of contributions	59,660	-	59,660
Administrative expenses	<u>111,415</u>	<u>81,865</u>	<u>193,280</u>
TOTAL DEDUCTIONS	<u>2,764,097</u>	<u>840,828</u>	<u>3,604,925</u>
CHANGE IN NET POSITION	5,879,398	2,015,390	7,894,788
NET POSITION AT BEGINNING OF YEAR	<u>41,606,648</u>	<u>13,877,486</u>	<u>55,484,134</u>
NET POSITION AT END OF YEAR	<u>\$ 47,486,046</u>	<u>\$ 15,892,876</u>	<u>\$ 63,378,922</u>

REQUIRED SUPPLEMENTARY INFORMATION

MUNICIPALITY OF NORRISTOWN
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
GENERAL FUND
YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 13,912,500	\$ 13,912,500	\$ 14,465,208	\$ 552,708
Per capita taxes	55,165	55,165	38,333	(16,832)
Real estate transfer taxes	475,000	475,000	910,302	435,302
Earned income taxes	9,675,000	9,675,000	10,207,666	532,666
Local services taxes	540,000	540,000	541,175	1,175
Business privilege taxes	650,000	650,000	661,199	11,199
Amusement tax	10,000	10,000	219,989	209,989
TOTAL TAXES	<u>25,317,665</u>	<u>25,317,665</u>	<u>27,043,872</u>	<u>1,726,207</u>
Licenses and permits				
Housing	591,000	591,000	642,730	51,730
Cable television franchise fees	385,000	385,000	372,641	(12,359)
Street encroachments	180,000	180,000	449,780	269,780
Other	30,750	30,750	28,071	(2,679)
	<u>1,186,750</u>	<u>1,186,750</u>	<u>1,493,222</u>	<u>306,472</u>
Fines and forfeitures				
District court fines	200,000	200,000	217,732	17,732
Vehicle code violations	30,000	30,000	19,478	(10,522)
Parking related violations	543,000	543,000	621,716	78,716
Forfeitures	2,500	2,500	724	(1,776)
Other code violations	25,000	25,000	53,220	28,220
TOTAL FINES AND FORFEITURES	<u>800,500</u>	<u>800,500</u>	<u>912,870</u>	<u>112,370</u>
Intergovernmental revenues				
Federal community development	157,181	157,181	285,818	128,637
Public utility realty tax	22,000	22,000	24,002	2,002
Alcoholic beverages tax	6,700	6,700	550	(6,150)
Foreign fire tax	132,000	132,000	-	(132,000)
State pension aid	1,205,458	1,205,458	1,134,034	(71,424)
Local government payments	12,700	12,700	12,700	-
Other grants				
Police	299,000	299,000	137,028	(161,972)
Fire	61,000	61,000	10,318	(50,682)
Recycling/Act 101	50,000	50,000	75,099	25,099
Public works	12,000	12,000	30,003	18,003
	<u>1,958,039</u>	<u>1,958,039</u>	<u>1,709,552</u>	<u>(248,487)</u>
Charges for services				
General government	350,941	350,941	421,275	70,334
Public safety	1,484,500	1,484,500	979,628	(504,872)
Highways and streets	4,136,000	4,136,000	4,247,742	111,742
Solid waste collection	-	-	-	-
Culture and recreation	101,500	101,500	56,406	(45,094)
Rent	25,500	25,500	27,321	1,821
TOTAL CHARGES FOR SERVICES	<u>6,098,441</u>	<u>6,098,441</u>	<u>5,732,372</u>	<u>(366,069)</u>
Other				
Investment earnings	100,000	100,000	193,058	93,058
Miscellaneous	915,530	915,530	50,358	(865,172)
TOTAL OTHER	<u>1,015,530</u>	<u>1,015,530</u>	<u>243,416</u>	<u>(772,114)</u>
TOTAL REVENUES	<u>36,376,925</u>	<u>36,376,925</u>	<u>37,135,304</u>	<u>758,379</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 36,376,925</u>	<u>\$ 36,376,925</u>	<u>\$ 37,135,304</u>	<u>\$ 758,379</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, 2021

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
General government				
Administration	\$ 568,714	\$ 568,714	\$ 505,359	\$ 63,355
Executive	81,147	81,147	78,218	2,929
Finance	939,441	939,441	886,121	53,320
Tax collection	162,000	162,000	157,420	4,580
Legal	350,000	350,000	685,525	(335,525)
Human resources	259,794	259,794	273,312	(13,518)
IT	263,500	263,500	346,136	(82,636)
Vehicle maintenance	727,104	727,104	709,190	17,914
Buildings and plant	287,621	287,621	222,380	65,241
Insurance	1,023,231	1,023,231	1,189,384	(166,153)
Overhead	198,213	198,213	117,114	81,099
TOTAL GENERAL GOVERNMENT	4,860,765	4,860,765	5,170,159	(309,394)
Public safety				
Police	15,602,778	15,602,778	14,940,748	662,030
Fire	4,959,380	4,959,380	4,706,316	253,064
Planning and zoning	851,168	851,168	736,629	114,539
Business development	210,000	210,000	94,457	115,543
Code enforcement	1,237,589	1,237,589	1,070,759	166,830
TOTAL PUBLIC SAFETY	22,860,915	22,860,915	21,548,909	1,312,006
Sanitation	4,025,562	4,025,562	4,103,360	(77,798)
Highways and streets				
General	666,570	666,570	655,613	10,957
Street maintenance	1,077,053	1,077,053	996,385	80,668
Traffic signals and street signs	203,482	203,482	196,071	7,411
Street lighting	10,000	10,000	20,709	(10,709)
TOTAL HIGHWAYS AND STREETS	1,957,105	1,957,105	1,868,778	88,327
Culture and recreation				
Parks	276,427	276,427	211,381	65,046
Recreation	454,524	454,524	397,036	57,488
TOTAL CULTURE AND RECREATION	730,951	730,951	608,417	122,534
Community development	24,500	24,500	23,844	656
Debt service	1,912,219	1,912,219	1,911,823	396
TOTAL EXPENDITURES	36,372,017	36,372,017	35,235,290	1,136,727
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 36,372,017	\$ 36,372,017	\$ 35,235,290	\$ 1,136,727

See accompanying notes to the budgetary comparison schedules.

MUNICIPALITY OF NORRISTOWN
NOTES TO THE BUDGETARY COMPARISON SCHEDULES
YEAR ENDED DECEMBER 31, 2021

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, 2021, expenditures exceeded appropriations in the following General Fund amounts:

General government - legal	\$	335,525
General government - human resources		13,518
General government - IT		82,636
General government - insurance		166,153
Sanitation		77,798
Highways and streets - street lighting		10,709

These excess expenditures were funded by reduction in expenditures and additional revenue.

MUNICIPALITY OF NORRISTOWN

SCHEDULE OF CHANGES IN THE NET POLICE PENSION PLAN LIABILITY(ASSET) AND RELATED RATIOS LAST SEVEN FISCAL YEARS

	2021	2020	2019
TOTAL PENSION LIABILITY			
Service cost	\$ 1,022,518	\$ 946,712	\$ 979,618
Interest	3,679,869	3,542,558	3,385,342
Differences between expected and actual experience	(1,250,777)	(109,625)	333,302
Changes of assumptions	3,369,109	-	-
Benefit payments	<u>(2,652,682)</u>	<u>(2,714,720)</u>	<u>(2,558,802)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	4,168,037	1,664,925	2,139,460
Total pension liability, beginning	<u>47,786,005</u>	<u>46,121,080</u>	<u>43,981,620</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 51,954,042</u>	<u>\$ 47,786,005</u>	<u>\$ 46,121,080</u>
PLAN FIDUCIARY NET POSITION			
Contributions			
Employer	\$ 2,809,733	\$ 2,711,571	\$ 2,550,190
Member	493,537	550,116	551,467
Net investment income	5,340,225	5,800,625	5,849,951
Benefit payments, including refunds of member contributions	(2,652,682)	(2,714,720)	(2,558,802)
Administrative expense	<u>(111,415)</u>	<u>(111,756)</u>	<u>(123,043)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	5,879,398	6,235,836	6,269,763
Plan fiduciary net position, beginning	<u>41,606,648</u>	<u>35,370,812</u>	<u>29,101,049</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 47,486,046</u>	<u>\$ 41,606,648</u>	<u>\$ 35,370,812</u>
NET PENSION LIABILITY (ASSET), ENDING (a)-(b)	<u>\$ 4,467,996</u>	<u>\$ 6,179,357</u>	<u>\$ 10,750,268</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>91.40%</u>	<u>87.07%</u>	<u>76.69%</u>
COVERED PAYROLL	<u>\$ 7,000,400</u>	<u>\$ 7,190,391</u>	<u>\$ 7,308,123</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>63.82%</u>	<u>85.94%</u>	<u>147.10%</u>

For the year ended December 31, 2021, the Municipality lowered its assumption for salary increases from 4.75% to 4.5% and the investment rate of return/discount rate from 7.75% to 7.50%. 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%. For the year ended December 31, 2015, the Municipality lowered its assumption for salary increases from 5.25% to 5.0% and the investment rate of return/discount rate from 8.25% to 8.0%.

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.

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$	899,623	\$ 895,945	\$ 874,495	\$ 860,540
	3,246,813	3,049,663	3,136,765	2,946,663
	56,203	123,388	(1,507,870)	48,139
	-	901,586	-	831,674
	<u>(2,431,517)</u>	<u>(2,429,255)</u>	<u>(2,338,562)</u>	<u>(2,310,845)</u>
	1,771,122	2,541,327	164,828	2,376,171
	<u>42,210,498</u>	<u>39,669,171</u>	<u>39,504,343</u>	<u>37,128,172</u>
\$	<u><u>43,981,620</u></u>	<u><u>42,210,498</u></u>	<u><u>39,669,171</u></u>	<u><u>39,504,343</u></u>
\$	2,566,022	\$ 3,268,557	\$ 2,373,206	\$ 2,213,742
	526,764	551,619	516,887	479,263
	(1,801,449)	4,011,362	1,373,062	64,102
	(2,431,517)	(2,429,255)	(2,338,562)	(2,310,845)
	<u>(80,496)</u>	<u>(75,468)</u>	<u>(72,796)</u>	<u>(74,274)</u>
	(1,220,676)	5,326,815	1,851,797	371,988
	<u>30,321,725</u>	<u>24,994,910</u>	<u>23,143,113</u>	<u>22,771,125</u>
\$	<u><u>29,101,049</u></u>	<u><u>30,321,725</u></u>	<u><u>24,994,910</u></u>	<u><u>23,143,113</u></u>
\$	<u><u>14,880,571</u></u>	<u><u>11,888,773</u></u>	<u><u>14,674,261</u></u>	<u><u>16,361,230</u></u>
	<u>66.17%</u>	<u>71.83%</u>	<u>63.01%</u>	<u>58.58%</u>
\$	<u><u>6,974,654</u></u>	<u><u>6,831,479</u></u>	<u><u>6,681,750</u></u>	<u><u>6,819,667</u></u>
	<u>213.35%</u>	<u>174.03%</u>	<u>219.62%</u>	<u>239.91%</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 2,809,733	\$ 2,711,571	\$ 2,550,190	\$ 2,566,022
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>2,809,733</u>	<u>2,711,571</u>	<u>2,550,190</u>	<u>2,566,022</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
COVERED PAYROLL	<u>\$ 7,000,400</u>	<u>\$ 7,190,391</u>	<u>\$ 7,308,123</u>	<u>\$ 6,974,654</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>40.14%</u>	<u>37.71%</u>	<u>34.90%</u>	<u>36.79%</u>

NOTES TO SCHEDULE

Valuation date:

January 1, 2021

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	6 years
Asset valuation method	Fair value
Inflation	3%
Salary increases	4.5% average, including inflation
Investment rate of return	7.5%, net of investment expense, including inflation
Retirement age	Age 50 with 25 years' service
COLA increases	3.0% for those eligible
Mortality	2010 Public Safety Mortality table using scale MP-2018

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 2,388,825	\$ 2,364,835	\$ 2,213,742	\$ 1,580,660	\$ 1,567,645	\$ 1,294,190
<u>2,388,825</u>	<u>2,364,835</u>	<u>2,213,742</u>	<u>1,580,660</u>	<u>1,567,645</u>	<u>1,294,190</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ <u>6,831,479</u>	\$ <u>6,681,750</u>	\$ <u>6,819,667</u>	\$ <u>6,494,921</u>	\$ <u>5,698,376</u>	\$ <u>5,954,543</u>
<u>34.97%</u>	<u>35.39%</u>	<u>32.46%</u>	<u>24.34%</u>	<u>27.51%</u>	<u>21.73%</u>

January 1, 2019

Entry age
Level dollar, closed
8 years
Fair value
3%
4.5% average, including inflation
7.5%, net of investment expense, including inflation
Age 50 with 25 years' service
3.0% for those eligible
RP 2000 Mortality Tables projected to 2020 using Scale AA

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>13.53%</u>	<u>17.12%</u>	<u>21.20%</u>	<u>-5.43%</u>

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u><u>16.66%</u></u>	<u><u>6.57%</u></u>	<u><u>0.67%</u></u>	<u><u>5.80%</u></u>	<u><u>16.86%</u></u>	<u><u>13.54%</u></u>

MUNICIPALITY OF NORRISTOWN

SCHEDULE OF CHANGES IN THE NET PAID FIREFIGHTERS' PENSION PLAN LIABILITY(ASSET) AND RELATED RATIOS LAST SEVEN FISCAL YEARS

	2021	2020	2019	2018
TOTAL PENSION LIABILITY				
Service cost	\$ 358,734	\$ 322,770	\$ 316,031	\$ 281,284
Interest	1,124,572	1,080,103	1,051,365	1,014,923
Differences between expected and actual experience	(280,972)	(141,822)	(289,685)	(154,354)
Changes of assumptions	-	-	-	-
Benefit payments	(703,533)	(704,668)	(697,867)	(683,560)
NET CHANGE IN TOTAL PENSION LIABILITY	498,801	556,383	379,844	458,293
Total pension liability, beginning	14,987,323	14,430,940	14,051,096	13,592,803
TOTAL PENSION LIABILITY, ENDING (a)	\$ 15,486,124	\$ 14,987,323	\$ 14,430,940	\$ 14,051,096
PLAN FIDUCIARY NET POSITION				
Contributions				
Employer	\$ 769,751	\$ 775,678	\$ 751,479	\$ 735,994
Member	199,732	182,193	184,924	160,379
Net investment income	2,043,815	1,032,713	1,879,330	(517,256)
Benefit payments, including refunds of member contributions	(703,533)	(704,668)	(697,867)	(683,234)
Administrative expense	(81,865)	(75,207)	(52,460)	(44,505)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	2,227,900	1,210,709	2,065,406	(348,622)
Plan fiduciary net position, beginning	13,664,976	12,454,267	10,388,861	10,737,483
PLAN FIDUCIARY NET POSITION, ENDING (b)	\$ 15,892,876	\$ 13,664,976	\$ 12,454,267	\$ 10,388,861
NET PENSION LIABILITY (ASSET), ENDING (a)-(b)	\$ (406,752)	\$ 1,322,347	\$ 1,976,673	\$ 3,662,235
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	102.63%	91.18%	86.30%	73.94%
COVERED PAYROLL	\$ 2,500,568	\$ 2,283,486	\$ 2,470,906	\$ 2,136,264
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	-16.27%	57.91%	80.00%	171.43%

For the year ended December 31, 2020, the Municipality lowered its assumption for salary increases from 4.75% to 4.5% and the investment rate of return/discount rate from 7.75% to 7.50%. 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%. For the year ended December 31, 2015, the Municipality lowered its assumption for salary increases from 5.25% to 5.0% and the investment rate of return/discount rate from 8.25% to 8.0%.

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.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$	312,686	\$ 296,524	\$ 285,130
	948,062	955,198	897,037
	(226,021)	59,813	(134,791)
	563,609	-	245,002
	<u>(667,347)</u>	<u>(586,354)</u>	<u>(567,145)</u>
	930,989	725,181	725,233
	<u>12,661,814</u>	<u>11,936,633</u>	<u>11,211,400</u>
\$	<u><u>13,592,803</u></u>	<u><u>12,661,814</u></u>	<u><u>11,936,633</u></u>
\$	901,381	\$ 710,112	\$ 709,534
	147,419	131,535	97,563
	1,022,069	731,319	(74,097)
	(667,347)	(586,354)	(567,145)
	<u>(45,672)</u>	<u>(45,151)</u>	<u>(44,605)</u>
	1,357,850	941,461	121,250
	<u>9,379,633</u>	<u>8,438,172</u>	<u>8,316,922</u>
\$	<u><u>10,737,483</u></u>	<u><u>9,379,633</u></u>	<u><u>8,438,172</u></u>
\$	<u><u>2,855,320</u></u>	<u><u>3,282,181</u></u>	<u><u>3,498,461</u></u>
	<u>78.99%</u>	<u>74.08%</u>	<u>70.69%</u>
\$	<u><u>2,041,398</u></u>	<u><u>2,041,160</u></u>	<u><u>1,915,886</u></u>
	<u>139.87%</u>	<u>160.80%</u>	<u>182.60%</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 769,751	\$ 775,678	\$ 751,479	\$ 735,994
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>769,751</u>	<u>775,678</u>	<u>751,479</u>	<u>735,994</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
COVERED PAYROLL	<u>\$ 2,500,568</u>	<u>\$ 2,283,486</u>	<u>\$ 2,470,906</u>	<u>\$ 2,136,264</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>30.78%</u>	<u>33.97%</u>	<u>30.41%</u>	<u>34.45%</u>

NOTES TO SCHEDULE

Valuation date:

January 1, 2021

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	4 years
Asset valuation method	Fair value
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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$	700,241	\$ 705,815	\$ 709,534	\$ 447,259	\$ 464,961	\$ 357,542
	<u>700,241</u>	<u>705,815</u>	<u>709,534</u>	<u>447,259</u>	<u>464,961</u>	<u>357,542</u>
\$	<u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$	<u>2,041,398</u>	\$ <u>2,041,160</u>	\$ <u>1,915,886</u>	\$ <u>1,824,654</u>	\$ <u>1,776,293</u>	\$ <u>1,677,733</u>
	<u>34.30%</u>	<u>34.58%</u>	<u>37.03%</u>	<u>24.51%</u>	<u>26.18%</u>	<u>21.31%</u>

January 1, 2019

Entry age
Level dollar, closed
6 years
Smoothed fair value - 5 years
3%
4.5% average, including inflation
7.5%, net of investment expense, including inflation
Age 53 with 25 years' service
3.0% for those eligible
RP 2000 Mortality Tables projected to 2020 using Scale AA

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>15.32%</u>	<u>8.70%</u>	<u>18.80%</u>	<u>-4.84%</u>

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u><u>11.25%</u></u>	<u><u>8.92%</u></u>	<u><u>(0.84)%</u></u>	<u><u>7.68%</u></u>	<u><u>19.19%</u></u>	<u><u>16.67%</u></u>

MUNICIPALITY OF NORRISTOWN

SCHEDULE OF CHANGES IN THE NET NON-UNIFORMED EMPLOYEES' PENSION PLAN LIABILITY(ASSET) AND RELATED RATIOS LAST SIX FISCAL YEARS

	2020	2019	2018
TOTAL PENSION LIABILITY			
Service cost	\$ 260,176	\$ 243,303	\$ 237,968
Interest	345,841	336,759	338,153
Changes of benefits	-	-	94,801
Changes for experience	-	-	-
Changes of assumptions	134,307	-	-
Differences between expected and actual experience	(487,177)	-	(313,485)
Transfers	-	-	(14,059)
Benefit payments	(335,694)	(509,027)	(257,764)
NET CHANGE IN TOTAL PENSION LIABILITY	(82,547)	71,035	85,614
Total pension liability, beginning	6,495,384	6,424,349	6,338,735
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 6,412,837</u>	<u>\$ 6,495,384</u>	<u>\$ 6,424,349</u>
PLAN FIDUCIARY NET POSITION			
Contributions - employer, net	\$ -	\$ (1,420)	\$ -
Contributions, PMRS assessment	160	1,620	160
Contributions, employee	119,332	112,691	109,486
Net investment income (loss)	1,033,222	1,673,872	(769,161)
Transfers	-	-	(14,059)
Benefit payments, including refunds of member contributions	(335,694)	(509,027)	(257,764)
Administrative expenses	(22,877)	(17,790)	(22,966)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	794,143	1,259,946	(954,304)
Plan fiduciary net position, beginning	9,964,650	8,704,704	9,659,008
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 10,758,793</u>	<u>\$ 9,964,650</u>	<u>\$ 8,704,704</u>
NET PENSION (ASSET) LIABILITY, ENDING (a)-(b)	<u>\$ (4,345,956)</u>	<u>\$ (3,469,266)</u>	<u>\$ (2,280,355)</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>167.77%</u>	<u>153.41%</u>	<u>135.50%</u>
COVERED PAYROLL	<u>\$ 2,545,715</u>	<u>\$ 2,387,064</u>	<u>\$ 2,366,441</u>
NET PENSION (ASSET) LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>-170.72%</u>	<u>-145.34%</u>	<u>-96.36%</u>

For the year ended December 31, 2019, the Municipality decreased its assumption for investment rate of return from 5.50% to 5.25%.

For the year ended December 31, 2016, the Municipality increased its assumption for investment rate of return from 5.25% to 5.50%.

For the year ended December 31, 2015, the assumption for salary increases changed from 4.10% to an age related scale with merit and inflation components.

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.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$	222,190	\$ 192,887	\$ 204,394
	325,175	334,816	327,188
	-	-	-
	-	(293,882)	(7,169)
	-	176,100	(47,082)
	-	-	-
	-	-	-
	<u>(357,609)</u>	<u>(307,842)</u>	<u>(360,036)</u>
	189,756	102,079	117,295
	<u>6,148,979</u>	<u>6,046,900</u>	<u>5,929,605</u>
\$	<u><u>6,338,735</u></u>	<u><u>6,148,979</u></u>	<u><u>6,046,900</u></u>
\$	-	\$ -	\$ -
	100	280	100
	101,607	94,682	90,131
	1,471,068	624,651	48,739
	-	-	-
	(357,609)	(307,842)	(360,036)
	<u>(22,703)</u>	<u>(24,349)</u>	<u>(20,527)</u>
	1,192,463	387,422	(241,593)
	<u>8,466,545</u>	<u>8,079,123</u>	<u>8,320,716</u>
\$	<u><u>9,659,008</u></u>	<u><u>8,466,545</u></u>	<u><u>8,079,123</u></u>
\$	<u><u>(3,320,273)</u></u>	<u><u>(2,317,566)</u></u>	<u><u>(2,032,223)</u></u>
	<u>152.38%</u>	<u>137.69%</u>	<u>133.61%</u>
\$	<u><u>2,220,965</u></u>	<u><u>2,088,440</u></u>	<u><u>1,987,299</u></u>
	<u><u>-149.50%</u></u>	<u><u>-110.97%</u></u>	<u><u>-102.26%</u></u>

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ -	\$ -	\$ -
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>160</u>	<u>200</u>	<u>160</u>
CONTRIBUTION EXCESS	<u>\$ (160)</u>	<u>\$ (200)</u>	<u>\$ (160)</u>
COVERED PAYROLL	<u>\$ 2,545,715</u>	<u>\$ 2,387,064</u>	<u>\$ 2,366,441</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>0.01%</u>	<u>0.01%</u>	<u>0.01%</u>

NOTES TO SCHEDULE

Valuation date January 1, 2019

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	2.80%
Salary increases	Age related scale with merit and inflation component
Investment rate of return	5.25%
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.

<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ -	\$ -	\$ -
<u>100</u>	<u>280</u>	<u>100</u>
\$ <u>(100)</u>	\$ <u>(280)</u>	\$ <u>(100)</u>
\$ <u>2,220,965</u>	\$ <u>2,088,440</u>	\$ <u>1,987,299</u>
<u>0.00%</u>	<u>0.01%</u>	<u>0.01%</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY				
Service cost	\$ 161,928	\$ 143,898	\$ 114,663	\$ 130,306
Interest	94,450	106,609	137,434	120,403
Differences between expected and actual experience	(42,670)	430,898	396,868	(275,775)
Benefit payments	<u>(106,539)</u>	<u>(163,630)</u>	<u>(115,188)</u>	<u>(99,503)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	107,169	517,775	533,777	(124,569)
TOTAL OPEB LIABILITY, BEGINNING	<u>4,346,529</u>	<u>3,828,754</u>	<u>3,294,977</u>	<u>3,419,546</u>
TOTAL OPEB LIABILITY, ENDING (a)	<u>\$ 4,453,698</u>	<u>\$ 4,346,529</u>	<u>\$ 3,828,754</u>	<u>\$ 3,294,977</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 10,421,028</u>	<u>\$ 10,026,323</u>	<u>\$ 9,235,621</u>	<u>\$ 8,795,847</u>
NET OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>42.74%</u>	<u>43.35%</u>	<u>41.46%</u>	<u>37.46%</u>

NOTES TO SCHEDULE

Changes in assumptions: In 2021 the discount rate was changed from 2.12% to 2.06%.

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

There are no assets accumulated in a trust that meets the criteria of GASB codification requirement to pay related benefits for the OPEB plan.

SUPPLEMENTARY INFORMATION

MUNICIPALITY OF NORRISTOWN
DESCRIPTION OF NONMAJOR FUNDS
OTHER GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

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, 2021

	Police Grant Fund	Main & Cherry Parking Lot Fund	Total Other Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 33,200	\$ 2,160	\$ 35,360
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Unearned revenues	\$ 4,548	\$ -	\$ 4,548
Due to other funds	30,930	-	30,930
TOTAL LIABILITIES	35,478	-	35,478
FUND BALANCES			
Restricted	-	2,160	2,160
Unassigned	(2,278)	-	(2,278)
TOTAL FUND BALANCES	(2,278)	2,160	(118)
TOTAL LIABILITIES AND FUND BALANCES	\$ 33,200	\$ 2,160	\$ 35,360

MUNICIPALITY OF NORRISTOWN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OTHER GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2021

	<u>Police Grant Fund</u>	<u>Main & Cherry Parking Lot Fund</u>	<u>Total Other Governmental Funds</u>
REVENUES			
Intergovernmental	\$ 78,032	\$ -	\$ 78,032
Donations	-	-	-
TOTAL REVENUES	<u>78,032</u>	<u>-</u>	<u>78,032</u>
EXPENDITURES			
Public safety	<u>82,532</u>	<u>-</u>	<u>82,532</u>
NET CHANGE IN FUND BALANCES	(4,500)	-	(4,500)
FUND BALANCES AT BEGINNING OF YEAR	<u>2,222</u>	<u>2,160</u>	<u>4,382</u>
FUND BALANCES AT END OF YEAR	<u>\$ (2,278)</u>	<u>\$ 2,160</u>	<u>\$ (118)</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 Assets by Component

(Last Ten Fiscal Years)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Governmental activities:										
Net Investment in Capital Assets	19,281,110	7,313,622	6,245,416	4,456,779	10,831	17,764,249	15,774,229	15,029,542	14,369,503	13,920,492
Restricted	2,622,905	2,419,291	2,923,816	9,886,153	12,723,608	1,089,028	890,504	649,810	871,174	429,547
Unrestricted	(11,019,822)	(3,191,889)	(5,931,034)	(12,582,046)	(7,149,965)	(15,343,568)	(15,597,472)	(1,883,795)	(3,923,142)	(4,606,941)
Total governmental activities net position	10,884,193	6,541,024	3,238,198	1,760,886	5,584,474	3,509,709	1,067,261	13,795,557	11,317,535	9,743,098
Component unit activities:										
Net Investment in Capital Assets	16,386,569	14,575,223	12,281,731	10,362,993	8,818,874	7,160,264	6,455,330	5,577,229	2,654,502	(1,227,652)
Restricted	-	-	-	-	-	20,252	11,842	202,709	1,313,146	4,090,845
Unrestricted	3,196,484	2,895,354	3,474,435	3,586,362	3,122,067	2,859,419	2,591,741	1,710,733	2,503,353	2,459,116
Total component unit activities net position	19,583,053	17,470,577	15,756,166	13,949,355	11,940,941	10,039,935	9,058,913	7,490,671	6,471,001	5,322,309

Source: Audited Financial Statements.

Table 2.

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Expenses										
Governmental expenses:										
General government	4,602,744	3,412,141	11,699,949	8,481,333	8,061,270	7,448,040	6,876,370	6,756,446	7,328,425	7,432,164
Public safety	19,509,366	19,413,605	15,634,820	16,548,598	15,565,713	15,309,348	15,109,483	14,254,440	13,970,579	13,403,871
Public works - highways and streets	3,777,360	3,824,172	2,870,130	3,662,167	2,637,673	2,546,737	2,659,326	2,452,907	2,388,281	3,172,495
Public works - sanitation	4,103,360	2,396,631	2,384,548	2,324,783	2,399,147	2,333,677	2,264,838	2,380,116	2,291,982	2,311,692
Culture, recreation & community development	2,604,805	1,099,234	1,226,904	1,808,131	1,502,252	1,710,291	1,084,140	1,194,616	1,647,377	2,419,210
Interest on long-term debt	898,375	1,334,960	473,288	526,427	559,142	881,131	1,117,991	1,219,971	1,343,208	1,470,781
Total governmental expenses	35,496,010	31,480,743	34,289,639	33,351,439	30,725,197	30,229,224	29,112,148	28,258,496	28,969,852	30,210,213
Component unit expenses										
Norristown Waste Authority	4,107,593	4,047,253	4,274,606	4,179,002	4,097,098	4,585,138	4,464,179	4,391,636	4,566,752	4,732,913
Program Revenues										
Governmental activities:										
Charges for services	8,075,654	6,056,125	6,537,662	6,173,441	6,123,924	6,276,388	6,527,336	6,489,344	6,167,462	6,363,227
Operating grants and contributions	2,047,342	1,816,064	1,979,277	2,464,787	1,391,162	2,044,341	1,704,051	1,632,800	1,691,594	2,112,253
Capital grants and contributions	2,286,584	1,362,234	1,678,494	2,382,145	1,927,553	2,041,874	1,762,794	1,555,345	2,575,916	3,139,866
Total governmental activities program revenues	12,409,580	9,234,423	10,195,433	11,020,373	9,442,639	10,362,603	9,994,181	9,677,489	10,434,972	11,615,346
Component unit activities										
Norristown Waste Authority	5,941,245	5,723,070	5,912,996	6,052,557	5,827,112	5,510,673	5,555,967	5,212,889	5,676,842	5,308,173
Net Revenues (Expenses)										
Governmental activities	(23,086,430)	(22,246,320)	(24,094,206)	(22,331,066)	(21,282,558)	(19,866,621)	(19,117,967)	(18,581,007)	(18,534,880)	(18,594,867)
Component unit activities	1,833,652	1,675,817	1,638,390	1,873,555	1,730,014	925,535	1,091,788	821,253	1,110,090	575,260
General Revenue										
Governmental Activities:										
Taxes	26,990,606	24,505,415	25,218,330	24,613,234	23,114,490	22,194,426	21,208,884	20,918,837	20,554,811	20,380,802
Investment earnings	201,189	150,021	287,964	310,595	110,107	83,283	89,183	81,927	78,884	83,097
Miscellaneous	237,804	893,710	62,950	81,695	132,726	31,360	39,972	58,265	38,004	89,563
Total Governmental activities	27,429,599	25,549,146	25,569,244	25,005,524	23,357,323	22,309,069	21,338,039	21,059,029	20,671,699	20,553,462
Component unit	278,824	38,594	168,421	134,859	170,992	55,487	476,454	198,417	38,602	82,188
Changes in net position										
Governmental activities	4,343,169	3,302,826	1,475,038	2,674,458	2,074,765	2,442,448	2,220,072	2,478,022	2,136,819	1,958,595
Component unit	2,112,476	1,714,411	1,806,811	2,008,414	1,901,006	981,022	1,568,242	1,019,670	1,148,692	657,448

Source: Audited Financial Statements

Table 3.

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General fund:										
Nonspendable, prepaid items	4,350	4,350	4,350	4,350	4,350	56,781	0	0	52,167	154,672
Restricted	0	0	0	0	0	0	0	0	0	0
Committed	0	0	0	0	0	0	1,202,298	1,202,298	1,202,298	1,202,298
Unassigned	10,425,893	8,525,879	9,124,730	9,570,060	9,219,608	10,005,692	9,316,121	9,272,112	8,348,734	7,931,428
Total general fund	10,430,243	8,530,229	9,129,080	9,574,410	9,223,958	10,062,473	10,518,419	10,474,410	9,603,199	9,288,398
All other governmental funds										
Restricted	12,163,406	18,354,052	6,368,271	9,886,153	12,723,608	1,089,028	890,504	649,810	871,174	429,547
Community Development	(304,632)	(179,929)	(197,782)	(75,550)	(251,682)	(40,101)	18,503	1,079	348	(129)
Unassigned other government funds	(365,070)	(362,795)	(362,806)	(363,795)	(367,842)	(417,934)	(305,119)	(349,960)	(345,973)	(93,660)
Total all other Governmental Funds	11,493,704	17,811,328	5,807,683	9,446,808	12,104,084	630,993	603,888	300,929	525,549	335,758
Total all governmental funds	21,923,947	26,341,557	14,936,763	19,021,218	21,328,042	10,693,466	11,122,307	10,775,339	10,128,748	9,624,156

Source: Audited Financial Statements.

Table 4.

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Revenue:										
Taxes	27,043,774	24,646,718	25,160,779	24,540,204	23,026,952	22,105,869	21,205,436	21,061,093	20,707,821	20,402,013
Fees, licenses and permits	1,493,292	1,191,046	1,166,682	1,114,133	1,180,414	1,012,326	1,134,813	1,018,725	988,897	972,618
Fines and forfeitures	912,870	783,223	948,082	701,578	814,813	1,153,907	1,123,194	1,362,944	1,477,395	1,635,958
Interest income & rent	201,189	150,021	287,964	310,594	110,107	83,283	89,183	81,927	78,884	83,317
Intergovernmental revenue	4,290,561	3,072,896	3,611,287	4,486,444	3,218,331	3,609,376	3,458,091	3,169,830	4,267,510	5,256,597
Charges for services	5,732,372	4,231,615	4,492,284	4,459,377	4,155,182	4,549,100	4,294,093	4,107,675	3,701,170	3,754,651
Other	253,184	1,321,569	413,509	309,879	126,548	66,560	14,926	77,180	38,004	89,563
Total Revenue	39,927,242	35,397,088	36,080,587	35,922,209	32,632,347	32,580,421	31,319,736	30,879,374	31,259,681	32,194,717
Expenditures:										
General Government	5,561,137	5,949,205	10,220,768	9,052,052	9,411,733	7,796,557	6,828,230	6,735,030	7,377,459	7,472,691
Public safety	21,564,101	21,563,822	17,231,236	16,031,005	15,657,196	15,276,923	14,907,368	13,629,549	13,281,490	12,721,361
Public works - highways and streets	2,134,628	2,201,095	1,775,354	1,815,973	1,552,922	1,747,276	1,709,179	1,555,129	1,380,627	1,407,939
Public Works - sanitation	4,103,360	2,396,631	2,384,548	2,324,783	2,400,195	2,387,512	2,264,838	2,380,116	2,305,955	2,311,692
Culture and recreation	608,417	593,529	559,738	508,067	747,758	494,097	255,061	311,899	440,622	449,504
Community development	504,248	415,546	176,956	1,022,106	207,028	421,174	546,238	689,217	1,140,384	1,935,319
Capital outlay	6,895,432	3,132,669	5,288,363	3,653,453	2,422,484	1,405,562	346,371	827,433	866,881	2,217,463
Debt service:										
Principal	1,635,898	8,871,103	3,342,351	3,353,719	3,444,562	3,291,284	3,109,605	3,029,780	2,948,245	2,878,988
Payments on capital leases	101,071	144,531	100,984	159,690	207,069	207,047	189,723	207,107	177,681	133,123
Interest and other charges	1,236,560	899,221	400,067	502,795	664,386	796,731	894,102	974,802	1,063,259	1,124,106
Debt issuance costs	-	19,885	-	-	151,301	-	-	-	-	-
Total Expenditures	44,344,852	46,187,237	41,480,365	38,423,643	36,866,634	33,824,163	31,050,715	30,340,062	30,982,603	32,652,186
Excess (deficiency) of revenue over expenditures	(4,417,610)	(10,790,149)	(5,399,778)	(2,501,434)	(4,234,287)	(1,243,742)	269,021	539,312	277,078	(457,469)
Other Financing Sources (Uses)										
Capital lease proceeds	-	-	-	-	113,409	227,939	68,911	107,279	227,514	395,292
Proceeds from sale of capital assets	-	564	25,011	65,547	85,077	2,994	9,036	-	-	-
Proceeds from issuance of debt	-	21,920,001	1,288,040	-	13,500,000	583,968	-	-	-	-
Proceeds from refunding bonds	-	1,387,006	-	-	8,130,000	-	-	-	-	-
Payments to refunding escrow agent	-	(1,112,628)	-	-	(6,959,623)	-	-	-	-	-
Interfund transfers in	-	-	202,699	3,824,618	4,157,282	4,151,175	4,016,643	4,000,595	3,734,933	4,116,243
Interfund transfers out	-	-	(202,699)	(3,824,618)	(4,157,282)	(4,151,175)	(4,016,643)	(4,000,595)	(3,734,933)	(4,116,243)
Total other financing sources (uses)	-	22,194,943	1,313,051	65,547	14,868,863	814,901	77,947	107,279	227,514	395,292
Net Change in Fund Balance	(4,417,610)	11,404,794	(4,086,727)	(2,435,887)	10,634,576	(428,841)	346,968	646,591	504,592	(62,177)
Fund balance beginning of year	26,341,557	14,936,763	19,023,490	21,457,105	10,693,466	11,122,307	10,775,339	10,128,748	9,624,156	9,686,333
Fund balance end of year	21,923,947	26,341,557	14,936,763	19,021,218	21,328,042	10,693,466	11,122,307	10,775,339	10,128,748	9,624,156
Capital expenditures (included above)	5,705,936	2,783,330	5,389,347	3,813,143	2,629,553	1,612,609	536,094	1,034,540	1,044,562	2,350,586
Debt Service as % of non-capital expenditures	7.7%	22.8%	10.6%	11.6%	12.6%	13.3%	13.7%	14.4%	14.0%	13.7%
Debt Service as % of total expenditures	6.7%	21.5%	9.3%	10.5%	12.1%	12.7%	13.5%	13.9%	13.5%	12.7%

Source: Audited Financial Statements.

Table 5.

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

	2021	2020	2019	2018	2017	2016	2015	2014
Police Pension Plan								
Total pension liability ending	51,954,042	47,786,005	46,121,080	43,981,620	42,210,498	39,669,171	39,504,343	37,128,172
Plan net position ending	47,486,046	41,606,648	35,370,812	29,101,049	30,321,725	24,994,910	23,143,113	22,771,125
Net pension liability ending	4,467,996	6,179,357	10,750,268	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	91.40%	87.07%	76.69%	66.17%	71.83%	63.01%	58.58%	61.33%
Paid Firefighters' Pension Plan								
Total pension liability ending	15,486,124	14,987,323	14,430,940	14,051,096	13,592,803	12,661,814	11,936,633	11,211,400
Plan net position ending	15,892,876	13,664,976	12,454,267	10,388,518	10,737,483	9,379,633	8,438,172	8,316,922
Net pension liability(asset) ending	(406,752)	1,322,347	1,976,673	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	102.63%	91.18%	86.30%	73.93%	78.99%	74.08%	70.69%	74.18%
Non-Uniform Employees Pension Plan								
			n/a					
Total pension liability ending	6,412,837	6,495,384		6,424,349	6,338,735	6,148,979	6,046,900	5,929,605
Plan net position ending	10,758,793	9,964,650		8,704,704	9,659,008	8,466,545	8,079,123	8,320,716
Net pension liability(asset) ending	(4,345,956)	(3,469,266)		(2,280,355)	(3,320,273)	(2,317,566)	(2,032,223)	(2,391,111)
Plan net position as a percentage of total pension liability ending	167.77%	153.41%		135.50%	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 Taxes	Real Estate Transfer Taxes	Earned Income Taxes	Local Services Taxes	Business Privilege Taxes	Total Local Tax Revenue	Total Revenue	% Local Tax Revenue
2021	14,362,579	910,302	10,205,638	543,105	661,199	26,682,822	39,927,242	72.1%
2020	12,599,928	398,014	9,901,278	542,934	511,208	23,953,362	35,397,088	67.7%
2019	12,536,576	500,419	10,762,155	450,000	851,971	25,101,121	36,080,587	69.6%
2018	12,700,037	849,791	9,486,955	540,475	956,257	24,533,515	35,922,209	68.3%
2017	11,261,652	371,900	9,671,845	711,461	1,072,668	23,089,526	32,632,347	70.8%
2016	11,052,131	341,040	9,083,963	554,279	1,107,188	22,138,601	32,580,421	68.0%
2015	11,093,484	502,819	8,129,005	534,149	912,301	21,171,758	31,319,736	67.6%
2014	10,773,093	291,859	8,297,202	523,276	993,976	20,879,406	30,879,374	67.6%
2013	10,600,216	206,798	8,193,285	533,496	979,344	20,513,139	31,259,681	65.6%
2012	10,525,849	489,504	7,791,772	590,106	931,257	20,328,488	32,194,717	63.1%

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
2021	1,313,857,505	66.63%	875,363,462
2020	1,316,080,906	66.60%	876,472,174
2019	1,251,398,027	69.90%	874,729,844
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

Source: State Tax Equilization 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
2021	16.000	39.204	3.923	0.390	59.517	26.88%
2020	15.000	39.20	3.549	0.390	58.139	25.81%
2019	14.700	37.952	3.459	0.390	56.501	26.02%
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%

Source: Montgomery County Controller's Office.

Table 9.

MUNICIPALITY OF NORRISTOWN
Revenue Capacity Information
Top Ten Property Taxpayers
 (2021 and 2012)

Taxpayer	Type of Business	2021 Assessment			2012 Assessment		
		Assessed Valuation	Rank	% of Total Assessed Valuation	Assessed Valuation	Rank	% of Total Assessed Valuation
PP Montgomery Mills Investors LLC		\$ 15,413,920	1	1.76%	\$ 15,413,920	1	1.76%
SHDC DeKalb Investors LP		12,727,990	2	1.45%			
BT Curren Terrace LP		11,924,850	3	1.36%	11,924,850	3	1.36%
Marshall Wood Property LLC		9,278,100	4	1.06%	9,278,100	4	1.06%
Norristown Center A LP		7,817,260	5	0.89%	5,659,660	6	0.65%
Tiger Norristown LP		5,537,500	6	0.63%			
Lighthouse Sandy Hill, LLC		4,962,800	7	0.57%	5,353,920	8	0.61%
Regina Community Nursing Center		4,683,290	8	0.54%			
CSW Luxor I LP		4,514,260	9	0.52%			
LG-OHI Norristown LP		3,783,640	10	0.43%	3,786,640	10	0.43%
		<u>\$ 80,643,610</u>		<u>9.21%</u>			
Montgomery County					14,068,940	2	1.61%
Archdiocese of Philadelphia					7,017,400	5	0.80%
Montgomery CIDC					5,564,700	7	0.64%
Johnson & Markley Redevelopment LP					4,236,770	9	0.48%
					<u>82,304,900</u>		<u>9.40%</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 Current Year Tax Levy	Percent of Current Year Levy Collected	Delinquent Collections in Current Year	Total Tax Collections	Percent of Total Collections
2021	16.00	14,146,117	13,031,250	92.12%	995,798	14,027,048	99.16%
2020	15.00	13,175,826	12,403,389	94.14%	769,921	13,173,310	99.98%
2019	14.70	13,149,691	11,940,294	90.80%	596,282	12,536,576	95.34%
2018	14.70	12,949,973	12,552,258	96.93%	147,779	12,700,037	98.07%
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%
							98.75%

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
2021	81,784,468	602,932,280	176,212,959	23,164,405	148,537,035	1,032,631,147	884,094,112	14.38%
2020	81,185,000	603,006,830	170,629,059	23,528,615	152,738,375	1,031,087,879	878,349,504	14.81%
2019	81,185,000	601,703,890	170,189,669	23,528,615	151,888,975	1,028,496,149	876,607,174	14.77%
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%

Source: Montgomery County Assessor's Office.

Table 12.

MUNICIPALITY OF NORRISTOWN
Debt Capacity Information^{1/}
Computation of Legal Debt Margin
 (Year ending December 31, 2021)

Borrowing Base Revenue

	2021	39,927,242
	2020	35,397,088
	2019	36,304,553
Total Revenue		<u>\$ 111,628,883</u>

Debt Limit for General Obligation Debt:

Average borrowing base revenue for past three years	37,209,628
Multiplier (debt limit percent)	<u>250.0%</u>
Net non-electoral Debt Limit	<u>\$ 93,024,069</u>
Less: non-electoral debt	29,432,484
Remaining non-electoral debt borrowing capacity	<u>\$ 63,591,585</u>

Debt Limit for General Obligation bonds and lease rental debt:

Average borrowing base revenue for past three years	\$37,209,628
Multiplier (debt limit percent)	<u>350%</u>
Net Non-electoral debt and net lease rental debt limit	<u>130,233,697</u>
Less: Non-electoral debt	29,432,484
Less: Capital Leases	<u>148,461</u>
Remaining non-electoral and lease rental debt capacity	<u>100,652,752</u>

Source: DOF analysis of data.

^{1/} Calculated pursuant to state law. Includes only general obligation debt; does not include HUD 108 loan guarantee (\$3,480,000) noted on page 74.

Table 13.

MUNICIPALITY OF NORRISTOWN

Debt Capacity Information^{1/}

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
2021	37,209,628	93,024,069	34,058,487	58,965,582	36.6%
2020	34,777,996	86,944,990	30,937,914	56,007,076	35.6%
2019	35,140,590	87,851,475	18,945,136	68,906,339	21.6%
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%

Source: DOF analysis of data.

Table 14.

**MUNICIPALITY OF NORRISTOWN
Debt Capacity Information
Direct and Overlapping General Obligation Debt
(At December 31, 2021)**

Jurisdiction	Total Outstanding Debt	Percent Applicable to Municipality	Amount Applicable to Municipality
Direct general obligation and capital lease debt:			
Municipality of Norristown	34,058,487	100.00%	34,058,487
Overlapping general obligation debt:			
Norristown Area School District	85,815,336	31.19%	26,765,803
Montgomery County	437,504,796	1.38%	6,037,566
Total Overlapping Debt	523,320,132		32,803,369
Total direct and overlapping general obligation debt	557,378,619		66,861,856

Note: Calculated based on percentage of attributable assessed valuation.

Source: DOF analysis of data.

Table 15.

**Municipality of Norristown
Debt Capacity Information^{1/}
Debt to Assessed Value and Population**

Year	General Obligation Debt	Assessed Value	Debt to Assessed Value	Population	Per Capita Debt
2021	34,058,487	875,363,462	3.89%	35,829	951
2020	30,937,914	876,472,174	3.53%	35,748	865
2019	18,945,136	874,729,844	2.17%	34,341	552
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

Source: DOF calculation.

Table 16.

**Municipality of Norristown
Demographic and Economic Information
Top 10 Employers
(2021 & 2012)**

Employer	2021			2012		
	Employees	Rank	Percent of total Norristown employment	Employees	Rank	Percent of total Norristown employment
County of Montgomery	1,905	1	14.0%	1558	1	13.8%
Commonwealth of Pennsylvania	1,482	2	10.9%	1319	2	11.7%
Montgomery County Intermediate Unit	699	3	5.1%	362	4	3.2%
Strategic Alliance Staffing	403	4	3.0%			
Norristown Area School District	296	5	2.2%	301	6	2.7%
Quest Diagnostics Incorporated	244	6	1.8%			
Albert Einstein Medical Center	236	7	1.7%	242	7	2.1%
USM Inc	231	8	1.7%	516	3	4.6%
Development Enterp Corp.	225	9	1.6%			
Municipality of Norristown	209	10	1.5%	194	8	1.7%
Performance Personnel of Flordia				331	5	2.9%
Careerstaff Unlimited LLC				190	9	1.7%
Central Behavioral Health				164	10	1.5%
Total top ten	<u>5,930</u>		43.5%	<u>5,177</u>		46.0%
Total employment in Norristown	<u>13,641</u>			<u>11,260</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, 2021)

	Montgomery County	Municipality of Norristown	Township of Upper Merion	Township of Plymouth	Township of West Norriton	Township of East Norriton
1 Population July 1, 2021 (estimates)	860,578	35,829	34,223	18,293	16,288	14,002
2 Population % change 2010-2019	3.9	0.0	16.3	0.2	-0.2	2.7
3 Land Area (square miles)	483.0	3.5	17.0	8.4	5.9	6.1
4 Population per square mile	1,656	9,753	1,675	1,969	2,661	2,245
5 Percent White (not Hispanic)	75.0	27.4	67.8	77.9	70.1	79.8
6 Percent Black	10.0	36.9	7.3	8.5	12.8	9.8
7 Percent Hispanic	5.4	27.1	3.3	4.5	8.5	5
8 Percent Asian	8.1	3.4	19.1	7.6	5.9	3.9
9 Percent home ownership	71.9	40.6	61.4	67.3	66.2	73.3
10 Median value of owner-occupied	\$326,200	\$158,900	\$345,000	\$344,900	\$219,800	\$276,500
11 Median gross rent	\$1,323	\$1,106	\$1,608	\$1,427	\$1,471	\$1,340
12 Number of households	318,648	12,848	13,400	7,319	7,613	6,016
13 Persons per household	2.53	2.61	2.32	2.37	2.03	2.25
14 Percent non-English speaking	13.9	29.1	22.0	12.9	16.4	12.1
15 Percent bachelor's degree or higher	49.6	22.2	61.7	49	44.9	41.7
16 Percent under 65 w/o health insurance	4.9	14.2	3.9	3.7	6.3	3.5
17 Total 2012 retail sales (x1000)	\$16,036,285	\$134,487	\$1,826,990	\$1,318,370	\$213,907	\$215,023
18 Retail sales per capita (2012)	\$19,836	\$3,906	\$64,006	\$79,315	\$13,576	\$15,369
19 Taxable assessed valuation (x1000)	\$59,862,731	\$875,363	\$3,990,511	\$1,716,259	\$985,591	\$959,022
20 Per capita taxable valuation	\$69,561	\$24,432	\$116,603	\$93,821	\$60,510	\$68,492
21 Median household income (2016-2020)	\$93,518	\$54,409	\$100,901	\$85,280	\$77,168	\$86,423
22 Per capita income (2020)	\$49,905	\$26,324	\$54,779	\$45,500	\$47,784	\$46,308
23 Poverty rate	5.6%	16.9%	4.8%	4.7%	7.6%	4.4%

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

Table 18.

**Municipality of Norristown
Operational Information
Municipal Employees by Department
(2012-2021)**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Full Time										
Administration	6.00	6.00	6.00	6.00	6.00	6.00	4.00	4.00	5.00	5.00
Finance	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	6.00	7.00
Police	84.00	84.00	82.00	82.00	82.00	80.00	82.00	80.00	77.00	81.00
Fire	23.00	23.00	21.00	21.00	18.00	19.00	20.00	20.00	20.00	18.00
Code Enforcement	11.00	11.00	11.00	10.00	10.00	10.00	10.00	12.00	14.00	14.00
Planning & Development	6.00	6.00	5.00	4.00	4.00	5.00	5.00	5.00	5.00	5.00
Public Works	23.00	23.00	23.00	24.00	23.00	22.00	21.00	21.00	23.00	24.00
Parks & Recreation	2.00	2.00	2.00	2.00	1.00	1.00	2.00	2.00	2.00	1.00
Total	162.00	162.00	157.00	156.00	151.00	150.00	151.00	151.00	152.00	155.00
Part Time										
Crossing Guides	20.00	19.00	20.00	21.00	20.00	20.00	19.00	20.00	21.00	20.00
Other Part time & Seasonal	22.00	6.00	6.00	5.00	5.00	0.00	4.00	3.00	3.00	2.00
Total	42.00	25.00	26.00	26.00	25.00	20.00	23.00	23.00	24.00	22.00

Source: Human Resources Manager.

Table 19.

**Municipality of Norristown
Operating Information
Operating Indicators by Function/Program
(2012-2021)**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Real estate tax certifications	2,133	1,591	1,434	1,281	1,182	781	907	714	807	794
Real estate tax parcels	9,894	9,902	9,910	10,283	10,306	10,306	10,223	10,208	10,203	10,185
Vendor payments processed	4,303	4,217	3,766	4,043	4,085	4,088	3,700	3,863	4,001	4,265
Payroll checks & advices issued	5,404	5,419	5,345	5,256	5,184	5,103	5,051			
Police calls for service	40,903	32,694	43,375	41,590	44,485	45,116	50,083			
Major crimes (Part I)	706	718	746	690	754	793	932	1,177	1,453	1,392
Directed patrols	10,912	11,829	18,209	17,764	13,732	2,273	9,702	2,863	486	
Parking violations	43,653	33,492	41,439	26,601	32,490	35,042	37,690	37,387	42,256	53,268
Fire calls for service	1,330	1,272	1,222	1,211	1,161	1,207	1,235	1,164	1,569	n/a
Fire average response time	4:06	04:15	04:10	04:00	04:20	04:15	04:04	03:58	n/a	n/a
Civilian fire fatalities	0	0	0	1	0	5	1	0	0	0
Firefighter reported injuries	8	7	2	12	16	5	14	10	n/a	n/a
Commercial fire inspections	537	273	643	583	400	636	991	804	n/a	n/a
Smoke detector installations	120	109	287	334	429	595	277	270	n/a	n/a
Fire training events	519	572	604	537	459	499	479	418	n/a	n/a
Fire public outreach/education	182	106	245	246	60	194	43	46	n/a	n/a
Fire protection permits	18	9	52	66	21	32	67	27	40	
Building permits	481	233	496	633	486	402	282	388	303	
Mechanical permits	275	149	299	345	271	228	196	222	130	
Electrical permits	322	177	365	360	307	297	249	242	243	
Plumbing permits	218	116	242	279	233	180	175	160	162	
Miles of streets resurfaced	-	0.70	1.10	1.20	1.40	-	-	0.63	-	2.00

Source: DOF compilation.

Table 20.

**Municipality of Norristown
Operating Information
Capital Asset Statistics by Function/Program
(2012-2021)**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	39	38	38	38	39	40	40	40	40	40
Fire stations	4	4	4	4	4	4	4	4	4	4
Fire vehicles	25	25	24	22	21	20	21	20	20	20
Fire hydrants	343	343	343	343	343	343	343	343	343	343
Miles of municipal streets	58.0	50.8	51.9	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	2,056	2,006	1,947	2,006	2,006	2,006	2,006	2,006	2,006	2,006
Number of parks	15	15	12	12	12	12	12	12	12	12
Number of acres of park land	94.7	94.7	94.7	94.7	94.7	94.7	94.7	94.7	94.7	94.7
Number of community centers	1	1	1	1	-	-	-	-	-	-
Miles of storm sewers	34.0	33.0	31.9	31.9	31.9	31.9	31.9	31.9	31.9	31.9
Number of municipal parking lots	12	12	12	12	12	12	12	12	12	12
Number of metered parking spaces	420	389	423	423	423	423	423	423	423	423

Source: DOF compilation.

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Honorable Municipal Council
Municipality of Norristown
Norristown, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type 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, 2021, and the related notes to the financial statements, which collectively comprise the Municipality of Norristown's basic financial statements, and have issued our report thereon November 28, 2022. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, Norristown Municipal Waste Authority and the Police and Firefighters' Pension Plans, as described in our report on the Municipality of Norristown's financial statements. The financial statements of the Norristown Municipal Waste Authority and the Police and Firefighters' Pension Plans were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

To the Honorable Municipal Council
Municipality of Norristown
Norristown, Pennsylvania

Compliance and Other Matters

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

Purpose of this Report

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



Limerick, Pennsylvania
November 28, 2022