

**SPRINGFIELD TOWNSHIP
MONTGOMERY COUNTY, PENNSYLVANIA**

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

YEAR ENDED DECEMBER 31, 2018

SPRINGFIELD TOWNSHIP

GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2018

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936 Easton Rd., PO Box 754, Warrington, PA 18976 | 163 S. Broad St., Lansdale, PA 19446
70 W. Oakland Ave., Doylestown, PA 18901 | 130 Almshouse Rd., Suite 201A, Richboro, PA 18954
24 Arnett Ave., Suite 111, Lambertville, NJ 08530
215-343-2727 | www.bbco-cpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Springfield Township
Montgomery County, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springfield Township, Montgomery County, Pennsylvania as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springfield Township, Montgomery County, Pennsylvania, as of December 31, 2018, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note N to the financial statements, the Township has adopted the requirements of GASB Statement No. 74, "Financial Reporting for Postemployment Benefits Other Than Pension Plans", and GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." These statements modify the accounting and reporting for the Township's other postemployment benefit plan. The implementation had no material effect on net position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 17 and the historical trend information on pages 60 through 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Springfield Township, Montgomery County, Pennsylvania, basic financial statements. The combining fund statements are presented for additional analysis and are not a required part of the basic financial statements.

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

Bee, Bergvall & Co.

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

Warrington, PA
September 4, 2019

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

The preparation of a summary statement entitled "Management Discussion and Analysis" is a required element of the report model adopted by the Governmental Accounting Standards Board (GASB). Its purpose is to provide an overview of the financial activities of Springfield Township based upon currently known facts, or conditions. As management of Springfield Township, we offer readers of the Township's financial statements this narrative overview of financial activities for the fiscal year ended December 31, 2018. Please read the analysis in conjunction with the Township's financial statements which follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2018

Government-Wide Financial Statements (Full Accrual)

The assets of Springfield Township exceeded its liabilities at the close of fiscal year 2018 by \$41.6 million (total net position). Of this amount, \$3.8 million, unrestricted net position, may be used to meet the government's obligations to citizens and creditors.

Fund Financial Statements (Modified Accrual)

At year-end, the Township's total governmental funds reported a fund balance of approximately \$8.2 million.

The Township's General Fund had total revenues of \$15.0 million generated in tax and other revenues compared with total expenditures of \$14.2 million, providing an excess of revenues over expenditures of \$874,280 before other financing sources and uses. After Other Financing Sources and Uses are considered, there was a net decrease of \$245,033 at year's end.

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Cash Basis)

The financial statements are prepared in conformity with the Generally Accepted Accounting Principles (GAAP) with the exception of the Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual, which is prepared on a cash basis as opposed to an accrual basis. "Cash Basis" is defined as "a method of bookkeeping by which revenues and expenditures are recorded when they are received and paid". "Accrual Basis" is defined as "a method of accounting that recognizes revenue when earned, rather than when collected, and expenses when incurred, rather than when paid".

General Fund expenditures came in \$7,172, or .1% less than the adopted budget, while revenues exceeded budget expectations by \$301,734, or 2.0%. Revenue categories that surpassed expectations include transfer taxes, business and mercantile taxes, intergovernmental revenues, charges for services, earned income taxes, and fines and forfeitures. Real Estate Taxes, which are the single largest source of revenue, were within 1.9% of budget projections.

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position (page 18) and the Statement of Activities (pages 19-20) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements begin on page 18. For governmental activities, these statements indicate how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting on the Township as a Whole

Our analysis of the Township as a whole begins on page 18. One of the most important questions asked about the Township's finances is, "Is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about Springfield Township as a whole and about its activities in a way that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or disbursed.

The Statement of Net Position and Statement of Activities report on the Township's net position and on changes within it, respectively. The Township's net position is the difference between its assets and liabilities. One can use net position as one way to measure the Township's financial health or financial condition. Over time, increases or decreases in the Township's net position are one indicator of whether its financial condition is improving or deteriorating. Other non-financial factors will need to be considered, for example, changes in the Township's property tax base and the condition of the Township's roads, to assess the overall health of the Township.

In the Statement of Net Position and the Statement of Activities, the Township presents its governmental activities. Most of the Township's basic services are reported here, including general administration, licenses and permits, police and emergency services, public works, sanitation, sewer, library, and parks and recreation. Property taxes, local enabling taxes such as earned income, business privilege and mercantile taxes, user fees and state and local grants finance most of these activities.

Reporting the Township's Most Significant Funds

The fund financial statements begin on page 21 and provide detailed information about the most significant funds, not the Township as a whole. Some funds are required to be established by State law. Others are established to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants or other funds.

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

Springfield Township has two kinds of funds:

- **Governmental Funds** - Most of the Township's basic services are reported in government funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. The Township's major government funds include the general fund, sewer reserve fund, and capital reserve fund.
- **Fiduciary Funds** - The Township is the trustee, or *fiduciary*, for its employees' pension plans. It also serves as the administrator, or agent, of the Montgomery County Recycling Consortium Recycling Fund. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in the fiduciary net position. These activities are excluded from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

Infrastructure Assets

Historically, a government's largest group of assets (infrastructure such as roads, bridges, sewers etc.) have not been reported nor depreciated in government financial statements. GASB requires that these assets be valued and reported within the Governmental column of the Government-wide Statements. Additionally the government must elect to either (1) depreciate these assets over their estimated useful life or, (2) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government develops the asset management system (the modified approach), which periodically (at least every three years), by category, measures and demonstrates its maintenance of locally established levels of service standards, the government may record its cost of maintenance in lieu of depreciation. The Township has chosen to depreciate assets over their useful life. If a road project is considered maintenance, the cost of the project will be expensed. An "overlay" of a road will be considered maintenance whereas a "rebuild" of a road will be capitalized.

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

THE TOWNSHIP AS A WHOLE

The following table reflects the condensed Statement of Net Position:

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 9,645,836	\$ 13,403,446
Capital assets	<u>46,414,241</u>	<u>45,743,394</u>
Total Assets	<u>56,060,077</u>	<u>59,146,840</u>
Deferred Outflows of Resources	<u>3,797,661</u>	<u>674,926</u>
Long-term liabilities	15,679,167	13,536,423
Other liabilities	<u>1,191,868</u>	<u>1,888,080</u>
Total Liabilities	<u>16,871,035</u>	<u>15,424,503</u>
Deferred Inflows of Resources	<u>1,341,236</u>	<u>2,413,157</u>
Net Position:		
Invested in capital assets, net of debt	37,062,450	35,868,174
Restricted	791,037	3,629,930
Unrestricted (Restated)	<u>3,791,980</u>	<u>2,486,002</u>
Total Net Position	<u>\$ 41,645,467</u>	<u>\$ 41,984,106</u>

For more detailed information see the Statement of Net Position on page 18.

Net position may serve over time as a useful indicator of a government's financial position. For 2018, Springfield Township's assets exceeded liabilities by \$41.6 million. The largest portion of the Township's net position reflects its investment in capital assets (e.g. land, buildings, infrastructure and equipment), less the outstanding debt to acquire these assets. The restricted net position portion represents resources that are subject to external restrictions on how they may be used; it also is reported net of the related outstanding debt. The unrestricted net position for governmental activities is the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

In comparing the 2018 Statement of Net Position to prior year, there was a total decrease in the net position of governmental activities of approximately \$338,639.

Mainly due to the completion of the construction of the municipal campus, current assets decreased by \$3.8 million; invested in capital assets, net of debt increased by \$1.2 million; and restricted net position decreased by \$2.8 million.

Due to fluctuations in the actuarial determined pension and other post employment benefits liabilities, deferred outflows of resources increased by \$3.1 million; long-term liabilities increased by \$2.1 million; and deferred inflows decreased by \$1.1 million.

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

Normal Impacts - Transactions

There are six basic (normal) transactions that will affect the comparability of the Statement of Net Position summary presentation.

Net Results of Activities - impacts (increase/decrease) current assets and unrestricted net position.

Borrowing for Capital - increases current assets and long-term debt.

Spending Borrowed Proceeds on New Capital - reduces current assets and increases capital assets. There is a second impact, an increase in invested in capital assets and an increase in related net debt which will not change the invested in capital assets, net of debt.

Spending of Non-borrowed Current Assets on New Capital - (a) reduces current assets and increases capital assets and, (b) reduces unrestricted net position and increases invested in capital assets, net of debt.

Principal Payment on Debt - (a) reduces current assets and long-term debt and, (b) reduces unrestricted net position and increases invested in capital assets, net of debt.

Reduction of Capital Assets through Depreciation - reduces capital assets and invested in capital assets, net of debt.

Current Year Impacts - Transactions

The primary impact for governmental activities would be categorized as a net result of activity. In 2018 the Township experienced a decrease in net position of \$338,639. The following chart shows the revenues and expenses of the governmental activities:

	Governmental Activities	
	2018	2017
REVENUES		
Program revenues:		
Charges for services	\$ 2,229,532	\$ 2,137,455
Operating grants and contributions	1,296,704	1,198,841
Capital grants and contributions	136,042	145,973
General revenues:		
Property taxes	5,464,082	5,137,051
Other taxes	5,019,709	5,223,995
Grants and contributions not restricted to specific programs	40,106	46,054
Investment income	136,694	195,566
Gain (loss) on sale/retirement of assets	(271,299)	(21,204)
Miscellaneous	1,352,940	1,705,073
Total Revenues	15,404,510	15,768,804

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
EXPENSES		
Administration	\$ 7,294,598	\$ 5,754,883
Licenses and permits	228,169	208,259
Police and emergency service	4,224,212	3,786,867
Public works	1,377,858	1,987,344
Sanitation and recycling	1,212,664	1,361,461
Sewer	500	-
Library	926,876	741,126
Community development	-	-
Parks and recreation	478,272	524,944
Total Expenses	<u>15,743,149</u>	<u>14,364,884</u>
Change in Net Position	(338,639)	1,403,920
Net Position - Beginning (Restated)	<u>41,984,106</u>	<u>40,580,186</u>
Net Position - Ending	<u>\$ 41,645,467</u>	<u>\$ 41,984,106</u>

In 2018, the revenue category Property taxes increased by \$327,031 (6.4%) over the prior year due to an increase in tax millage. Other revenue categories which significant increases from the prior year levels include operating grants and contributions, and charges for services. Miscellaneous revenues decreased by \$352,153 (20.7%) principally because the Township changed ambulance providers in April and discontinued the payroll service that it had been providing. The former provider was required to reimburse the Township for wages and medical insurance advanced through the payroll service. Other revenue categories which saw decreases include the category other taxes, investment income, capital and restricted grants. The Township's loss on the sale/retirement of assets was greater than the decrease from the prior year due to the net value on the sale and disposal of capital assets.

Expenses related to Administration increased by \$1,539,715 (26.8%) in 2018 due to the construction of the municipal campus. Other significant fluctuations include an increase in police and emergency services of \$437,345 (11.6%) and a decrease in public works of \$609,486 (30.7%). Police and emergency expenses increased due to wage increases and the retirement of several officers who were eligible for payment of accrued compensatory and vacation pay, together with increases in contributions to the three volunteer fire companies and a new ambulance provider. Public works expenses decreased due to a reduction in street lighting expenses, together with fewer and less costly capital projects and equipment purchases.

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

Normal Impacts - Revenues and Expenses

There are eight basic impacts on revenues and expenses as reflected below.

Revenues

Economic Condition - can reflect a declining, stable or growing economic environment and has a substantial impact on property, business, mercantile or other tax revenue, as well as public spending habits for building permits and elective user fees.

Increase/Decrease in Township Approved Rates - while certain tax rates are set by statute, the Township Board of Commissioners has significant authority to impose and periodically increase or decrease rates (real estate tax millage, sewer fees, building fees, user fees, etc.).

Changing Patterns in Intergovernmental and Grant Revenue - certain recurring revenues (state shared revenues) may experience significant changes periodically, while non-recurring (or one-time) grants are less predictable and often distorting in their impact on year-to-year comparisons.

Market Impacts on Investment Income - the Township's investment portfolio is managed using a longer average maturity on capital funds. Market conditions cause investment income to fluctuate with the economic conditions.

Expenses

Introduction of New Programs - within the functional expense categories individual programs may be added or deleted to meet changing community needs.

Increase/Decrease in Authorized Personnel - changes in service demand may cause the Board of Commissioners to increase or decrease authorized staffing levels. Staffing costs represent the largest portion of the Township's program expenses.

Salary Increases (annual adjustments and merit) - the ability to attract and retain human resources requires Springfield Township to strive to approach a competitive salary and range position in the marketplace. Collective bargaining agreements negotiated or settled through arbitration further influence salary expenses associated with police and public works employees.

Inflation - while overall inflation appears to be reasonably modest, the Township is a major consumer of certain commodities, supplies, fuels and parts. Some functions, such as petroleum based fuels (diesel, gasoline) and materials (asphalt), and road salt, may experience commodity specific increases.

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

Current Year Impacts – Revenues and Expenses

Governmental Activities

For the fiscal year ended December 31, 2018, revenues for governmental activities totaled \$15.4 million. The largest revenue category was property taxes, which included \$5.5 million (35.5%) in receipts. The township's second largest revenue source was the category other taxes, of which \$5.0 million (32.6%) in earned income, business privilege, mercantile, and real estate transfer taxes were collected. The third largest revenue source was the category charges for services. The Township collected \$2.2 million (14.5%) in refuse service fees, building permits, and activity fees for parks and recreation programs. The fourth largest revenue source, miscellaneous income, included receipts totaling \$1.4 million (8.8%). Other significant sources of general revenues include operating grants and contributions \$1.3 million (8.4%), capital grants and contributions \$136,042 (0.9%), investment income \$136,694 (0.9%) and unrestricted grants and contributions \$40,106 (0.3%). The sale/retirement of assets resulted in a loss of \$271,299 due to streets that were resurfaced prior to being fully depreciated. However, the resurfacing activities were subsidized by the utility companies who were responsible for damaging the wearing course as part of their infrastructure improvements, notably water and gas main replacements.

After decreasing by \$560,380 in 2017, expenses for governmental activities totaled \$15.7 million in 2018, representing an increase of \$1,378,265 over the prior year. As the table on page 8 indicates, activities funded through the administration operating department constitute the largest program expense at \$7.3 million (46.3% of total expenses). The second largest program expense is for police and emergency services at \$4.2 million (26.8%). Public works expenses are the third largest expense category at \$1.4 million (8.8%). Sanitation and recycling expenses are the next largest program expense at \$1.2 million (7.7%). Library expenditures were \$926,876 (5.9%) and parks and recreation expenses were \$478,272 (3.0%).

The increase in governmental expenses over the prior year is largely attributed to retainage payments made to contractors for the municipal campus project. Other major increases were related to library operations (wages, utilities and building maintenance activities), police and emergency services (police wages and fleet expenses, together with incentives and contributions to the volunteer fire companies and ambulance provider), licenses and permits (employee wages and third-party electrical fees). These increases were offset slightly by decreases in spending by the public works department (capital projects and fleet expenses), sanitation and recycling (disposal fees), and parks and recreation (recreation programs and parks maintenance).

The change in net position reflects the difference between total revenues and total expenses. For governmental activities in fiscal 2018, expenses exceeded revenues by \$338,639, resulting in a decrease in net position by that amount. The year ended with net position for governmental activities totaling \$41.6 million.

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

General Fund Budgetary Highlights

The Government revises its budget as it attempts to deal with unexpected changes in revenues. Careful monitoring of spending allowed General Fund expenses to come in only slightly under budget, with total expenditures \$7,172 (.1%) under budget. Total revenues exceeded budget estimates by \$301,734 (2.0%), resulting in an excess of revenues over expenses of \$308,906, before other financing sources and uses. The additional revenues can be attributed to better than expected receipts for real estate transfer, earned income, and business privilege and mercantile tax collections. There were also increases in charges for services, intergovernmental revenues, and fines and forfeits. These increases were offset by decreases in interest and rents, real estate tax receipts, licenses and permits, and miscellaneous revenues. Real estate tax receipts were still within 1.9% of budget. Please refer to the Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual, on page 23, for detailed information.

Capital Assets and Debt Administration

Capital Assets

At the end of 2018, the Township had \$46.4 million invested in a broad range of capital assets, including land, buildings, equipment, park facilities, roads, bridges, and storm sewer lines. Capital Asset Activity for the year 2018 is presented in detail on pages 40 and 41 of the Notes section.

	Beginning Balance		Net Additions (Deletions)		Ending Balance	
	<u>1/1/18</u>	<u>1/1/17</u>	<u>2018</u>	<u>2017</u>	<u>12/31/18</u>	<u>12/31/17</u>
Non-Depreciable Assets						
Land and easements	\$ 4,461,627	\$ 4,461,627	\$ -	\$ -	\$ 4,461,627	\$ 4,461,627
Construction in progress	24,414,096	13,118,209	(23,857,873)	11,295,887	556,223	24,414,096
Other Capital Assets						
Land improvements	4,453,791	4,252,751	218,830	201,040	4,672,621	4,453,791
Buildings and improvements	5,815,096	4,861,176	24,272,242	953,920	30,087,338	5,815,096
Machinery and equipment	1,579,771	1,455,387	116,522	124,384	1,696,293	1,579,771
Vehicles	3,610,762	3,497,472	296,049	113,290	3,906,811	3,610,762
Library collection	2,717,695	2,638,348	75,038	79,347	2,792,733	2,717,695
Infrastructure	13,606,939	13,003,507	389,986	603,432	13,996,925	13,606,939
Less: accumulated depreciation on capital assets	<u>(14,916,383)</u>	<u>(14,067,052)</u>	<u>(839,947)</u>	<u>(849,331)</u>	<u>(15,756,330)</u>	<u>(14,916,383)</u>
Totals	<u>\$ 45,743,394</u>	<u>\$ 33,221,425</u>	<u>\$ 670,847</u>	<u>\$ 12,521,969</u>	<u>\$ 46,414,241</u>	<u>\$ 45,743,394</u>

The Springfield Township Board of Commissioners continues to place significant resources towards its capital assets. In 2018, the Township completed its most ambitious project in over 50 years in the form of a completely reconstructed municipal campus to include the library, public works and police/administration buildings. It also completed playground and ADA improvements at one of its parklands utilizing a Community Development Block Grant. The Township also continued its annual street resurfacing program and performed traffic signal upgrades, bridge repairs, storm sewer improvements and routine vehicle and equipment replacement.

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

Debt

The Commonwealth of Pennsylvania sets the borrowing limit, called the "Borrowing Base", of the Township through the State Local Government Unit Debt Act. The Township's "Borrowing Base", is calculated using the annual arithmetic average of total revenue (as defined in the Debt Act) for the three most recent full fiscal years. At the end of 2018, the Township's level of outstanding debt was \$9,351,791, and well below its "Borrowing Base" capacity of just over \$17,000,000 (last calculated in 2017).

General Obligation Notes

Springfield Township issues general obligation notes for the purpose of obtaining funds for the acquisition, construction and improvement of facilities. General obligation notes are direct obligations and pledge the full faith and credit of the government.

In August 2010, a general obligation note in the amount of \$550,000 was obtained to perform stormwater management improvements in the 300 Block of Oreland Mill Road. The note bears an interest rate of 3.90% per annum for ten years. Payments are due on December 31st of each year.

In 2017 the Township obtained a \$10 million general obligation note to refinance general obligation notes issued in 2014 and 2015. The 2014 note was utilized for the reconstruction of the East Mill Road Bridge. The 2015 note was issued to provide funding for the purchase and renovation of a former church, and to provide financing for the township's municipal campus project. The 2017 note takes advantage of a lower interest rate (2.26%) and in the case of the 2015 note, a longer payment schedule (20 years). Payments are due twice a year on the 1st day of April and November.

Tax Anticipation Notes

The Township typically obtains a tax anticipation note to provide funds for operating activities in anticipation of the receipt of tax revenues during the current year. In 2018, however, the Township solicited proposals from several local banks but could not find a proposal that allowed for prepayment of the debt before year end. Accordingly, the township chose to self-finance their operating activities instead.

Detailed schedules of the Township's long-term debt are found on pages 41-42 of the notes section.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The elected officials of Springfield Township consider many factors when establishing budget appropriations, tax rates and fee schedules. The 2018 budget was prepared with the concept of maintaining the same general level of service as in previous years, with minor variations as discussed by the Board of Commissioners throughout the prior year. Examples of such variations include the reconstruction of the administration, police, public works and library buildings, and playground improvements at one of its parklands. Public safety improvements included upgrades to the township's traffic signal system, and the replacement of two police vehicles and associated equipment. The Township also replaced a refuse truck and installed storm sewers along a portion of Pine Road in Wyndmoor.

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

These projects were funded utilizing a combination of capital reserve funds and government grants.

In 2017 the real estate tax rate was increased by \$50.69 per household over the 2016 rate (which was the same as was levied in 2015). The 2018 real estate tax was increased by \$44.55, or 6.4%, per household. As a result, in 2018 the "typical" household with a \$175,400 real estate tax assessment paid \$740.01 in real estate taxes. The tax increase was necessary in order to fund debt service payments associated with the municipal campus reconstruction project, as well as other contractual increases in employee wages and benefits, and insurance costs. The tax increase was offset to some extent by anticipated increases to the real estate transfer, mercantile and business privilege taxes, and earned income tax. The projections were based upon the township's most recent collection history, together with estimates provided by the parties responsible for collecting the taxes. As noted earlier, receipts for all of the aforementioned revenue sources exceeded budget projections.

The refuse service fee, which was the same from 2015 – 2016, increased by \$10.84 in 2017 due to increases in employee wages and waste disposal fees. The 2018 refuse fee increased by \$3.19 for the same reasons, along with an increase in the amount of waste projected for disposal.

The sale of the Township's sanitary sewer system in 2015 to the Bucks County Water & Sewer Authority (BCWSA) eliminated the receipts and expenses associated with the operation of the sewer system from the township's annual operating budget. Accordingly, the budget no longer reflects sewer rental income or expense.

When the 2018 real estate tax and refuse service fee is combined, the typical household realized an increase of \$47.74, or 3.3% over the combined 2017 real estate tax and refuse fee.

The 2018 year end financials saw general fund revenues exceed budget estimates by \$301,734 or 2.0%, due to a strong housing market and local economy. Individual revenue categories that surpassed expectations included real estate transfer taxes, business privilege and mercantile taxes, earned income taxes, intergovernmental revenues, charges for services, and fines and forfeits. As in prior years, the largest single source of revenue for the Township continues to be the real estate property tax, receipts of which were within 1.9% of budget projections. Other revenue sources that did not meet projections include miscellaneous revenues, and interest and rents.

General Fund expenses in 2018 exceeded projections by just \$7,172 (0.1%). Operating expenditures related to parks and recreation and public safety were 1.1% and 0.4% more than expected, respectively. Miscellaneous expenditures and health and sanitation expenses also exceeded budget projections, but at much smaller amounts. All other expense categories were less than projected, with highways and roads expenditures representing the majority of the decrease at \$20,768.

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

After increasing the real estate tax rate in 2018 by \$44.55 per household, the 2019 real estate tax rate will increase by \$38.94 per household as the millage rate will be increased from 4.219 to 4.441 mills. In addition to the real estate tax, a new local services tax will be imposed upon persons employed in the Township. This new revenue source is projected to bring \$167,149 in receivables. Receipts from the real estate transfer, business privilege and mercantile and earned income taxes are also projected to increase slightly over those budgeted in 2018. Once again these projections are based upon the township's most recent collection history, together with estimates provided by the parties responsible for collecting the taxes.

After increasing expenditures by \$597,824, or 3.6% in 2018, the 2019 budget will be \$226,698, or 1.3% more than in 2018. As in prior years, a majority of the 1.3% increase can be attributed to contractual obligations to employee wages and benefits, contributions to the volunteer fire companies and ambulance provider, debt service payments, street resurfacing activities and insurance premiums. The refuse service fee, which increased by \$3.19 in 2018, will increase by \$8.58 in 2019 due to increases in employee wages, waste disposal fees and processing costs for recyclable materials, along with an increase in the amount of household waste collected. The combined 2019 real estate tax and refuse service fee paid by the typical household will increase by \$47.52 or 5.0% over those paid in 2018.

After decreasing by approximately \$39,297 in 2018, funding for capital projects will increase by a modest \$38,798 to \$1,079,704 in 2019. Debt service payment for the \$10 million general obligation loan issued in 2016, and a much smaller loan issued in 2010 for a stormwater management project represent \$695,054 (64.4%) of the capital budget. Additional capital expenses include appropriations for replacement police vehicles and equipment, new 800 MHZ radios for emergency responders, traffic signal improvements, routine computer hardware and software upgrades, and appropriations for new and replacement tools and equipment. The Township is also the recipient of a Community Development Block Grant (CDBG) award to perform restroom renovations at one of its recreation facilities. The Township will also appropriate \$315,000 for its annual road resurfacing program through the Highway Aid fund.

As with most service-based organizations, employee wages and benefits will continue to be the single largest general fund expense for the Township in 2019. The police labor agreement, which was decided by an arbitration panel in September 2017, expires at the end of 2018, and will be decided by a panel of arbitrators once again if an agreement cannot be reached with the bargaining unit members. Police wages are projected to increase by 3.25% in 2019 for budget purposes. The labor agreement with the public works employees was negotiated in 2016 and calls for wage increases of 3.25% in 2016 and 17, and 3.50% in 2018 and 19. Salaried employees are not represented by a bargaining unit but typically receive a combination of wages and benefits comparable to the police and public works employees. Accordingly, wages for salaried employees will increase by 3.5% in 2019. Healthcare premiums for all township employees decreased in 2016 due to the implementation of a new medical and prescription plan with increased copays for all employees. The premiums increased by 5.75% in 2017, 4.0% in 2018, and 2.5% in 2019. In addition to the increased copays, all public works and salaried employees contribute 1% of their wages towards the cost of their medical benefits. Members of the police bargaining unit are not required to contribute to their healthcare premiums despite the Township's request for same during each of the last 3 arbitration hearings.

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

Municipal pension fund obligations, after increasing by a net \$121,230, or 7.7% in 2018, will increase by \$37,210 or 2.2% in 2019 based upon the latest actuarial projections. The township assumes a 6.75% return on pension investments, with any shortfall funded by the municipality. All employees contribute between 3% and 5% of their wages toward future pension benefits. In order to gain cost certainty for future retirement benefits, a new defined contribution retirement plan was created for all salaried employees hired after January 1, 2016. Over time it is hoped that the new defined contribution plan will ease the township's post-retirement obligations.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide Springfield Township's citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. Questions concerning this report or requests for additional financial information can be directed to the Office of the Township Manager, 1510 Paper Mill Road, Wyndmoor, PA 19038.

SPRINGFIELD TOWNSHIP

STATEMENT OF NET POSITION

December 31, 2018

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,281,027
Investments	6,232,093
Receivables	1,969,714
Prepaid expenses	2,501
Temporarily restricted assets:	
Cash	127,652
Investments	32,849
Capital assets not being depreciated:	
Land	4,461,627
Construction in progress	556,223
Other capital assets (net of accumulated depreciation)	<u>41,396,391</u>
Total Assets	<u>56,060,077</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows for pensions	<u>3,797,661</u>
Total deferred outflows of resources	<u>3,797,661</u>
 <u>LIABILITIES</u>	
Accounts payable and other current liabilities	528,350
Escrows	127,652
Non-current liabilities:	
Due within one year	535,866
Due after one year	<u>15,679,167</u>
Total Liabilities	<u>16,871,035</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred inflows for pensions	705,725
Deferred inflows for OPEB plan	<u>635,511</u>
Total deferred inflows of resources	<u>1,341,236</u>
 <u>NET POSITION</u>	
Net investment in capital assets	37,062,450
Restricted for:	
Library	116,796
Highways and streets	546,589
Capital outlay	127,652
Unrestricted	<u>3,791,980</u>
Total Net Position	<u>\$ 41,645,467</u>

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

SPRINGFIELD TOWNSHIP

STATEMENT OF ACTIVITIES

For the year ended December 31, 2018

	<u>Governmental Activities</u>				
	<u>Total Primary Government</u>	<u>Adminis- trative</u>	<u>Licenses and Permits</u>	<u>Police and Emergency Services</u>	<u>Public Works</u>
Expenses:					
Program expenses	\$ 13,811,557	\$ 6,849,064	\$ 228,169	\$ 4,118,399	\$ 388,501
Depreciation	1,709,750	223,692	-	105,813	989,357
Interest on debt	221,842	221,842	-	-	-
Total Expenses	<u>15,743,149</u>	<u>7,294,598</u>	<u>228,169</u>	<u>4,224,212</u>	<u>1,377,858</u>
Program Revenues:					
Charges for services	2,229,532	18,200	427,487	85,493	61,540
Operating grants and contributions	1,296,704	439,298	-	140,329	654,639
Capital grants and contributions	136,042	-	-	-	136,042
Total Program Revenues	<u>3,662,278</u>	<u>457,498</u>	<u>427,487</u>	<u>225,822</u>	<u>852,221</u>
Net (Expense) Revenue	(12,080,871)	(6,837,100)	199,318	(3,998,390)	(525,637)
General Revenues:					
Taxes:					
Real estate	5,464,082				
Transfer taxes	667,146				
Business and mercantile taxes	1,197,662				
Earned income taxes	3,154,901				
Grants and contributions not restricted to specific programs	40,106				
Investment earnings	136,694				
Gain (loss) on sale/retirement of assets	(271,299)				
Miscellaneous	1,352,940				
Total General Revenues	<u>11,742,232</u>				
Change in Net Position	(338,639)				
Net Position - Beginning (Restated)	<u>41,984,106</u>				
Net Position - Ending	<u>\$ 41,645,467</u>				

<u>Sanitation and Recycling</u>	<u>Sewer</u>	<u>Library</u>	<u>Park and Recreation</u>
\$ 1,151,201	\$ 500	\$ 689,790	\$ 385,933
61,463	-	237,086	92,339
-	-	-	-
<u>1,212,664</u>	<u>500</u>	<u>926,876</u>	<u>478,272</u>
23,537	1,377,635	-	235,640
-	-	62,438	-
-	-	-	-
<u>23,537</u>	<u>1,377,635</u>	<u>62,438</u>	<u>235,640</u>
(1,189,127)	1,377,135	(864,438)	(242,632)

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

SPRINGFIELD TOWNSHIP

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2018

	<u>General</u>	<u>Capital Reserve</u>	<u>Nonmajor Fund Highway Aid</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 360,312	\$ 836,373	\$ 84,342	\$ 1,281,027
Investments	1,983,012	3,783,734	465,347	6,232,093
Receivables				
Taxes	894,577	-	-	894,577
Accounts	635,652	-	-	635,652
Interest	31,386	-	-	31,386
Due from agency funds	-	2,501	-	2,501
Due from other funds	-	1,853,794	-	1,853,794
Total Current Assets	<u>3,904,939</u>	<u>6,476,402</u>	<u>549,689</u>	<u>10,931,030</u>
Restricted Assets				
Cash	-	127,652	-	127,652
Investments	-	32,849	-	32,849
Total Restricted Assets	<u>-</u>	<u>160,501</u>	<u>-</u>	<u>160,501</u>
 TOTAL ASSETS	 <u>\$ 3,904,939</u>	 <u>\$ 6,636,903</u>	 <u>\$ 549,689</u>	 <u>\$ 11,091,531</u>
<u>LIABILITIES</u>				
Accounts payable and accrued wages	\$ 420,430	\$ 104,820	\$ 3,100	\$ 528,350
Due to other funds	1,853,794	-	-	1,853,794
Escrows	-	127,652	-	127,652
Total Liabilities	<u>2,274,224</u>	<u>232,472</u>	<u>3,100</u>	<u>2,509,796</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue- property taxes	127,221	-	-	127,221
Unavailable revenue- sewer fees	115,129	-	-	115,129
Unavailable revenue - refuse fees	104,885	-	-	104,885
Total deferred inflows of resources	<u>347,235</u>	<u>-</u>	<u>-</u>	<u>347,235</u>
<u>FUND BALANCES</u>				
Restricted:				
Library	-	116,796	-	116,796
Highway	-	-	546,589	546,589
Capital outlay	-	127,652	-	127,652
Assigned:				
Library capital outlay	-	67,359	-	67,359
Capital outlay	-	6,092,624	-	6,092,624
Unassigned	1,283,480	-	-	1,283,480
Total Fund Balances	<u>1,283,480</u>	<u>6,404,431</u>	<u>546,589</u>	<u>8,234,500</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 <u>\$ 3,904,939</u>	 <u>\$ 6,636,903</u>	 <u>\$ 549,689</u>	 <u>\$ 11,091,531</u>

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

SPRINGFIELD TOWNSHIP

RECONCILIATION OF THE BALANCE SHEET FOR GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

December 31, 2018

Springfield Township

Reconciliation of the Balance Sheet for Govt Funds to the Stmt of Net Assets

Amounts reported for governmental activities in the statement of net position (page 18)
are different because:

Total fund balances-total governmental funds (page 21) \$ 8,234,500

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

Cost of capital assets	62,170,571	
Accumulated depreciation	<u>(15,756,330)</u>	46,414,241

Because the focus of governmental funds is on short-term financing,
some assets will not be available to pay for current-period expenditures.
Those assets (for example, receivables) are offset by deferred inflows
in the governmental funds and thus are not included in fund balance.

Receivables	408,099	
Deferred inflows	<u>347,235</u>	755,334

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

Deferred outflows for pensions	3,797,661	
Deferred inflows for pensions	(705,725)	
Deferred inflows for OPEB plan	<u>(635,511)</u>	2,456,425

Long term liabilities are not due and payable in the current period and
therefore are not reported in the funds.

Notes payable	(9,351,791)	
Net pension liability	(4,221,094)	
Net post-retirement benefits obligation	<u>(2,642,148)</u>	<u>(16,215,033)</u>

Net position of governmental activities (page 18) \$ 41,645,467

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

SPRINGFIELD TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the year ended December 31, 2018

	<u>General</u>	<u>Capital Reserve</u>	<u>Nonmajor Fund Highway Aid</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes:				
Real estate	\$ 5,400,857	\$ -	\$ -	\$ 5,400,857
Transfer	667,146	-	-	667,146
Business and mercantile	1,197,662	-	-	1,197,662
Earned income	3,315,477	-	-	3,315,477
Fees, licenses and permits	465,621	-	-	465,621
Investment income and rent	251,506	101,742	11,925	365,173
Intergovernmental revenues	851,579	-	593,232	1,444,811
Fines and forfeitures	75,663	-	-	75,663
Charges for services	2,108,375	7,970	-	2,116,345
Other	699,967	105	-	700,072
Total Revenues	<u>15,033,853</u>	<u>109,817</u>	<u>605,157</u>	<u>15,748,827</u>
Expenditures				
Current:				
General government	1,613,294	-	-	1,613,294
Public safety	4,591,368	-	-	4,591,368
Health and sanitation	1,327,351	-	-	1,327,351
Highways and roads	1,543,121	-	483,045	2,026,166
Culture and recreation	1,254,014	-	-	1,254,014
Miscellaneous	3,830,425	-	-	3,830,425
Debt service:				
Principal	-	523,429	-	523,429
Interest	-	221,842	-	221,842
Capital projects	-	2,210,552	-	2,210,552
Total Expenditures	<u>14,159,573</u>	<u>2,955,823</u>	<u>483,045</u>	<u>17,598,441</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>874,280</u>	<u>(2,846,006)</u>	<u>122,112</u>	<u>(1,849,614)</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	19,741	-	-	19,741
Transfers in	1,000,000	2,139,054	-	3,139,054
Transfers out	<u>(2,139,054)</u>	<u>(1,000,000)</u>	<u>-</u>	<u>(3,139,054)</u>
Total Other Financing Sources (Uses)	<u>(1,119,313)</u>	<u>1,139,054</u>	<u>-</u>	<u>19,741</u>
Net Change in Fund Balance	(245,033)	(1,706,952)	122,112	(1,829,873)
Fund Balance - Beginning	<u>1,528,513</u>	<u>8,111,383</u>	<u>424,477</u>	<u>10,064,373</u>
Fund Balance - Ending	<u>\$ 1,283,480</u>	<u>\$ 6,404,431</u>	<u>\$ 546,589</u>	<u>\$ 8,234,500</u>

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

SPRINGFIELD TOWNSHIP

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

For the year ended December 31, 2018

Amounts reported for governmental activities in the statement of activities (page 19-20)
are different because:

Net change in fund balances-total governmental funds (page 21)		\$ (1,829,873)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	2,671,637	
Depreciation expense	<u>(1,709,750)</u>	961,887
The effect of sales of capital assets is to decrease net assets.		(291,040)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(126,120)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Repayment of debt	<u>523,429</u>	523,429
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Net pension liability and deferred items	480,959	
Net post-retirement benefits and deferred items	<u>(57,881)</u>	<u>423,078</u>
Change in net position of governmental activities (pages 19-20)		<u>\$ (338,639)</u>

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

SPRINGFIELD TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND (Budgetary Basis)

For the year ended December 31, 2018

	GENERAL FUND			Variance with Final Budget - Over (Under)
	Budgeted Amounts		Cash Basis	
	Original	Final	ACTUAL	
Revenues				
Taxes:				
Real estate	\$ 5,579,508	\$ 5,579,508	\$ 5,476,473	\$ (103,035)
Transfer	490,000	490,000	697,985	207,985
Business and mercantile	1,060,000	1,060,000	1,197,459	137,459
Earned income	3,275,000	3,275,000	3,304,309	29,309
Amusement	900	900	300	(600)
Licenses and permits	488,500	488,500	466,098	(22,402)
Fines and forfeitures	70,750	70,750	78,727	7,977
Interest and rent	286,265	286,265	280,637	(5,628)
Intergovernmental revenues	804,794	804,794	934,664	129,870
Charges for services	2,006,363	2,006,363	2,118,510	112,147
Miscellaneous revenues	960,273	960,273	768,925	(191,348)
Total Revenues	<u>15,022,353</u>	<u>15,022,353</u>	<u>15,324,087</u>	<u>301,734</u>
Expenditures				
Current:				
General government	1,367,473	1,582,953	1,578,940	(4,013)
Public safety	4,734,231	4,557,349	4,574,156	16,807
Health and sanitation	1,393,325	1,359,110	1,360,592	1,482
Highways and roads	1,558,569	1,559,048	1,538,280	(20,768)
Parks and recreation	436,476	480,686	486,175	5,489
Library services	713,063	784,242	776,569	(7,673)
Miscellaneous	4,142,316	3,827,042	3,828,546	1,504
Debt service	-	-	-	-
Total Expenditures	<u>14,345,453</u>	<u>14,150,430</u>	<u>14,143,258</u>	<u>(7,172)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>676,900</u>	<u>871,923</u>	<u>1,180,829</u>	<u>308,906</u>
Other Financing Sources (Uses)				
Sale of capital assets	23,500	23,500	21,664	(1,836)
Transfers in	1,615,406	1,615,406	1,000,000	(615,406)
Transfers out	(1,282,359)	(801,784)	(2,139,054)	(1,337,270)
Total Other Financing Sources (Uses)	<u>356,547</u>	<u>837,122</u>	<u>(1,117,390)</u>	<u>(1,954,512)</u>
Net Change in Fund Balance	1,033,447	1,709,045	63,439	(1,645,606)
Fund Balance - Beginning	<u>1,528,513</u>	<u>1,528,513</u>	<u>1,528,513</u>	
Fund Balance - Ending	<u>\$ 2,561,960</u>	<u>\$ 3,237,558</u>	<u>\$ 1,591,952</u>	

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

SPRINGFIELD TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

December 31, 2018

	<u>Pension Trust Funds</u>	<u>Agency Fund Recycling Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 472,969	\$ 220,574	\$ 693,543
Contributions receivable	86,674	-	86,674
Investments			
Exchange traded funds and closed end funds	<u>31,818,589</u>	<u>-</u>	<u>31,818,589</u>
 Total Assets	 <u>\$ 32,378,232</u>	 <u>\$ 220,574</u>	 <u>\$ 32,598,806</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 9,372	\$ -	\$ 9,372
Due to Township	-	2,501	2,501
Held for municipalities	<u>-</u>	<u>218,073</u>	<u>218,073</u>
Total Liabilities	<u>9,372</u>	<u>220,574</u>	<u>229,946</u>
<u>NET POSITION</u>			
Net Position - Restricted for Pension Benefits	<u>\$ 32,368,860</u>	<u>\$ -</u>	<u>\$ 32,368,860</u>

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

SPRINGFIELD TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the year ended December 31, 2018

	<u>Pension Trust Funds</u>
Additions	
Contributions	
Member contributions	\$ 227,041
Employer contributions	1,041,453
State aid	<u>435,648</u>
Total Contributions	<u>1,704,142</u>
Investment Earnings	
Net appreciation (depreciation) in fair value of investments	(2,774,182)
Dividends & Interest	<u>797,428</u>
Total Investment Earnings	(1,976,754)
Less: investment expense	<u>(122,325)</u>
Net Investment Earnings	<u>(2,099,079)</u>
Total Additions	<u>(394,937)</u>
Deductions	
Benefits	<u>1,960,479</u>
Total Deductions	<u>1,960,479</u>
Change in Net Position	(2,355,416)
Net Position - Restricted for Pension Benefits:	
Beginning of Year	<u>34,724,276</u>
End of Year	<u>\$ 32,368,860</u>

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

SPRINGFIELD TOWNSHIP

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

December 31, 2018

	Balance January 1, <u>2018</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31, <u>2018</u>
<u>RECYCLING FUND</u>				
ASSETS				
Cash	\$ 216,918	\$ 3,656	\$ -	\$ 220,574
Total Assets	<u>\$ 216,918</u>	<u>\$ 3,656</u>	<u>\$ -</u>	<u>\$ 220,574</u>
LIABILITIES				
Due to Other Funds	\$ 2,501	\$ -	\$ -	\$ 2,501
Held for Municipalities	214,417	3,656	-	218,073
Total Liabilities	<u>\$ 216,918</u>	<u>\$ 3,656</u>	<u>\$ -</u>	<u>\$ 220,574</u>

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

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

I. Summary of significant accounting policies

A. *Reporting entity*

Springfield Township is a municipal corporation existing and operating under the First Class Township code of the Commonwealth of Pennsylvania. The accompanying financial statements present the primary government and the reportable component units. In evaluating the Township (the primary government) as a reporting entity, all potential component units that may or may not fall within the financial accountability of the Township have been addressed. Financial accountability is present if the Township appoints a voting majority of a component unit's governing body and has the ability to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township.

B. *Government-wide and fund financial statements*

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, if any, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset 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.

C. *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 fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

I. Summary of significant accounting policies (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Governmental fund 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital reserve fund* accounts for capital purchases and construction to enhance and improve the property throughout the Township.

Additionally, the government reports the following fiduciary fund types:

The *pension trust fund* accounts for the activities of the Police and Non-Uniformed Pension plans, which accumulate resources for pension benefit payments to qualified employees.

The *agency fund* accounts for the joint construction to build a recycling center with other local municipalities.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

I. Summary of significant accounting policies (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. One exception is library donations that are restricted for capital improvements of \$116,796 and will be held for future use.

D. Assets, liabilities, and net position or equity

1. Deposits and investments

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

With the exception of Pension Trust Funds, state law allows the government to invest in obligations of the United States of America, the Commonwealth of Pennsylvania, or any agency or instrumentality of either, which are secured by the full faith and credit of such entity. The law also allows for the government to invest in certificates of deposit of banks, savings and loans, and savings banks both within and outside the Commonwealth of Pennsylvania, provided such amounts are insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance, and that deposits in excess of such insurance are collateralized by the depository. The state also imposes limitations with respect to the amount of investment in certificates of deposit to the extent that such deposits may not exceed 20% of a bank's total capital surplus or 20% of a savings and loan's or savings bank's asset, net of its liabilities. The government may also invest in shares of registered investment companies, provided that investments of the Company are authorized investments, as noted above.

The government invests in obligations and agencies of the United States of America. These investments are comprised of U.S. Treasury obligations. The government recognizes interest rate risk and extension risk with some of these obligations. The government has stratified their portfolio so that the investments with extension risk are comprised of monies needed on a long-term basis. Investments with interest rate risk are selected so that the risk of interest decline below area saving's accounts rates is minimal.

The law provides that the government's Pension Trust Funds may invest in any form or type of investment, financial instrument, or financial transaction if determined by the government to be prudent.

Investments for the government are reported at fair value.

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

I. Summary of significant accounting policies (Continued)

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

2. *Restricted assets*

Certain investments have been classified as restricted assets on the balance sheet because the donor's restriction on their use extends beyond one year.

3. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

At December 31, 2018, all trade receivables were deemed to be fully collectible. The property tax receivable allowance is immaterial and therefore not included in outstanding property taxes.

Property taxes are levied as of January 1 on property values assessed as of the same date. Taxes are billed February 1 and payable under the following terms: a 2% discount February 1 through April 1; face amount April 2 through June 1; and a 10% penalty after June 1. Any unpaid bills at December 31 are subject to lien, and penalties and interest are assessed. The Township employs an elected tax collector to collect the property tax levied. Property taxes collected within sixty days subsequent to December 31, 2018 are recognized as revenue for the year ending December 31, 2018.

4. *Prepaid items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

I. Summary of significant accounting policies (Continued)

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

5. Capital assets (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Prior to January 1, 2004, governmental funds infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20-30
Buildings and improvements	20-50
Roads and bridges	20-50
Traffic signals	10
Library books	10
Trucks, vehicles, and heavy equipment	5-15

6. Compensated absences

Township employees are granted vacation and sick leave in varying amounts. There is no accrual for unused vacation or sick leave compensation since such obligations relate to rights that do not vest.

7. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Net position

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

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

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

I. Summary of significant accounting policies (Continued)

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

8. *Net position (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 entity, not restricted for any project or other purpose.

9. *Fund balance*

The governmental funds report fund balance in classifications based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Nonspendable Fund Balance - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance - includes amounts that are restricted for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance - includes amounts that can only be used for the specific purposes determined by a formal action of the Township’s highest level of decision-making authority, the Board of Commissioners. Commitments may be changed or lifted only by the Township taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).

Assigned Fund Balance - includes amounts intended to be used by the Township for specific purposes that but do not meet the criteria to be classified as committed. The governing body, the Board of Commissioners, has by resolution authorized the Township Manager and Finance Director to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

I. Summary of significant accounting policies (Continued)

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

9. Fund balance (continued)

Unassigned Fund Balance - this residual classification is used for all negative fund balances in Special Revenue, Capital Projects, and Debt Service funds; or any residual amounts in the General Fund.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned. In all cases, encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

10. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Township has the following items that qualify for reporting in this category.

1. *Differences between expected and actual experience on pension plan liability* is reported in the government-wide statement. A difference results when actual economic or demographic factors differ from expected results. These amounts are deferred and recognized as an outflow of resources in the period that the amounts become available.
2. *Changes in pension assumptions* are reported in the government-wide statement of net position. A difference results when assumptions are changed. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.
3. *Net difference between projected and actual earnings on pension plan investments* is reported in the government-wide statement of net position. A net difference results from the actual earnings in the plan either exceeding or falling short of projected earnings. This amount is deferred and amortized over a five-year period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has the following items that qualify for reporting in this category.

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

I. Summary of significant accounting policies (Continued)

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

10. Deferred outflows/inflows of resources (continued)

1. *Unavailable revenue - property taxes, sewer fees, refuse fees* are reported in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
2. *Differences between expected and actual experience on pension plan and OPEB liability* is reported in the government-wide statement. A difference results when actual economic or demographic factors differ from expected results. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
3. *Changes in pension assumptions* are reported in the government-wide statement of net position. A difference results when assumptions are changed. This amount is deferred and recognized as an outflow of resources in the period that the amount becomes available.

11. Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

II. Stewardship, compliance, and accountability

A. Budgetary information

The Township prepares its budget on the cash basis of accounting, which differs from generally accepted accounting principles (GAAP). The budget and all transactions are presented in accordance with the Township's method (budget basis) in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual - General and Special Revenue Funds to provide a meaningful comparison of actual results with the budget. The major differences between the budgetary basis of accounting and GAAP are that:

Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual. Expenditures are recorded when paid as opposed to when the liability is incurred, except for interest on general long term obligations, which is recorded when due.

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

II. Stewardship, compliance, and accountability (Continued)

A. *Budgetary information (continued)*

During November, the Township holds budget hearings for the purpose of receiving oral and written comments from interested parties in regard to the proposed budget for the following year. The Township makes available to the public its proposed operating budget for all funds. The operating budget includes proposed expenditures and the means of financing them. The Board holds public hearings and a final budget must be prepared and adopted no later than December 31 through the passage of an ordinance.

All budget revisions require the approval of the Township Board of Commissioners. The Board authorized the use of unallocated fund balance in 2018. Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders) outstanding at year end lapse.

Adjustments necessary to convert the results of operations and fund balances at the end of the year from the GAAP basis of accounting to the budgetary basis of accounting are as follows:

	<u>General Fund</u>
GAAP Basis	\$ (245,033)
Accrued revenues at December 31, 2017	1,789,325
Accrued revenues at December 31, 2018	(1,561,615)
Accrued liabilities at December 31, 2017	(625,308)
Accrued liabilities at December 31, 2018	706,070
Budgetary (Cash) Basis	<u>\$ 63,439</u>

B. *Excess of expenditures over appropriations*

For the year ended December 31, 2018, expenditures exceeded appropriations in the following categories: public safety \$16,807, health and sanitation \$1,482, parks and recreation \$5,489 and miscellaneous \$1,504. These over expenditures were funded by greater than anticipated revenues.

III. Detailed notes on all funds

A. *Deposits and investments*

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government's policy is to require their banking institution to provide a letter stating that they follow the Commonwealth of Pennsylvania Act 72, where all funds in excess of federal depository insurance limits held by the bank are collateralized in public funds secured on a pooled basis. The investments in money market funds are considered cash equivalents because of their short maturity dates.

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

III. Detailed notes on all funds (Continued)

A. *Deposits and investments (continued)*

At year-end, the carrying amount of deposits for the governmental activities was \$1,629,254 and the bank balance was \$1,659,741. For bank balances, \$500,000 was covered by federal depository insurance. Any balances exceeding depository insurance are exposed to custodial credit risk because it is uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the government's name. The investment in money market funds, as listed in the chart below, are considered cash equivalents due to the short maturities of those investments and are included above.

Fair Value Measurements. The Township categorizes its fair value measurement within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. At year-end investment balances were as follows. All investments were considered to be Level 1:

<u>INVESTMENTS</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Governmental Funds:					
Certificates of deposit	\$ 100,208	\$ 53,447	\$ 46,761	\$ -	\$ -
U.S. Treasury bonds and notes	5,461,618	-	5,461,618	-	-
U.S. Government agencies	703,116	-	703,116	-	-
Total Governmental Funds	<u>\$ 6,264,942</u>	<u>\$ 53,447</u>	<u>\$ 6,211,495</u>	<u>\$ -</u>	<u>\$ -</u>
Fiduciary Funds:					
Exchange Traded (ETF's)	<u>\$ 31,818,589</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Custodial Credit Risk - Investments. For an investment, this is the risk that, in the event of a failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The risks of default are eliminated due to the constraints imposed upon allowable investment instruments by the Township's investment policy and through state limitations as discussed in Note I.D.1.

Interest Rate Risk. This is the risk that changes in interest rates will adversely affect the fair market value of an investment. The government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the investment of governmental funds as described in Note I. D. 1. The government does not have a formal investment policy for credit risk. The government's investments in U.S. Treasuries obligations and U.S. Government agencies are not required to be rated.

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

III. Detailed notes on all funds (Continued)

A. *Deposits and investments (continued)*

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. There were nine investments, totaling \$4,271,708 that exceeded greater than 5% in any one single issuer that would be considered a concentration of credit risk for December 31, 2018.

B. *Receivables*

Receivables as of year end for the government's individual major funds, and fiduciary funds in the aggregate are as follows:

Receivables:	<u>General</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Taxes			
Real estate	\$ 166,665	\$ -	\$ 166,665
Transfer	32,497	-	32,497
Business/mercantile	15,871	-	15,871
Earned income	679,544	-	679,544
Accounts	635,652	-	635,652
Interest	31,386	-	31,386
Contributions	-	86,674	86,674
Total Receivables	<u>\$ 1,561,615</u>	<u>\$ 86,674</u>	<u>\$ 1,648,289</u>

C. *Interfund receivables, payables, and transfers*

The composition of interfund balances as of December 31, 2018, is as follows:

Interfund balances are primarily a result of saving for capital projects:

	<u>Due to</u>	<u>Due from</u>
Capital reserve	\$ -	\$ 1,856,295
General	1,853,794	-
Agency fund	2,501	-
Total	<u>\$ 1,856,295</u>	<u>\$ 1,856,295</u>

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

III. Detailed notes on all funds (Continued)

C. Interfund receivables, payables, and transfers (continued)

Interfund transfers are primarily a result of saving for capital projects and reimbursement of expenditures:

	<u>Transfer Out</u>	<u>Transfer In</u>
General	\$ 2,139,054	\$ 1,000,000
Capital reserve	1,000,000	2,139,054
Total	\$ 3,139,054	\$ 3,139,054

D. Capital assets

Capital asset activity for the year ended December 31, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 4,461,627	\$ -	\$ -	\$ 4,461,627
Construction in progress	24,414,096	1,392,906	(25,250,779)	556,223
Total Capital Assets, not being depreciated	28,875,723	1,392,906	(25,250,779)	5,017,850
Capital Assets, being depreciated:				
Land improvements	4,453,791	218,830	-	4,672,621
Buildings and improvements	5,815,096	25,217,538	(945,296)	30,087,338
Machinery and equipment	1,579,771	116,522	-	1,696,293
Vehicles	3,610,762	376,940	(80,891)	3,906,811
Library collection	2,717,695	77,038	(2,000)	2,792,733
Infrastructure	13,606,939	522,642	(132,656)	13,996,925
Total Capital Assets being depreciated	31,784,054	26,529,510	(1,160,843)	57,152,721
Less Accumulated Depreciation for:				
Land improvements	1,382,636	234,736	-	1,617,372
Buildings and improvements	2,294,912	725,404	(716,294)	2,304,022
Machinery and equipment	1,224,182	104,841	-	1,329,023
Vehicles	2,242,312	253,773	(55,118)	2,440,967
Library collection	2,355,920	80,671	(2,000)	2,434,591
Infrastructure	5,416,421	310,325	(96,391)	5,630,355
Total Accumulated Depreciation	14,916,383	1,709,750	(869,803)	15,756,330
Total Capital Assets, being depreciated, net	16,867,671	24,819,760	(291,040)	41,396,391
Governmental Activities Capital Assets, net	\$ 45,743,394	\$ 26,212,666	\$ (25,541,819)	\$ 46,414,241

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

III. Detailed notes on all funds (Continued)

D. Capital assets (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Administrative	\$ 223,692
Police and Emergency Services	105,813
Public Works	989,357
Sewer	61,463
Library	237,086
Park and Recreation	<u>92,339</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,709,750</u>

E. Long-term debt

General Obligation Notes

The Township issues general obligation notes to provide funds for the acquisition, construction, and improvement of facilities and the purchase of equipment. General obligation notes are direct obligations and pledge the full faith and credit of the government. These notes are generally issued as 10-15 year notes with varying amounts of principal maturing each year. The original amount of general obligation notes issued in prior years was \$10,804,630.

General obligation notes currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities	0% -3.90%	<u>\$ 9,351,791</u>

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Governmental activities:					
Notes payable	\$ 9,875,220	\$ -	\$ (523,429)	\$ 9,351,791	\$ 535,866
Net pension liability	964,854	3,001,698	254,542	4,221,094	-
Net post-retirement obligation (Restated)	<u>3,219,778</u>	<u>314,779</u>	<u>(892,409)</u>	<u>2,642,148</u>	<u>-</u>
Governmental activity					
Long-Term Liabilities	<u>\$ 14,059,852</u>	<u>\$ 3,316,477</u>	<u>\$ (1,161,296)</u>	<u>\$ 16,215,033</u>	<u>\$ 535,866</u>

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

III. Detailed notes on all funds (Continued)

E. Long-term debt (continued)

Debt service for general obligation notes is funded primarily from real estate taxes for governmental activities. Any liabilities for the net pension liability or post-retirement obligations are generally liquidated by the general fund.

Maturities of notes payable for each of the next five years and in the aggregate are:

Year Ending December 31	Governmental Activities	
	Principal	Interest
2019	\$ 535,866	\$ 256,039
2020	480,925	241,914
2021	435,000	230,046
2022	450,000	218,040
2023	460,000	205,620
Thereafter	6,990,000	1,408,980
	<u>\$ 9,351,791</u>	<u>\$ 2,560,639</u>

IV. Other information

A. Risk management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

The Township participates in the Delaware Valley Property & Liability Trust pool. Springfield Township paid \$164,137 in annual contributions for coverage year 2018. The pooling agreement permits the pool to make additional assessments to its members. At December 31, 2018 there were no additional assessments due or anticipated. Instead the pool declared a dividend of which Springfield's share was \$48,725. Springfield paid \$1,688 in deductibles during coverage year 2018.

The Township participates in the Delaware Valley Workers' Compensation Trust. The insurance premium expense for the year ended December 31, 2018 was \$237,036. The pooling agreement permits the pool to make additional assessments to its members. At December 31, 2018 there were no additional assessments due or anticipated. Instead the pool declared a dividend of which Springfield's share was \$35,687. The Township received an additional sum of \$4,302 as a result of the payroll audit of the 2017 coverage year. An audit of the reported 2018 payroll will be performed during the first quarter of 2019.

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

V. Other information (Continued)

B. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

In the normal course of business, there are various relatively minor claims and suits pending against the Township, none of which materially affect the financial position of the Township. At the present time, there is no significant litigation matters pending that are expected to result in a judgment in excess of amounts covered by insurance.

C. Commitments

As of December 31, 2018 the Township had several construction projects in progress. The commitments are associated with various the Township projects. No new construction bids have been awarded as of the date of this report.

D. Defined benefit pension plan

Plan Description and Membership

The Township sponsors three single employer defined benefit pension plans, the Police Pension Plan, the Salaried Employees Pension Plan, and the Hourly Employees Pension Plan. These plans are reported as Pension Trust Funds in the accompanying financial statements and do not issue stand-alone reports. The plans are administered by the Township. The most recent valuation was as of January 1, 2017. Details below are from the valuation.

All full time police and non-uniform employees who have attained age 21 are eligible as of the date of their hire to participate in the plan, provided they agree to make the required contributions.

The three pension plans are governed by the Pension Board of Trustees who are authorized to make decisions for finance and investment-related planning, including review of pension plan finances for the Salaried, Police and Hourly Pension Plans. The Pension Board of Trustees consists of the seven members of the Board of Commissioners, plus one employee representative from each of the three pension plans. The Pension Board of Trustees meets quarterly for the purpose of reviewing the investment performance with the investment manager.

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

IV. Other information (Continued)

D. Defined benefit pension plan (continued)

At December 31, 2018, Springfield Township Pension Plans consisted of the following:

	<u>Police</u>	<u>Salaried</u>	<u>Hourly</u>
Inactive Members or Beneficiaries Currently Receiving Benefits (1)	32	15	9
Inactive Members Entitled to but not yet Receiving Benefits	1	3	4
Active Members	<u>23</u>	<u>18</u>	<u>24</u>
	<u>56</u>	<u>36</u>	<u>37</u>

(1) includes 3 DROP members in Police Pension Plan

The salaried pension plan was closed to new entrants as of January 1, 2016.

Benefits Provided

Police Pension Plan: The Pension Fund provides retirement, death, and disability to the plan members and their beneficiaries. All benefits vest after 12 years of credited service. Officers may retire at or after age 50 with 25 years of credited service. Officers are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 50% of their final three years' average salary. An annual cost-of-living adjustment is made to retirees with a maximum total cost-of-living increase of 30% of the original pension or 75% of their final three years' average salary at the date of retirement. If a participant is disabled in the line of duty, the employee is eligible for disability pension. The disability pension is equal to 50% of salary at the time the disability occurred, offset by any Social Security benefits paid for the same injuries. Benefit provisions are established and amended by Pennsylvania law. Administrative costs of the Plan are financed through investment earnings.

Police Pension Plan - A Deferred Retirement Option Plan ("DROP") is available to the Township's police officers who have fulfilled the age and service requirements of the Police Pension Plan as described in the previous paragraph. Under the DROP program a participant may elect to defer receipt of normal retirement benefits while continuing employment with the Township for a period not to exceed a period of 36 months. The monthly pension shall be calculated as of the date of participation in the program and shall be distributed in a lump sum at retirement.

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

IV. Other information (Continued)

D. Defined benefit pension plan (continued)

Salaried Employees Pension Plan: The Pension Plan provides retirement and death benefits. All benefits fully vest after 6 years of credited service. Employees who retire at or after age 62, with 10 years of credited service, are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 50% of the average compensation of the three highest consecutive years of service reduce by 1/25th for each year of service less than 25, and increased by 2% for each year of service completed in excess of 25 years plus cost of living adjustment. A retired participant's benefit shall be increased for cost-of-living, in accordance with the Philadelphia Area Consumer Price Index, measured for the prior calendar year. The maximum increase cannot exceed 30%. Benefit provisions are established and amended by Pennsylvania law. Administrative costs of the Plan are financed through investment earnings. This plan was closed to new entrants as of January 1, 2016.

Hourly Employees Pension Plan: The Pension Plan provides only retirement benefits. All benefits fully vest after 6 years of credited service. Employees who retire at or after age 62, with 10 years of credited service, are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 37.5% of the average compensation of the three highest consecutive years of service reduce by 1/25th for each year of service less than 25, and increased by 1/75th for each year of service completed in excess of 25 years. A retired participant's benefit who has been receiving benefits for at least one year shall be increased for cost-of-living, in accordance with the Philadelphia Area Consumer Price Index, measured for the prior calendar year. The maximum increase cannot exceed 130% of the original benefit. Benefit provisions are established and amended by Pennsylvania law. Administrative costs of the Plan are financed through investment earnings.

Summary of Significant Accounting Policies and Plan Asset Matters

Measurement Focus and Basis of Accounting

Basis of Accounting: Pension Plan financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Employer and member contributions are recognized as when due pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as revenue when earned. Retirement benefits and refunds are recognized when due and payable in accordance with terms of the Plan. Other expenses are recognized when the corresponding liabilities are incurred. The net appreciation/(depreciation) in fair value of investments is recorded as an increase/ (decrease) to investment income based on the valuation of investments. The entire expense of Plan administration is charged against earnings of the Plan. Investment earnings are reduced for investment management fees, portfolio evaluation, custodial services, and actuarial services, as required by State statutes.

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

IV. Other information (Continued)

D. Defined benefit pension plan (continued)

Measurement Focus and Basis of Accounting (continued)

Method Used to Value Investments: Pension Plan equity securities are reported at fair value. Fixed income securities are reported at fair value, investment income is recognized as earned. Gains and losses on sales and exchanges of fixed income securities are recognized on the transaction date. Market related value of assets is used to determine the indicated contribution.

Contributions

Employees of all three plans are required to make contributions.

Police Pension Plan: Covered employees are required by statute to contribute 5% of their salary to the Pension Fund. If an employee leaves covered employment before 12 years of credited service, accumulated employee contributions of the Pension Fund (not the Association) plus related investment earnings are refunded to the employee or designated beneficiary.

Salaried Employees Pension Plan: Covered employees are required to contribute 3% of their salary to the Pension Fund. If an employee leaves covered employment or dies before 6 years of credited service, accumulated employee contribution, if any, plus related investment earnings are refunded to the employee or designated beneficiary. This plan was closed to new entrants as of January 1, 2016.

Hourly Employees Pension Plan: Covered employees are required to contribute 3% of their salary to the Pension Fund. If an employee leaves covered employment or dies before 6 years of credited service, accumulated employee contribution, if any, plus related investment earnings are refunded to the employee or designated beneficiary.

Contributions are determined on an annual basis for each plan. Administrative costs and investment costs of the plan are financed through an addition to the Actuarially Determined Employer Contribution.

The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the Pension Fund. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law. The Pension Plans funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due.

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

IV. Other information (Continued)

D. Defined benefit pension plan (continued)

Contributions (continued)

The Township's annual required contribution is equal to its minimum municipal obligation ("MMO") as calculated in accordance with Pennsylvania law (Act 205 of 1984) less state aid and employee contributions deposited in the pension fund during the year. State law requires that state aid be used first to fund the plan, then employee contributions and finally general Township funds. The Township received state aid, which is recognized as revenue and expenses, in the amount of \$435,648 for the pensions for the year ended December 31, 2018.

Investments

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

Asset allocations and investment performance is reviewed quarterly. Forecasting of asset and liability growth is performed at least annually. More thorough analysis of assets and liabilities are also performed periodically.

Rate of Return: For the year ended December 31, 2018, the annual money-weighted rate of return on Plan investments, net of pension investment expense was -6.45% for the Police, -6.48% for Hourly Employees Pension Plans, and -6.56% for the Salaried Employees Pension Plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The components of the net pension liability of participating entities at December 31, 2018 were as follows:

	<u>Police</u>	<u>Salaried</u>	<u>Hourly</u>
Total pension liability	\$ 19,442,195	\$ 10,245,904	\$ 6,892,160
Plan fiduciary net position	(17,810,497)	(9,420,241)	(5,128,427)
Net pension liability	<u>\$ 1,631,698</u>	<u>\$ 825,663</u>	<u>\$ 1,763,733</u>

Plan fiduciary net position as a percentage of the total pension liability	92%	92%	74%
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TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

IV. Other information (Continued)

D. Defined benefit pension plan (continued)

Net Pension Liability (continued)

Actuarial Assumptions: The total pension liability in the January 1, 2017 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

	<u>Police</u>	<u>Salaried</u>	<u>Hourly</u>	
Inflation	3.00%	3.00%	3.00%	
Salary increases	4.00%	4.00%	4.00%	(average, including inflation)
Investment rate of return	6.75%	6.75%	6.75%	(including inflation)
Postretirement cost of living increase	(1)	(2)	(2)	

(1) Pursuant to Act 600

(2) Based upon Philadelphia CPI to cumulative maximum of 130% of the original benefit

Mortality rates were based on the UP-94 Mortality Table for males and females. This table does not include projected mortality improvements.

The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2015 to December 31, 2016.

The net pension liabilities for all three plans were measured as of December 31, 2018 and the total pension liabilities were determined by rolling forward the liabilities from the actuarial valuations as of January 1, 2017. There were no significant changes in benefit terms. The discount rate decreased from 7% to 6.75% in 2018.

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

<u>Asset Class</u>	<u>Target</u> <u>Allocation</u>	<u>Long-term Expected</u> <u>Real Rate of Return</u>
Domestic Equity	52.50%	7.00%
International Equity	16.50%	6.00%
Fixed Income	27.00%	2.50%
Real Estate	0.00%	7.00%
Cash	4.00%	0.00%

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

IV. Other information (Continued)

D. Defined benefit pension plan (continued)

Net Pension Liability (continued)

Discount Rate: The discount rate used to measure the total pension liability was 6.75% for all three plans. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer's funding policy requires the full funding of the entry age normal cost plus plan expenses, as well as an amortization of the unfunded liability. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<u>Police Pension Plan</u>			
Balance at December 31, 2017	\$ 18,513,686	\$ 19,580,181	\$ (1,066,495)
Changes for the year:			
Service cost	286,145	-	286,145
Interest	1,263,604	-	1,263,604
Change of benefit terms	-	-	-
Differences between expected and actual experience	353,442	-	353,442
Change of assumptions	522,003	-	522,003
Contributions - employer	-	701,914	(701,914)
Contributions - employee	-	129,715	(129,715)
Net investment income	-	(1,104,628)	1,104,628
Benefit payments, including refunds of employee contributions	(1,496,685)	(1,496,685)	-
Administrative expense	-	-	-
Other changes	-	-	-
Net Changes	928,509	(1,769,684)	2,698,193
Balance at December 31, 2018	\$ 19,442,195	\$ 17,810,497	\$ 1,631,698

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

IV. Other information (Continued)

D. Defined benefit pension plan (continued)

Net Pension Liability (continued)

	Increase (Decrease)		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
<u>Salaried Pension Plan</u>			
Balance at December 31, 2017	\$ 9,792,670	\$ 9,819,143	\$ (26,473)
Changes for the year:			
Service cost	184,050	-	184,050
Interest	686,774	-	686,774
Change of benefit terms	-	-	-
Differences between expected and actual experience	(343,837)	-	(343,837)
Change of assumptions	257,561	-	257,561
Contributions - employer	-	533,554	(533,554)
Contributions - employee	-	44,774	(44,774)
Net investment income	-	(645,583)	645,583
Benefit payments, including refunds of employee contributions	(331,314)	(331,314)	-
Administrative expense	-	-	-
Other changes	-	(333)	333
Net Changes	<u>453,234</u>	<u>(398,902)</u>	<u>852,136</u>
Balance at December 31, 2018	<u>\$ 10,245,904</u>	<u>\$ 9,420,241</u>	<u>\$ 825,663</u>

	Increase (Decrease)		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
<u>Hourly Pension Plan</u>			
Balance at December 31, 2017	\$ 6,283,543	\$ 5,318,689	\$ 964,854
Changes for the year:			
Service cost	136,368	-	136,368
Interest	444,757	-	444,757
Change of benefit terms	-	-	-
Differences between expected and actual experience	(77,819)	-	(77,819)
Change of assumptions	237,791	-	237,791
Contributions - employer	-	239,010	(239,010)
Contributions - employee	-	50,913	(50,913)
Net investment income	-	(347,705)	347,705
Benefit payments, including refunds of employee contributions	(132,480)	(132,480)	-
Administrative expense	-	-	-
Other changes	-	-	-
Net Changes	<u>608,617</u>	<u>(190,262)</u>	<u>798,879</u>
Balance at December 31, 2018	<u>\$ 6,892,160</u>	<u>\$ 5,128,427</u>	<u>\$ 1,763,733</u>

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

IV. Other information (Continued)

D. Defined benefit pension plan (continued)

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 6.75%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (estimate based on plan demographics):

	1% Decrease <u>(5.75%)</u>	Current Discount <u>Rate (6.75%)</u>	1% Increase <u>(7.75%)</u>
Net pension liability			
Police	\$ 4,030,369	\$ 1,631,698	\$ (351,679)
Salaried	1,977,523	825,663	(168,113)
Hourly	2,888,401	1,763,733	836,473

Deferred Outflows and Inflows of Resources: For the year ended December 31, 2018, the Borough recognized pension expense of \$443,862 for the Police Pension Plan, \$210,451 for the Salaried Employees Pension Plan, and \$338,867 for the Hourly Employees Pension Plan. At December 31, 2018, the Borough reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows <u>of Resources</u>	Deferred Inflows <u>of Resources</u>
<u>Police Pension</u>		
Differences between expected and actual experience	\$ 269,489	\$ 160,218
Changes in assumptions	427,867	-
Net difference between projected and actual earnings on pension plan investments	<u>1,230,744</u>	<u>-</u>
Total	<u>\$ 1,928,100</u>	<u>\$ 160,218</u>
 <u>Salaried Employees Pension</u>		
Differences between expected and actual experience	\$ -	\$ 370,579
Changes in assumptions	195,127	-
Net difference between projected and actual earnings on pension plan investments	<u>679,808</u>	<u>-</u>
Total	<u>\$ 874,935</u>	<u>\$ 370,579</u>
 <u>Hourly Employees Pension</u>		
Differences between expected and actual experience	\$ 193,423	\$ 174,928
Changes in assumptions	426,149	-
Net difference between projected and actual earnings on pension plan investments	<u>375,054</u>	<u>-</u>
Total	<u>\$ 994,626</u>	<u>\$ 174,928</u>

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

IV. Other information (Continued)

D. Defined benefit pension plan (continued)

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

Year Ended <u>December 31:</u>	<u>Police</u>	<u>Salaried Employees</u>	<u>Hourly Employees</u>
2019	\$ 533,922	\$ 88,068	\$ 186,474
2020	336,677	44,679	121,309
2021	363,222	103,300	129,914
2022	534,061	268,309	214,353
2023	-	-	69,249
Thereafter	-	-	98,399
Total	<u>\$ 1,767,882</u>	<u>\$ 504,356</u>	<u>\$ 819,698</u>

Payable to the Pension Plan: For the year ended December 31, 2018, there was \$86,674 payable for contributions to the pension plan.

Deferred Retirement Option Program

An active member who has met the eligibility requirements for the program, which are age 50 and 25 years of service, may elect to participate in the deferred retirement option program for a period not to exceed 36 months. Monthly pension shall be calculated as of the date participation in the program and shall be accumulated in a self-directed account and distributed in a lump sum at retirement. As of December 31, 2018, the DROP account balances of \$59,482 are held by the plan pursuant to the DROP and are included in the total pension liability.

E. Defined contribution pension plan

Springfield Township sponsors a defined contribution pension plan to provide pension benefits for all full-time non-uniformed salaried employees of the Township hired on or after January 1, 2016. As of December 31, 2018, there was 1 active participant in the plan. Employees are required to contribute 3-5% of compensation each pay period on an after-tax basis. The Township shall contribute an amount equal to the mandatory employee contribution at a rate of 4-8%, respectively. Employer and employee contributions to the plan for 2018 totaled \$2,623 and \$1,639, respectively. Plan provisions and contribution requirements are established and may be amended by ordinance enacted by the Springfield Township Board of Commissioners.

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

IV. Other information (Continued)

E. Defined contribution pension plan (continued)

Each full-time, permanent, non-uniformed employee of the Township hired on or after January 1, 2016 shall become eligible upon the one-month anniversary of the date the employee first completes and hour of service and upon attaining age 21, with the exception of: (a) An employee who is a participant in a tax-qualified defined benefit pension plan offered and maintained by the Township is not eligible to participate in this plan; (b) An employee covered by a collective bargaining agreement unless the agreement allows participation. The plan provides retirement, death, and disability benefits to plan members and their beneficiaries. A participant shall be fully vested at 6 years of vesting service as defined in the plan. Administrative costs of the Plan are financed through investment earnings. The Plan is managed by an outside trustee appointed by the Township.

This plan is part of the Salaried Pension Plan. It is reported as Pension Trust Fund in the accompanying financial statements and does not issue stand-alone reports. Pension Plan financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Pension Plan investments are reported at fair value. Investment income is recognized as earned. Gains and losses on sales and exchanges of securities are recognized on the transaction date. The net appreciation/(depreciation) in fair value of investments is recorded as an increase/(decrease) to investment income based on the valuation of investments.

F. Post-retirement benefits

The Township administers a single-employer defined benefit plan to provide for certain postretirement healthcare benefits (OPEB) to eligible retired police officers. The Plan was established and is governed through Board Resolution and Police Labor Contract, to provide post-retirement medical and dental benefits to uniformed and non-uniformed employees retiring after 1/2/2005. The plan is funded on a pay-as-you-go basis and there is no irrevocable trust established for the plan. The most recent valuation was as of January 1, 2017.

The plan does not issue a stand-alone financial report.

Membership of the plan consisted of the following at December 31, 2018 (the date of the latest actuarial valuation):

Inactive employees (or their beneficiaries) currently receiving benefits	9
Inactive employees entitled to benefits but not yet receiving them	0
Active employees	<u>73</u>
	<u>82</u>

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

IV. Other information (Continued)

F. Post-retirement benefits (continued)

Eligibility: General employees are eligible for retiree health care benefits until the retiree is eligible for Medicare at the earlier of age 62 with 10 years of service or 25 years of service. Police officers are eligible for retiree health care benefits until the retiree is eligible for Medicare at the earlier of age 50 with 25 years of service or 20 years of service.

Benefits Provided: The retirees are offered the same benefits that are available to active employees and would have to pay for spousal/dependent coverage. If substantially equivalent coverage is available to retirees through spousal health insurance, a retiree would not be covered under the Township plan and the Township may opt to reimburse any premium co-payment of a retiree rather than provide coverage. Should spousal coverage become unavailable, the retiree would be immediately reinstated to the Township plan. Participation in the Township plan will cease at age 65 or whenever the retiree becomes eligible for Medicare, whichever is earlier.

Contributions: Retirees are not required to make contributions to the plan, but are required to reimburse the Township for the portion of the premiums not covered by the Township's explicit subsidy. The contribution requirements of plan members have been established and may be amended through Board Resolution and Police Labor Contracts. The funding of these benefits will be covered by annual appropriation by the Township.

Net OPEB Liability

The Township's net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total OPEB liability in the January 1, 2017 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

	<u>OPEB</u>
Inflation	2.80%
Salary Increases	0%-4.25% (including inflation)
Investment Rate of Return	Not applicable
Healthcare Cost Trend Rates	Health care trend rates start at an initial rate of 8%, decreasing to an ultimate rate of 4.5%.

Mortality rates were based on the SOA RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018.

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

IV. Other information (Continued)

F. Post-retirement benefits (continued)

The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an actuarial experience study from the period January 1, 2014 to December 31, 2016.

The net OPEB liability was measured as of December 31, 2018 and the total OPEB liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2017. Significant events or changes in assumptions occurred between the valuation date and the fiscal year end: The inflation rate decreased from 3% to 2.8%, the projected salary increases are now based on a scale.

Discount Rate: The discount rate used to measure the total OPEB liability was 4.11 percent, based upon 20-year AA/Aa municipal bond rates, for the plan. No assets have been accumulated in an irrevocable trust, so the municipal rate has been applied to all periods.

Change in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
<u>OPEB Plan</u>			
Balance at December 31, 2017	\$ 3,219,778	\$ -	\$ 3,219,778
Changes for the year:			
Service cost	200,160	-	200,160
Interest	114,619	-	114,619
Change of benefit terms	-	-	-
Differences between expected and actual experience	(411,212)	-	(411,212)
Change of assumptions	(303,738)	-	(303,738)
Contributions - employer	-	177,459	(177,459)
Benefit payments, including refunds of employee contributions	(177,459)	(177,459)	-
Net Changes	(577,630)	-	(577,630)
Balance at December 31, 2018	<u>\$ 2,642,148</u>	<u>\$ -</u>	<u>\$ 2,642,148</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability calculated using the discount rate of 4.11 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.11 percent) or one percentage point higher (5.11 percent) than the current rate:

	1% Decrease (3.11%)	Current Discount Rate (4.11%)	1% Increase (5.11%)
Net OPEB liability	\$ 2,826,300	\$ 2,642,148	\$ 2,467,705

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

IV. Other information (Continued)

F. Post-retirement benefits (continued)

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

	1% Decrease Valuation Rates	Healthcare Cost Trend Valuation Rates	1% Increase Valuation Rates
Net OPEB liability	\$ 2,380,957	\$ 2,642,148	\$ 2,948,285

OPEB Expense, and Deferred Outflows and Inflows of Resources

For December 31, 2018, the Township reported the following deferred outflows and inflows of resources related to OPEB.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>OPEB Plan</u>		
Differences between expected and actual experience	\$ -	\$ 365,522
Changes in assumptions	-	269,989
Net difference between projected and actual earnings on OPEB plan investments	-	-
Total	<u>\$ -</u>	<u>\$ 635,511</u>

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

Year Ended <u>December 31:</u>	Governmental- Activities <u>OPEB</u>
2019	\$ 79,439
2020	79,439
2021	79,439
2022	79,439
2023	79,439
Thereafter	<u>238,316</u>
Total	<u>\$ 635,511</u>

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

IV. Other information (Continued)

F. Post-retirement benefits (continued)

OPEB Expense, and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2018, the actuarial determined expense for the OPEB Plan was \$235,340. At December 31, 2018, the Township reported no deferred outflows and inflows of resources related to OPEB.

G. Recycling Fund

For many years Springfield Township managed the Montgomery County Consortium of Communities Recycling Program and maintained the receipts for the sale and disposal of materials. In 2003, the Township oversaw the construction of a new recycling transfer center, but turned the daily operations over to Upper Dublin Township at their request. As a result, the fund that was established to separate the Recycling Consortium funds from Township funds is no longer used for regular operating receipts or expenditures, but instead is utilized to perform capital repairs at the recycling center when needed. As of December 31, 2018, the Recycling Fund balance held by Springfield Township for capital repairs at the recycling center was \$220,574. Springfield Township's share of the funds amounted to \$128,553.

H. Country Club lease agreement

The Township entered into a lease agreement on May 1, 2006, with an independent management company, TJKFCC, LLC, to operate the property known as the Flourtown Country Club through December 31, 2020. The lease agreement includes an additional five (5) year extension that may be exercised at the lessee's option. The terms of the agreement state that the Township receives a minimum annual rental of \$105,000. In addition to the minimum annual rental, the Township receives an additional percentage rent in the amount of 6% of the amount by which lessee's total annual gross receipts exceeds \$1,500,000 but does not exceed \$2,000,000, and 8% of the amount by which lessee's total annual gross receipts exceeds \$2,000,000. The Township has established a building reserve fund within its Capital Reserve account to plan for capital repairs and replacements to the Flourtown Country Club facility. There is presently no debt service associated with the Flourtown Country Club, and the management company is solely responsible for the day-to-day operations and expenses of the Country Club, and exclusively responsible for administration of its fiscal affairs.

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

IV. Other information (Continued)

I. Subsequent events

The Township has evaluated events and transactions for potential recognition or disclosure in the financial statements through the date of this report, which is the date the financial statements were available to be issued. See Note IV. C. for commitment disclosures.

J. New Accounting Pronouncements

GASB Statement No. 74 - *Financial Reporting for Postemployment Benefits Other Than Pension Plans*. This Statement is effective for fiscal year 2018 for plans without an irrevocable trust. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) that are included in the general purpose external financial reports of governmental entities. The implementation of this Statement had no effect on the balances in the financial statements, however, expanded disclosure can be found in Note IV.F.

GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement is effective for fiscal year 2018. The objective of this Statement is to improve accounting and financial reporting by local governments for postemployment benefits other than pensions. This statement modifies the accounting for the Township's other postemployment benefit plan. As a result, the beginning governmental activities net position has been restated. The implementation had no effect on fund balance.

	Governmental
	<u>Activities</u>
Net position as previously reported, December 31, 2017	\$ 43,079,843
Net OPEB liability - Implementation of GASB 75	<u>(1,095,737)</u>
Net positon as restated, December 31, 2017	<u>\$ 41,984,106</u>

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF SPRINGFIELD

Required Supplemental Information for Police Pension Plan

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability				
Service cost	\$ 286,145	\$ 287,397	\$ 219,979	\$ 259,046
Interest	1,263,604	1,244,277	1,200,004	1,213,646
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	353,442	(132,799)	(29,196)	(1,421,484)
Changes of assumptions	522,003	-	-	546,819
Benefit payments, including refunds of employee contributions	<u>(1,496,685)</u>	<u>(746,352)</u>	<u>(905,117)</u>	<u>(602,563)</u>
Net change in total pension liability	928,509	652,523	485,670	(4,536)
Total pension liability - beginning	<u>18,513,686</u>	<u>17,861,163</u>	<u>17,375,493</u>	<u>17,380,029</u>
Total pension liability - ending (a)	<u>\$ 19,442,195</u>	<u>\$ 18,513,686</u>	<u>\$ 17,861,163</u>	<u>\$ 17,375,493</u>
 Plan fiduciary net position				
Contributions - employer	\$ 701,914	\$ 653,820	\$ 738,866	\$ 727,203
Contributions - employee	129,715	122,217	118,597	188,402
Net investment income	(1,104,628)	2,736,132	1,207,711	(142,351)
Benefit payments, including refunds of employee contributions	(1,496,685)	(746,352)	(905,117)	(602,563)
Administrative expense	-	-	-	-
Other	<u>-</u>	<u>1</u>	<u>-</u>	<u>(144,752)</u>
Net change in plan fiduciary net position	(1,769,684)	2,765,818	1,160,057	25,939
 Plan fiduciary net position - beginning	<u>19,580,181</u>	<u>16,814,363</u>	<u>15,654,306</u>	<u>15,628,367</u>
Plan fiduciary net position - ending (b)	<u>\$ 17,810,497</u>	<u>\$ 19,580,181</u>	<u>\$ 16,814,363</u>	<u>\$ 15,654,306</u>
 Township's net pension liability - ending (a)-(b)	<u>\$ 1,631,698</u>	<u>\$ (1,066,495)</u>	<u>\$ 1,046,800</u>	<u>\$ 1,721,187</u>
 Plan fiduciary net position as a percentage of the total pension liability	91.6%	105.8%	94.1%	90.1%
 Covered payroll	\$ 2,563,485	\$ 2,466,015	\$ 2,308,146	\$ 2,378,900
 Net pension liability as a percentage of covered payroll	63.7%	-43.2%	45.4%	72.4%
 Annual money-weighted return, net of investment expenses	-6.45%	16.59%	8.23%	-0.92%

Notes to Schedule:

Change in benefit terms: None since 1/1/2015

The discount rate decreased from 7% to 6.75%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10-year trend is complete, available information is presented.

TOWNSHIP OF SPRINGFIELD

Required Supplemental Information for Salaried Employees Pension Plan

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability				
Service cost	\$ 184,050	\$ 168,549	\$ 173,897	\$ 172,010
Interest	686,774	659,335	648,414	613,125
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(343,837)	(117,237)	(321,007)	(49,848)
Changes of assumptions	257,561	-	-	116,527
Benefit payments, including refunds of employee contributions	<u>(331,314)</u>	<u>(337,002)</u>	<u>(342,890)</u>	<u>(356,244)</u>
Net change in total pension liability	453,234	373,645	158,414	495,570
Total pension liability - beginning	<u>9,792,670</u>	<u>9,419,025</u>	<u>9,260,611</u>	<u>8,765,041</u>
Total pension liability - ending (a)	<u>\$ 10,245,904</u>	<u>\$ 9,792,670</u>	<u>\$ 9,419,025</u>	<u>\$ 9,260,611</u>
 Plan fiduciary net position				
Contributions - employer	\$ 533,554	\$ 517,252	\$ 508,747	\$ 497,069
Contributions - employee	44,774	40,713	43,946	42,869
Net investment income	(645,583)	1,359,830	634,922	(63,604)
Benefit payments, including refunds of employee contributions	(331,314)	(337,002)	(342,890)	(356,244)
Administrative expense	-	-	-	-
Other	<u>(333)</u>	<u>-</u>	<u>-</u>	<u>135</u>
Net change in plan fiduciary net position	(398,902)	1,580,793	844,725	120,225
 Plan fiduciary net position - beginning	<u>9,819,143</u>	<u>8,238,350</u>	<u>7,393,625</u>	<u>7,273,400</u>
Plan fiduciary net position - ending (b)	<u>\$ 9,420,241</u>	<u>\$ 9,819,143</u>	<u>\$ 8,238,350</u>	<u>\$ 7,393,625</u>
 Township's net pension liability - ending (a)-(b)	<u>\$ 825,663</u>	<u>\$ (26,473)</u>	<u>\$ 1,180,675</u>	<u>\$ 1,866,986</u>
 Plan fiduciary net position as a percentage of the total pension liability	91.9%	100.3%	87.5%	79.8%
 Covered-employee payroll	\$ 1,424,688	\$ 1,435,454	\$ 1,380,244	\$ 1,384,592
 Net pension liability as a percentage of covered payroll	58.0%	-1.8%	85.5%	134.8%
 Annual money-weighted return, net of investment expenses	-6.56%	16.57%	8.39%	-0.89%

Notes to Schedule:

Change in benefit terms: None since 1/1/2015

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10-year trend is complete, available information is presented.

TOWNSHIP OF SPRINGFIELD

Required Supplemental Information for Hourly Employees Pension Plan

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability				
Service cost	\$ 136,368	\$ 128,788	\$ 119,986	\$ 118,408
Interest	444,757	415,031	397,620	327,018
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(77,819)	1,155	(156,242)	321,132
Changes of assumptions	237,791	-	-	358,526
Benefit payments, including refunds of employee contributions	<u>(132,480)</u>	<u>(123,320)</u>	<u>(119,546)</u>	<u>(116,590)</u>
Net change in total pension liability	608,617	421,654	241,818	1,008,494
Total pension liability - beginning	<u>6,283,543</u>	<u>5,861,889</u>	<u>5,620,071</u>	<u>4,611,577</u>
Total pension liability - ending (a)	<u>\$ 6,892,160</u>	<u>\$ 6,283,543</u>	<u>\$ 5,861,889</u>	<u>\$ 5,620,071</u>
 Plan fiduciary net position				
Contributions - employer	\$ 239,010	\$ 197,015	\$ 132,802	\$ 123,667
Contributions - employee	50,913	47,923	44,794	47,218
Net investment income	(347,705)	738,545	329,993	(39,995)
Benefit payments, including refunds of employee contributions	(132,480)	(123,320)	(119,546)	(116,590)
Administrative expense	-	-	-	-
Other	-	-	-	79
Net change in plan fiduciary net position	<u>(190,262)</u>	<u>860,163</u>	<u>388,043</u>	<u>14,379</u>
Plan fiduciary net position - beginning	<u>5,318,689</u>	<u>4,458,526</u>	<u>4,070,483</u>	<u>4,056,104</u>
Plan fiduciary net position - ending (b)	<u>\$ 5,128,427</u>	<u>\$ 5,318,689</u>	<u>\$ 4,458,526</u>	<u>\$ 4,070,483</u>
 Township's net pension liability - ending (a)-(b)	<u>\$ 1,763,733</u>	<u>\$ 964,854</u>	<u>\$ 1,403,363</u>	<u>\$ 1,549,588</u>
 Plan fiduciary net position as a percentage of the total pension liability	74.4%	84.6%	76.1%	72.4%
 Covered payroll	\$ 1,680,652	\$ 1,594,828	\$ 1,533,488	\$ 1,513,417
 Net pension liability as a percentage of covered payroll	104.9%	60.5%	91.5%	102.4%
 Annual money-weighted return, net of investment expenses	-6.48%	16.52%	8.06%	-1.00%

Notes to Schedule:

Change in benefit terms: None since 1/1/2015

The discount rate decreased from 7% to 6.75%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10-year trend is complete, available information is presented.

TOWNSHIP OF SPRINGFIELD

Required Supplemental Information for Police Pension Plan

SCHEDULE OF CONTRIBUTIONS

<u>Fiscal</u> <u>Year Ended</u> <u>December 31,</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Employer</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Payroll</u>	<u>Contribution as</u> <u>a Percentage</u> <u>of Covered</u> <u>Payroll</u>
2009	\$ 836,015	\$ 836,015	\$ -	\$ 2,274,911	(1) 36.75%
2010	607,790	607,790	-	2,274,911	(1) 26.72%
2011	615,993	615,993	-	2,347,505	(1) 26.24%
2012	520,269	520,269	-	2,347,505	(1) 22.16%
2013	513,892	513,892	-	2,184,023	(1) 23.53%
2014	709,336	709,336	-	2,384,651	(1) 29.75%
2015	727,203	727,203	-	2,378,900	30.57%
2016	706,591	738,866	(32,275)	2,308,146	32.01%
2017	653,820	653,820	-	2,466,015	26.51%
2018	694,260	701,914	(7,654)	2,563,485	27.38%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial valuation date	1/1/2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar - Closed
Remaining amortization period	13 years
Asset valuation method	Market Value
Inflation	3%
Salary increases	4%, average, including inflation
Investment rate of return	7%, net of pension plan investment expense, including inflation
Retirement age	Age 53 and 25 years of service
Mortality	UP-94 Mortality Table projected to 2020 using Scale AA

Change in benefit terms: None since 1/1/2015

The discount rate decreased from 7% to 6.75%

(1) - covered employee payroll taken from 1/1/2008 through 1/1/2013 actuarial valuations

TOWNSHIP OF SPRINGFIELD

Required Supplemental Information for Salaried Employees Pension Plan

SCHEDULE OF CONTRIBUTIONS

<u>Fiscal</u> <u>Year Ended</u> <u>December 31,</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Employer</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Payroll</u>	<u>Contribution as</u> <u>a Percentage</u> <u>of Covered</u> <u>Payroll</u>
2009	\$ 422,827	\$ 422,827	\$ -	\$ 1,320,645	(1) 32.02%
2010	589,434	589,434	-	1,320,645	(1) 44.63%
2011	327,595	327,595	-	1,440,757	(1) 22.74%
2012	344,599	344,599	-	1,440,757	(1) 23.92%
2013	339,414	339,414	-	1,507,556	(1) 22.51%
2014	498,189	498,189	-	1,331,338	37.42%
2015	497,069	497,069	-	1,384,592	35.90%
2016	493,542	508,747	(15,205)	1,380,244	36.86%
2017	517,252	517,252	-	1,435,454	36.03%
2018	529,123	533,554	(4,431)	1,424,688	37.45%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial valuation date	1/1/2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Remaining amortization period	3 years
Asset valuation method	Market value of assets determined by the trustee
Inflation	3%
Salary increases	4.00%, average, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Retirement age	25% at age 62, 10% at ages 63-64, 50% at age 65, 10% at age 66, 20% at age 67, 10% at ages 68-69, 100% at age 70
Mortality	UP-94 Mortality Table projected to 2020 using Scale AA

Change in benefit terms: None since 1/1/2015

The discount rate decreased from 7% to 6.75%

(1) - covered employee payroll taken from 1/1/2008 through 1/1/2013 actuarial valuations

TOWNSHIP OF SPRINGFIELD

Required Supplemental Information for Hourly Employees Pension Plan

SCHEDULE OF CONTRIBUTIONS

<u>Fiscal</u> <u>Year Ended</u> <u>December 31,</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Employer</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Payroll</u>	<u>Contribution as</u> <u>a Percentage</u> <u>of Covered</u> <u>Payroll</u>
2009	\$ 157,490	\$ 157,490	\$ -	\$ 1,212,711	(1) 12.99%
2010	184,304	184,304	-	1,212,711	(1) 15.20%
2011	98,770	98,770	-	1,331,222	(1) 7.42%
2012	95,501	95,501	-	1,331,222	(1) 7.17%
2013	92,248	92,248	-	1,304,391	(1) 7.07%
2014	119,609	119,609	-	1,331,338	(1) 8.98%
2015	123,667	123,667	-	1,513,417	8.17%
2016	124,945	132,802	(7,857)	1,533,488	8.66%
2017	197,015	197,015	-	1,594,828	12.35%
2018	239,010	239,010	-	1,680,652	14.22%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial valuation date	1/1/2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Remaining amortization period	13 years
Asset valuation method	Market value of assets determined by the trustee
Inflation	3%
Salary increases	4.00%, average, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Retirement age	67% at age 62, 10% at ages 63-64, 100% at age 65
Mortality	UP-94 Mortality Table projected to 2020 using Scale AA

Change in benefit terms: None since 1/1/2015

The discount rate decreased from 7% to 6.75%

(1) - covered employee payroll taken from 1/1/2008 through 1/1/2013 actuarial valuations

TOWNSHIP OF SPRINGFIELD

Required Supplemental Information for OPEB Plan

December 31, 2018

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 200,160
Interest	114,619
Changes of benefit terms	-
Differences between expected and actual experience	(411,212)
Changes of assumptions	(303,738)
Benefit payments (including premium subsidies)	<u>(177,459)</u>
Net change in total OPEB liability	(577,630)
Total OPEB liability - beginning	<u>3,219,778</u>
Total OPEB liability - ending (a)	<u>\$ 2,642,148</u>
Plan fiduciary net position	
Contributions - employer (including premium subsidies)	\$ 177,459
Contributions - employee	-
Net investment income	-
Benefit payments (including premium subsidies)	(177,459)
Administrative expense	-
Other	<u>-</u>
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	<u>-</u>
Plan fiduciary net position - ending (b)	<u>\$ -</u>
Township's net OPEB liability - ending (a)-(b)	<u>\$ 2,642,148</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%
Covered payroll	\$ 5,681,441
Net OPEB liability as a percentage of covered payroll	46.5%
Annual money-weighted return, net of investment expenses	Not Applicable

Notes to Schedule:

Change in assumptions and benefit terms: None since 1/1/2017

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a 10-year trend is complete, available information is presented.

SPRINGFIELD TOWNSHIP

COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

December 31, 2018

	Police Pension	Salaried Pension			Hourly Pension	Total Pension Trust Funds
		Defined Benefit	Defined Contribution	Total		
<u>ASSETS</u>						
Cash	\$ 239,690	\$ 140,070	\$ 1,378	\$ 141,448	\$ 91,831	\$ 472,969
Contributions receivable	31,535	41,061	341	41,402	13,737	86,674
Due from other pension	-	3,100	(3,100)	-	-	-
Investments						
Exchange traded funds and closed end funds	<u>17,539,271</u>	<u>9,236,009</u>	<u>11,030</u>	<u>9,247,039</u>	<u>5,032,279</u>	<u>31,818,589</u>
Total Assets	<u>\$ 17,810,496</u>	<u>\$ 9,420,240</u>	<u>\$ 9,649</u>	<u>\$ 9,429,889</u>	<u>\$ 5,137,847</u>	<u>\$ 32,378,232</u>
<u>LIABILITIES</u>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 9,372	\$ 9,372
<u>NET POSITION</u>						
Net Position- Restricted for Pension Benefits	<u>\$ 17,810,496</u>	<u>\$ 9,420,240</u>	<u>\$ 9,649</u>	<u>\$ 9,429,889</u>	<u>\$ 5,128,475</u>	<u>\$ 32,368,860</u>

SPRINGFIELD TOWNSHIP

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the year ended December 31, 2018

	Police Pension	Salaried Pension			Hourly Pension	Total Pension Trust Funds
		Defined Benefit	Defined Contribution	Total		
Additions						
Contributions						
Member contributions	\$ 129,715	\$ 44,774	\$ 1,639	\$ 46,413	\$ 50,913	\$ 227,041
Employer contributions	483,654	390,226	2,623	392,849	164,950	1,041,453
State aid	218,260	143,328	-	143,328	74,060	435,648
Total Contributions	<u>831,629</u>	<u>578,328</u>	<u>4,262</u>	<u>582,590</u>	<u>289,923</u>	<u>1,704,142</u>
Investment Earnings						
Net appreciation (depreciation) in fair value of investments	(1,475,767)	(842,674)	(1,080)	(843,754)	(454,661)	(2,774,182)
Dividends & Interest	440,229	231,182	245	231,427	125,772	797,428
Total Investment Earnings	<u>(1,035,538)</u>	<u>(611,492)</u>	<u>(835)</u>	<u>(612,327)</u>	<u>(328,889)</u>	<u>(1,976,754)</u>
Less: investment expense	(69,091)	(34,425)	(42)	(34,467)	(18,767)	(122,325)
Net Investment Earnings	<u>(1,104,629)</u>	<u>(645,917)</u>	<u>(877)</u>	<u>(646,794)</u>	<u>(347,656)</u>	<u>(2,099,079)</u>
Total Additions	<u>(273,000)</u>	<u>(67,589)</u>	<u>3,385</u>	<u>(64,204)</u>	<u>(57,733)</u>	<u>(394,937)</u>
Deductions						
Benefits	1,496,685	331,314	-	331,314	132,480	1,960,479
Total Deductions	<u>1,496,685</u>	<u>331,314</u>	<u>-</u>	<u>331,314</u>	<u>132,480</u>	<u>1,960,479</u>
Change in Net Position	(1,769,685)	(398,903)	3,385	(395,518)	(190,213)	(2,355,416)
Net Position - Restricted for Pension Benefits:						
Beginning of Year	19,580,181	9,819,143	6,264	9,825,407	5,318,688	34,724,276
End of Year	<u>\$ 17,810,496</u>	<u>\$ 9,420,240</u>	<u>\$ 9,649</u>	<u>\$ 9,429,889</u>	<u>\$ 5,128,475</u>	<u>\$ 32,368,860</u>