# SPRINGFIELD TOWNSHIP
# MONTGOMERY COUNTY, PENNSYLVANIA

## FINANCIAL STATEMENTS
## AND SUPPLEMENTAL INFORMATION

## YEAR ENDED DECEMBER 31, 2014

SPRINGFIELD TOWNSHIP

GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2014

## TABLE OF CONTENTS

BEE BERGVALL & CO.
Certified Public Accountants

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# INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Springfield Township
Montgomery County, Pennsylvania

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, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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, 2014, 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.

***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 4 through 14 and the historical trend information on pages 54 through 67 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. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2015, on our consideration of the Springfield Township, Montgomery County, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Springfield Township, Montgomery County, Pennsylvania's internal control over financial reporting and compliance.

Bee, Bergvall & Co.

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

September 3, 2015
Warrington, PA

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) in their statement number 34. 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, 2014. Please read the analysis in conjunction with the Township's financial statements which follow this section.

## FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2014

### Government-Wide Financial Statements (Full Accrual)

The assets of Springfield Township exceeded its liabilities at the close of fiscal year 2014 by $29.4 million (total net position). Of this amount, $5.2 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 $8.9 million.

The Township's General Fund had total revenues of $16,473,542 generated in tax and other revenues compared with total expenditures of $16,029,428, providing an excess of revenues over expenditures of $444,114 before other financing sources and uses. After Other Financing Sources and Uses are considered, there was a net increase of $240,547 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 $85,537, or 0.6% over the adopted budget, while revenues exceeded expectations by $553,129, or 3.6%. Revenue categories that surpassed expectations include earned income taxes, intergovernmental revenues (federal and state grants), and licenses and permit fees. Real Estate Taxes, which are the single largest source of revenue, were within 1.2% of budget projections.

## USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (pages 16-17) 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 tell 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 government.

### Reporting on the Township as a Whole

Our analysis of the Township as a whole begins on page 15. 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. 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 18 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.

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 Statement number 34 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.

## THE TOWNSHIP AS A WHOLE

The following table reflects the condensed Statement of Net Position:

| | Governmental Activities | |
|---|---|---|
| | 2014 | 2013 |
| Current and other assets | $ 10,899,947 | $ 11,453,582 |
| Capital assets | 22,617,418 | 21,681,955 |
| Total Assets | 33,517,365 | 33,135,537 |
| | | |
| Long-term liabilities | 3,302,198 | 1,696,528 |
| Other liabilities | 857,574 | 2,087,253 |
| Total Liabilities | 4,159,772 | 3,783,781 |
| | | |
| Net Position: | | |
| Invested in capital assets, net of debt | 20,816,195 | 21,327,099 |
| Restricted | 3,376,930 | 3,801,905 |
| Unrestricted | 5,164,468 | 4,222,752 |
| Total Net Position | $ 29,357,593 | $ 29,351,756 |

For more detailed information see the Statement of Net Position on page 15.

Net position may serve over time as a useful indicator of a government's financial position. For 2014, Springfield Township's assets exceeded liabilities by $29.4 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 2014 Statement of Net Position to prior year, there was a total increase in the net position of governmental activities of approximately $5,837.

### 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 2014 the Township experienced an increase in net position of $5,837. The following chart shows the revenues and expenses of the governmental activities:

| | Governmental Activities | |
|---|---|---|
| | 2014 | 2013 |
| REVENUES | | |
| Program revenues: | | |
| Charges for services | $ 4,927,827 | $ 4,619,411 |
| Operating grants and contributions | 1,171,238 | 1,108,519 |
| Capital grants and contributions | 1,200,133 | 3,812,107 |
| General revenues: | | |
| Property taxes | 4,333,687 | 4,567,543 |
| Other taxes | 4,630,723 | 5,180,830 |
| Grants and contributions not restricted to specific programs | 20,059 | 15,509 |
| Investment income | 206,422 | 186,756 |
| Gain (loss) on sale/retirement of assets | (43,739) | 28,590 |
| Miscellaneous | 1,272,955 | 1,272,262 |
| Total Revenues | 17,719,305 | 20,791,527 |
| EXPENSES | | |
| Administration | 5,460,035 | 3,793,924 |
| Licenses and permits | 115,763 | 121,826 |
| Police and emergency service | 4,269,310 | 4,200,447 |
| Public works | 1,733,138 | 1,660,775 |
| Sanitation and recycling | 1,416,850 | 1,413,867 |
| Sewer | 2,952,341 | 2,191,091 |
| Library | 669,173 | 651,408 |
| Community development | 632,415 | 3,210,688 |
| Parks and recreation | 464,443 | 652,623 |
| Total Expenses | 17,713,468 | 17,896,649 |
| Change in Net Position | 5,837 | 2,894,878 |
| Net Position - Beginning | 29,351,756 | 26,456,878 |
| Net Position - Ending | $ 29,357,593 | $ 29,351,756 |

In 2014, the revenue category Grants and contributions not restricted to specific programs increased 29.3% over those received in 2013, although the actual dollar increase was less than $5,000. Other revenues that exceeded 2013 receipts include Investment income, Charges for services, (including parks and recreation programs), Operating grants, and Miscellaneous receipts. Revenue categories which did not meet or exceed the prior year levels include Sale of retired assets, Capital grants and contributions, Other taxes, and Real estate taxes. The decrease in Real estate tax revenue is to be expected because the millage rate charged to property owners was reduced in 2014. Expenses for the Administration department increased by 43.9% in 2014 principally due to architectural and engineering services related to the Township's municipal campus renovation project. Sanitary sewer expenses increased by 34.7% as a result of increased treatment fees and professional studies related to the possible sale of the sewer system. Expenses associated with the Public works, Library, Police and emergency services, and Sanitation and recycling operations increased at much smaller percentages. A new expense category for community development activities was added in 2013 to capture the expenses associated with a FEMA grant to purchase 13 flood-prone homes in the Flourtown section of the Township. Nine of the homes were purchased in 2013 and the remaining 4 were purchased in 2014. Accordingly, the 2014 expense category for Community development decreased 80.3% from 2013 to 2014. Expenses for parks and recreation activities, which increased significantly in 2013 due to improvements at Sandy Run Park, decreased by 28.8% in 2014. Licenses and permit expenses also decreased by 5.0% in 2014.

## 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.

## Current Year Impacts – Revenues and Expenses

### Governmental Activities

For the fiscal year ended December 31, 2014, revenues for governmental activities totaled $17.7 million, of which Charges for services were the largest revenue source. The Township collected $4,927,827 (27.8% of total revenues) for services such as sanitary sewer conveyance and treatment, refuse collection and disposal, and parks and recreation programs. The Township's second largest revenue source in 2014 was the category Other taxes, of which $4,630,723 (26.1%) in earned income, business privilege, mercantile, and real estate transfer taxes were collected. The third largest revenue source, property taxes, generated $4,333,687 (24.5%) in receipts. Other significant sources of general revenues include miscellaneous income $1,272,955 (7.2%), capital grants and contributions $1,200,133 (7.0%), and operating grants $1,171,238 (6.6%).

For the 2014 fiscal year, expenses for government activities totaled $17.7 million, representing a decrease of $183,181 from the prior year. As the table on page 8 indicates, activities funded through the administration operating department constitute the largest program expense at $5.4 million (30.8% of total expenses). The second largest program expense is for police and emergency services at $4.2 million (24.1%). Sanitary sewer expenses are the third largest expense category at $2.9 million (16.7%). Public works expenses are the next largest program expense at $1.7 million (9.8%), followed by sanitation and recycling expenses at $1.4 million (8.0%). The decrease in governmental expenses over the prior year can be attributed, in large part, to the purchase of four flood-prone properties via a FEMA Hazard Mitigation grant (versus 9 purchased in 2013), coupled with increases in spending by administration (related to the municipal campus project), sanitary sewer treatment and conveyance fees, public works expenses, police and emergency services, and library operations.

The change in net position reflects the difference between total revenues and total expenses. For governmental activities in fiscal 2014, revenues exceeded expenses by $5,837, resulting in an increase in net position by that amount. The year ended with net position for governmental activities totaling $29.3 million.

## General Fund Budgetary Highlights

The Government revises its budget as it attempts to deal with unexpected changes in revenues. Careful monitoring of spending allowed the General Fund to come in slightly over budget, with total expenditures $85,537 (0.6%) over budget. Total revenues exceeded final estimates by $553,129 (3.6%), resulting in the excess of revenues over expenses of $467,592, before other financing sources and uses. The increase in revenues can be attributed to better than expected revenues from earned income tax collections, intergovernmental revenues, and permit fees. Please refer to the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, on page 22, for detailed information.

## Capital Assets and Debt Administration

## Capital Assets

At the end of 2014, the Township had $22.6 million invested in a broad range of capital assets, including land, buildings, equipment, park facilities, roads, bridges, and sewer lines. Capital Asset Activity for the year 2014 is presented in detail on pages 36 and 37 of the Notes section.

| | Beginning Balance | | Net Additions (Deletions) | | Ending Balance | |
|---|---|---|---|---|---|---|
| | 1/1/14 | 1/1/13 | 2014 | 2013 | 12/31/14 | 12/31/13 |
| **Non-Depreciable Assets** | | | | | | |
| Land and easements | $ 3,576,696 | $ 2,620,019 | $ 373,000 | $ 956,677 | $ 3,949,696 | $ 3,576,696 |
| Construction in progress | 3,025,493 | 2,035,656 | (2,002,535) | 989,837 | 1,022,958 | 3,025,493 |
| **Other Capital Assets** | | | | | | |
| Land improvements | 2,593,715 | 2,052,627 | 1,304,670 | 541,088 | 3,898,385 | 2,593,715 |
| Buildings and improvements | 4,563,567 | 4,499,922 | 8,313 | 63,645 | 4,571,880 | 4,563,567 |
| Machinery and equipment | 1,372,456 | 1,350,160 | 1,775 | 22,296 | 1,374,231 | 1,372,456 |
| Vehicles | 3,205,015 | 3,232,948 | 84,697 | (27,933) | 3,289,712 | 3,205,015 |
| Library collection | 2,417,068 | 2,342,132 | 70,968 | 74,936 | 2,488,036 | 2,417,068 |
| Infrastructure | 20,511,837 | 20,128,800 | 1,759,571 | 383,037 | 22,271,408 | 20,511,837 |
| Less: accumulated depreciation on capital assets | (19,583,892) | (18,687,739) | (664,996) | (896,153) | (20,248,888) | (19,583,892) |
| **Totals** | $ 21,681,955 | $ 19,574,525 | $ 935,463 | $ 2,107,430 | $ 22,617,418 | $ 21,681,955 |

The Springfield Township Board of Commissioners continues to place significant resources towards its capital assets. In 2014, the Township continued to fund one of its most significant programs, the annual road-resurfacing program. Other major capital projects included the acquisition and demolition of four additional flood-prone dwellings in the Flourtown neighborhood, construction and inspection activities related to the East Mill Road Bridge, storm water drainage improvements along Terminal and Montgomery Avenues in Erdenheim, and the extension of the public sanitary sewer system to serve the Caroline Drive neighborhood. In 2014 the Township continued to plan for renovations to the municipal campus (library, public works and police/administration buildings) by engaging an architectural team. The township also performed minor building improvements at the Black Horse Inn, traffic signal upgrades, and routine vehicle and equipment replacement.

**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 2014, the Township's level of outstanding debt was $1,801,223, and well below its "Borrowing Base" capacity.

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 2014 the Township obtained a second general obligation note in the amount of $1.5 million to reconstruct the East Mill Road Bridge. The note bears an interest rate of 3.16% per annum for 30 years. Payments are due on the first day of each month.

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 2014 the Township obtained a Tax Anticipation Note in the amount of $500,000 from PNC Bank. The note bears an interest rate of 1.6% per annum. The note matured and was paid off before year's end. Detailed schedules of the Township's long-term debt are found on pages 38 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 2014 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 efforts to improve stormwater management and drainage on a township-wide basis (which includes the removal of flood-prone dwellings along Hemlock Road), the reconstruction of the East Mill Road Bridge, the extension of the public sanitary sewer system in the Caroline Drive neighborhood, renovations to the first floor of the Black Horse Inn, and planning assistance for the renovations to the administration, police, public works and library buildings. Public safety improvements included upgrades to the township's traffic signal system, and the replacement of two police vehicles. The Township also replaced a highway dump truck and refuse truck. These projects were funded utilizing a combination of government grants and capital reserve funds.

After eight years without a real estate tax increase, the Board of Commissioners increased property taxes by .214 mills in 2013. As a result, the "typical" household with a $175,400 real estate tax assessment paid $628.63 in real estate taxes. However, in 2014 the same household realized a decrease of 0.117 mills to their real estate tax rate, resulting in a dollar decrease of $20.52, or a total of $608.11. The 2014 property tax decrease was made possible through the use of excess funds received in the prior year due to better than expected earned income and real estate transfer tax receipts. The refuse service fee, which decreased by $1.10 per household in 2013 to $193.76, was decreased an additional $4.25 in 2014 to $189.51. The decrease was possible due to less waste being disposed by residents, together with reduced vehicle operating costs.

Sanitary sewer rental fees, which increased by $16.33 per household in 2013, increased by $0.87 per household in 2014 to $316.57. The modest increase can be attributed to a 6% increase in rates charged by the City of Philadelphia for treatment fees, which was offset by a decrease in the amount of sewage flows that were recorded for treatment. The reduction in flows is attributed to less water being consumed by residents. Wastewater treatment fees represent 91% of the total expenses to be recovered by the sanitary sewer rental fee. When the real estate tax, refuse and sanitary sewer fees are combined, the typical household realized a decrease of $23.90, or 2.1% over the combined 2013 real estate tax and users fees.

The 2014 General Fund budget saw overall revenues exceed budget estimates. Individual revenue categories that surpassed expectations included earned income taxes, intergovernmental revenues (including federal and state grants) and fees from licenses and permits. 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 1.2% of initial projections. Other major sources of income include charges for services (including refuse disposal and sanitary sewer fees), business privilege and mercantile taxes, miscellaneous revenues, and the real estate transfer tax.

General Fund expenses in 2014 were $85,537, or 0.6% over budget. Operating expenditures related to public safety, library services, parks and recreation, miscellaneous expenses and health and sanitation were more than projected. Expenses for the Township's largest cost category, public safety, represented the majority ($63,831) of the increase and were related to the retirement of the Chief of Police and subsequent promotion of two supervisors. Expenses related to highway and road maintenance and repair, general government, and debt service were less than anticipated.

After decreasing by $20.52 in 2014, the 2015 real estate tax will increase from 3.467 mills to 3.676 mills, or $36.66 per household. The 6.0% increase was necessary due to contractual increases in salaries and wages, insurance costs, and an anticipated borrowing for the acquisition and renovation of a property for indoor recreation purposes, and interim financing for renovations to the municipal campus. The refuse service fee, after decreasing by a combined $5.35 in 2013 and 2014, will increase by $2.02 (1.1%) due to increased labor costs, the amount of waste being disposed by residents, and the replacement cost of collection equipment. In 2014 the sanitary sewer rental fee increased by $0.87 or 0.3%. The 2015 sanitary sewer rental will increase by $7.64, or 2.4% due to continued increases in the wastewater treatment fees charged by the City of Philadelphia, offset slightly by a reduction in water consumption. The combined 2015 real estate tax, refuse and sanitary sewer service fees paid by the typical household will increase $46.32 or 4.2% over those paid in 2014.

On the expense side, funding for capital projects will decrease by approximately $169,417 due to the elimination of the expenses associated with the Haws Lane sidewalks which were funded in 2014. The Township's largest budgeted capital expenses in 2015 will be for the replacement of Police and Highway vehicles. Additional capital expenses include appropriations for exterior paint and stucco work at the Black Horse Inn, traffic signal improvements, routine computer hardware and software upgrades, and appropriations for new and replacement tools and equipment. The Township will also appropriate $230,000 for its annual road resurfacing program through the Highway Aid fund. The aforementioned capital expenses do not include those related to the acquisition and renovation of an indoor recreation facility, or architectural and engineering assistance related to the municipal campus project, both of which will be funded through an anticipated borrowing.

As with most service-based organizations, employee wages and benefits will continue to be the single largest expense for the Township in 2015. The police labor agreement, which was decided by an arbitration panel in January 2012, expired at the end of 2014. Unless an agreement between the Township and the police bargaining unit is reached, it is expected that a new contract will be decided by a panel of arbitrators. The labor agreement with the public works employees calls for wage increases of 3.25% in 2015 before it expires at the end of the year. 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. Wages for salaried employees will increase by 3.25% in 2015. Healthcare premiums for all employees are projected to increase by 9.25% on average in 2015. Members of the police bargaining unit are not required to contribute to the cost of their healthcare benefits but public works and administrative/salaried employees contribute 1% of their wages. Municipal costs for the three employee pension plans, after decreasing $88,043 from 2010 – 2014, are expected to increase by $28,303 in 2015. The increase is related to new actuarial projections assuming more conservative investment returns. All employees contribute between 3% and 5% of their wages toward future pension benefits. In 2013 the Township realized better than expected revenues from many of its traditional tax sources which allowed the Township to reduce the 2014 real estate tax. The 2015 budget required a real estate tax increase in order to fund expenses associated with the traditional services provided to its residents, as well as funding for recurring and special capital programs.

## 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, 2014

| | | Primary Government<br>Governmental Activities |
|---|---|---|
| ASSETS | | |
| Cash and cash equivalents | $ | 1,078,306 |
| Investments | | 7,155,260 |
| Receivables | | 2,624,111 |
| Prepaid expenses | | 2,501 |
| Temporarily restricted assets: | | |
| Cash | | 2,060 |
| Investments | | 37,709 |
| Capital assets not being depreciated: | | |
| Land | | 3,875,751 |
| Easements | | 73,945 |
| Construction in progress | | 1,022,958 |
| Other capital assets (net of accumulated depreciation) | | 17,644,764 |
| Total Assets | | 33,517,365 |
| LIABILITIES | | |
| Accounts payable and other current liabilities | | 737,835 |
| Non-current liabilities: | | |
| Due within one year | | 119,739 |
| Due after one year | | 3,302,198 |
| Total Liabilities | | 4,159,772 |
| NET POSITION | | |
| Net investment in capital assets | | 20,816,195 |
| Restricted for: | | |
| Library | | 116,796 |
| Highways and streets | | 54,814 |
| Sewer system | | 3,205,320 |
| Unrestricted | | 5,164,468 |
| Total Net Position | $ | 29,357,593 |

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

# SPRINGFIELD TOWNSHIP

## STATEMENT OF ACTIVITIES

### For the year ended December 31, 2014

| | | Governmental Activities | | | |
|---|---|---|---|---|---|
| | Total Primary Government | Adminis-trative | Licenses and Permits | Police and Emergency Services | Public Works |
| Expenses: | | | | | |
| Program expenses | $ 16,549,711 | $ 5,350,467 | $ 115,763 | $ 4,187,620 | $ 1,137,666 |
| Depreciation | 1,116,324 | 62,135 | - | 81,690 | 595,472 |
| Interest on debt | 47,433 | 47,433 | - | - | - |
| Total Expenses | 17,713,468 | 5,460,035 | 115,763 | 4,269,310 | 1,733,138 |
| Program Revenues: | | | | | |
| Charges for services | 4,927,827 | 18,550 | 439,016 | 95,314 | 12,150 |
| Operating grants and contributions | 1,171,238 | 356,364 | - | 268,470 | 437,430 |
| Capital grants and contributions | 1,200,133 | - | - | - | 261,202 |
| Total Program Revenues | 7,299,198 | 374,914 | 439,016 | 363,784 | 710,782 |
| Net (Expense) Revenue | (10,414,270) | (5,085,121) | 323,253 | (3,905,526) | (1,022,356) |
| General Revenues: | | | | | |
| Taxes: | | | | | |
| Real estate | 4,333,687 | | | | |
| Transfer taxes | 458,332 | | | | |
| Business and mercantile taxes | 989,612 | | | | |
| Earned income taxes | 3,182,779 | | | | |
| Grants and contributions not restricted to specific programs | 20,059 | | | | |
| Investment earnings | 206,422 | | | | |
| Gain (loss) on sale/retirement of assets | (43,739) | | | | |
| Miscellaneous | 1,272,955 | | | | |
| Total General Revenues | 10,420,107 | | | | |
| Change in Net Position | 5,837 | | | | |
| Net Position - Beginning | 29,351,756 | | | | |
| Net Position - Ending | $ 29,357,593 | | | | |

| Sanitation and Recycling | Sewer | Library | Community Development | Park and Recreation |
|---|---|---|---|---|
| $ 1,357,202 | $ 2,812,871 | $ 581,439 | $ 632,415 | $ 374,268 |
| 59,648 | 139,470 | 87,734 | - | 90,175 |
| - | - | - | - | - |
| 1,416,850 | 2,952,341 | 669,173 | 632,415 | 464,443 |
| 2,613,514 | 1,517,991 | - | - | 231,292 |
| - | 47,639 | 61,335 | - | - |
| - | - | - | 938,931 | - |
| 2,613,514 | 1,565,630 | 61,335 | 938,931 | 231,292 |
| 1,196,664 | (1,386,711) | (607,838) | 306,516 | (233,151) |

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

# SPRINGFIELD TOWNSHIP

## BALANCE SHEET
## GOVERNMENTAL FUNDS

### December 31, 2014

| | General | Sewer Reserve | Capital Reserve | Nonmajor Fund Highway Aid | Total Governmental Funds |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Current Assets | | | | | |
| Cash and cash equivalents | $ 171,746 | $ 288,174 | $ 610,868 | $ 7,518 | $ 1,078,306 |
| Investments | 1,357,802 | 2,682,548 | 3,044,932 | 69,978 | 7,155,260 |
| Receivables | | | | | |
| Taxes | 915,602 | - | - | - | 915,602 |
| Accounts | 1,095,021 | - | - | - | 1,095,021 |
| Due from agency funds | - | - | 2,501 | - | 2,501 |
| Due from other funds | 38,783 | 243,304 | 188,423 | - | 470,510 |
| Total Current Assets | 3,578,954 | 3,214,026 | 3,846,724 | 77,496 | 10,717,200 |
| Restricted Assets | | | | | |
| Cash and Investments | 2,060 | - | 37,709 | - | 39,769 |
| Total Restricted Assets | 2,060 | - | 37,709 | - | 39,769 |
| TOTAL ASSETS | $ 3,581,014 | $ 3,214,026 | $ 3,884,433 | $ 77,496 | $ 10,756,969 |
| LIABILITIES | | | | | |
| Accounts payable and accrued wages | $ 426,499 | $ 8,706 | $ 279,948 | $ 22,682 | $ 737,835 |
| Due to other funds | 470,510 | - | - | - | 470,510 |
| Total Liabilities | 897,009 | 8,706 | 279,948 | 22,682 | 1,208,345 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue- property taxes | 81,043 | - | - | - | 81,043 |
| Unavailable revenue- sewer fees | 420,295 | - | - | - | 420,295 |
| Unavailable revenue - refuse fees | 98,561 | - | - | - | 98,561 |
| Total deferred inflows of resources | 599,899 | - | - | - | 599,899 |
| FUND BALANCES | | | | | |
| Restricted: | | | | | |
| Library | - | - | 116,796 | - | 116,796 |
| Highway | - | - | - | 54,814 | 54,814 |
| Sewer System | - | 3,205,320 | - | - | 3,205,320 |
| Assigned: | | | | | |
| Library capital outlay | - | - | 62,180 | - | 62,180 |
| Capital outlay | - | - | 3,425,509 | - | 3,425,509 |
| Unassigned | 2,084,106 | - | - | - | 2,084,106 |
| Total Fund Balances | 2,084,106 | 3,205,320 | 3,604,485 | 54,814 | 8,948,725 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | $ 3,581,014 | $ 3,214,026 | $ 3,884,433 | $ 77,496 | $ 10,756,969 |

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, 2014

| | | | |
|---|---|---|---|
| Amounts reported for governmental activities in the statement of net position (page 15) are different because: | | | |
| Total fund balances--total governmental funds (page 18) | | | $ 8,948,725 |
| Capital assets used in governmental activities are not financial resources and, therefore, are reported in the funds. | | | |
| | Cost of capital assets | 42,866,306 | |
| | Accumulated depreciation | (20,248,888) | 22,617,418 |
| 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 | 613,488 | |
| | Deferred inflows | 599,899 | 1,213,387 |
| Long term liabilities are not due and payable in the current period and therefore are not reported in the funds. | | | |
| | Notes payable | (1,801,223) | |
| | Net post-retirement benefits obligation | (1,620,714) | (3,421,937) |
| Net position of governmental activities (page 15) | | | $ 29,357,593 |

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

# SPRINGFIELD TOWNSHIP

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
## GOVERNMENTAL FUNDS

### For the year ended December 31, 2014

| | General | Sewer Reserve | Capital Reserve | Nonmajor Fund Highway Aid | Total Governmental Funds |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Taxes: | | | | | |
| Real estate | $ 4,416,488 | $ - | $ - | $ - | $ 4,416,488 |
| Transfer | 458,332 | - | - | - | 458,332 |
| Business and mercantile | 989,612 | - | - | - | 989,612 |
| Earned income | 3,308,781 | - | - | - | 3,308,781 |
| Fees, licenses and permits | 478,626 | - | - | - | 478,626 |
| Investment income and rent | 97,969 | 67,018 | 83,380 | 3,681 | 252,048 |
| Intergovernmental revenues | 1,603,951 | - | 358,351 | 421,061 | 2,383,363 |
| Fines and forfeitures | 74,599 | - | - | - | 74,599 |
| Charges for services | 4,353,977 | 254,328 | 22,900 | - | 4,631,205 |
| Other | 691,207 | - | - | - | 691,207 |
| Total Revenues | 16,473,542 | 321,346 | 464,631 | 424,742 | 17,684,261 |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | 1,189,087 | - | - | - | 1,189,087 |
| Public safety | 4,224,249 | - | - | - | 4,224,249 |
| Health and sanitation | 3,346,957 | 962,087 | - | - | 4,309,044 |
| Highways and roads | 1,421,959 | - | - | 452,280 | 1,874,239 |
| Culture and recreation | 1,044,047 | - | - | - | 1,044,047 |
| Community development | 1,005,415 | - | - | - | 1,005,415 |
| Miscellaneous | 3,289,758 | - | - | - | 3,289,758 |
| Debt service: | | | | | |
| Principal | 500,000 | - | 53,634 | - | 553,634 |
| Interest | 7,956 | - | 39,476 | - | 47,432 |
| Capital projects | - | - | 1,429,910 | - | 1,429,910 |
| Total Expenditures | 16,029,428 | 962,087 | 1,523,020 | 452,280 | 18,966,815 |
| Excess (Deficiency) of Revenues Over Expenditures | 444,114 | (640,741) | (1,058,389) | (27,538) | (1,282,554) |
| Other Financing Sources (Uses) | | | | | |
| Proceeds from sale of capital assets | 57,504 | - | - | - | 57,504 |
| Proceeds from tax and revenue anticipation note | 500,000 | - | - | - | 500,000 |
| Proceeds from debt issuance | - | - | 1,500,000 | - | 1,500,000 |
| Transfers in | - | 243,304 | 517,767 | - | 761,071 |
| Transfers out | (761,071) | - | - | - | (761,071) |
| Total Other Financing Sources (Uses) | (203,567) | 243,304 | 2,017,767 | - | 2,057,504 |
| Net Change in Fund Balance | 240,547 | (397,437) | 959,378 | (27,538) | 774,950 |
| Fund Balance - Beginning | 1,843,559 | 3,602,757 | 2,645,107 | 82,352 | 8,173,775 |
| Fund Balance - Ending | $ 2,084,106 | $ 3,205,320 | $ 3,604,485 | $ 54,814 | $ 8,948,725 |

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, 2014

Changes in Net Position

Amounts reported for governmental activities in the statement of activities (page 16-17) are different because:

| | | |
|---|---|---|
| Net change in fund balances--total governmental funds (page 20) | | $ 774,950 |
| 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 | 2,153,030 | |
| Depreciation expense | (1,116,324) | 1,036,706 |
| The effect of sales of capital assets is to decrease net assets. | | (101,243) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | (32,800) |
| 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. | | |
| Issuance of tax and revenue anticipation note | (500,000) | |
| Repayment of tax and revenue anticipation note | 500,000 | |
| Issuance of notes payable | (1,500,000) | |
| Repayment of debt | 53,633 | (1,446,367) |
| 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 post-retirement benefits | | (225,409) |
| Change in net position of governmental activities (pages 16-17) | | $ 5,837 |

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, 2014

| | GENERAL FUND | | | |
|---|---|---|---|---|
| | Budgeted Amounts | | | Variance with Final Budget - |
| | Original | Final | ACTUAL | Over (Under) |
| Revenues | | | | |
| Taxes: | | | | |
| Real estate | $ 4,509,321 | $ 4,509,321 | $ 4,454,666 | $ (54,655) |
| Transfer | 651,700 | 651,700 | 428,113 | (223,587) |
| Business and mercantile | 950,000 | 950,000 | 935,903 | (14,097) |
| Earned income | 2,600,000 | 2,600,000 | 3,309,751 | 709,751 |
| Licenses and permits | 678,800 | 678,800 | 855,184 | 176,384 |
| Fines and forfeits | 93,500 | 93,500 | 72,253 | (21,247) |
| Interest and rent | 168,667 | 168,667 | 97,722 | (70,945) |
| Intergovernmental revenues | 738,086 | 738,086 | 1,033,302 | 295,216 |
| Charges for services | 4,158,559 | 4,158,559 | 3,958,207 | (200,352) |
| Miscellaneous revenues | 929,339 | 929,339 | 886,000 | (43,339) |
| Total Revenues | 15,477,972 | 15,477,972 | 16,031,101 | 553,129 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 1,032,131 | 994,355 | 991,827 | (2,528) |
| Public safety | 4,076,574 | 3,949,382 | 4,013,213 | 63,831 |
| Health and sanitation | 3,635,652 | 3,493,084 | 3,499,751 | 6,667 |
| Highways and roads | 1,441,985 | 1,536,041 | 1,509,930 | (26,111) |
| Parks and recreation | 407,038 | 371,290 | 385,216 | 13,926 |
| Library services | 642,834 | 632,630 | 651,066 | 18,436 |
| Miscellaneous | 3,793,348 | 3,609,084 | 3,620,422 | 11,338 |
| Debt service | 515,000 | 507,978 | 507,956 | (22) |
| Total Expenditures | 15,544,562 | 15,093,844 | 15,179,381 | 85,537 |
| Excess (Deficiency) of Revenues Over Expenditures | (66,590) | 384,128 | 851,720 | 467,592 |
| Other Financing Sources (Uses) | | | | |
| Proceeds from tax and revenue anticipation note | 500,000 | 500,000 | 500,000 | - |
| Operating transfers in | 1,116,187 | 1,116,187 | - | (1,116,187) |
| Operating transfers out | (1,067,207) | (761,072) | (761,072) | - |
| Total Other Financing Sources (Uses) | 548,980 | 855,115 | (261,072) | (1,116,187) |
| Net Change in Fund Balance | 482,390 | 1,239,243 | 590,648 | (648,595) |
| Fund Balance - Beginning | 3,687,118 | 3,687,118 | 3,687,118 | |
| Fund Balance - Ending | $ 4,169,508 | $ 4,926,361 | $ 4,277,766 | |

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

# SPRINGFIELD TOWNSHIP

## STATEMENT OF FIDUCIARY NET POSITION
## FIDUCIARY FUNDS

## December 31, 2014

| | Pension Trust Funds | Agency Fund: Recycling Fund | Total |
|---|---|---|---|
| ASSETS | | | |
| Cash | $ 954,010 | $ 219,196 | $ 1,173,206 |
| Prepaid benefits | 87,845 | - | 87,845 |
| Contributions receivable | 993,349 | - | 993,349 |
| Total Receivables | 2,035,204 | 219,196 | 2,254,400 |
| Investments | | | |
| Exchange traded funds and closed end funds | 24,697,419 | - | 24,697,419 |
| Total Investments | 24,697,419 | - | 24,697,419 |
| Total Assets | $ 26,732,623 | $ 219,196 | $ 26,951,819 |
| LIABILITIES | | | |
| Due to Township | $ - | $ 2,501 | $ 2,501 |
| Held for municipalities | - | 216,695 | 216,695 |
| Total Liabilities | - | 219,196 | 219,196 |
| NET POSITION | | | |
| Net Position- Restricted for Pension Benefits | $ 26,732,623 | $ - | $ 26,732,623 |

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, 2014

| | | Pension Trust Funds |
|---|---|---|
| Additions | | |
| Contributions | | |
| Member contributions | $ | 221,348 |
| Employer contributions | | 974,720 |
| State aid | | 352,414 |
| Miscellaneous | | 2,331 |
| Total Contributions | | 1,550,813 |
| Investment Earnings | | |
| Net appreciation (depreciation) in fair value of investments | | 710,721 |
| Dividends & Interest | | 616,013 |
| Total Investment Earnings | | 1,326,734 |
| Less: investment expense | | (171,278) |
| Net Investment Earnings | | 1,155,456 |
| Total Additions | | 2,706,269 |
| Deductions | | |
| Benefits | | 980,991 |
| Deferred retirement option program payments | | 68,524 |
| Foreign tax paid | | 6,750 |
| Total Deductions | | 1,056,265 |
| Change in Net Position | | 1,650,004 |
| Net Position - Restricted for Pension Benefits: | | |
| Beginning of Year | | 25,082,619 |
| End of Year | $ | 26,732,623 |

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, 2014

| | Balance January 1, 2014 | Additions | Deductions | Balance December 31, 2014 |
|---|---|---|---|---|
| **RECYCLING FUND** | | | | |
| ASSETS | | | | |
| Cash | $ 215,685 | $ 11,322 | $ (7,811) | $ 219,196 |
| Total Assets | $ 215,685 | $ 11,322 | $ (7,811) | $ 219,196 |
| LIABILITIES | | | | |
| Due to Other Funds | $ 2,501 | $ - | $ - | $ 2,501 |
| Held for Municipalities | 213,184 | 11,322 | (7,811) | 216,695 |
| Total Liabilities | $ 215,685 | $ 11,322 | $ (7,811) | $ 219,196 |

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

## 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.

## 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 *sewer reserve fund* accounts for maintenance and construction to enhance and improve the sewer system throughout the Township.

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.

## I. Summary of significant accounting policies (Continued)

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

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.

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.

### *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.

## 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, 2014, 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, 2014 are recognized as revenue for the year ending December 31, 2014.

#### *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.

## 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:

| Assets | Years |
|---|---|
| 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.

## 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.

## 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 no items that qualify for reporting in this category.

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 three types of items that qualify for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, sewer fees and refuse fees. The government-wide statement does not report unavailable revenues.

### *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.

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 2014.

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:

| | General Fund |
|---|---|
| GAAP Basis | $ 240,547 |
| Accrued revenues at December 31, 2013 | 2,248,906 |
| Accrued revenues at December 31, 2014 | (2,010,623) |
| Accrued liabilities at December 31, 2013 | (1,045,659) |
| Accrued liabilities at December 31, 2014 | 1,157,477 |
| Budgetary (Cash) Basis | $ 590,648 |

### *B. Excess of expenditures over appropriations*

For the year ended December 31, 2014, expenditures exceeded appropriations by $2,528 for general government, $26,111 for highways and roads, and $22 for debt service. 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. At year-end, the carrying amount of deposits for the governmental activities was $1,080,366 and the bank balance was $2,316,464. For other bank balances, $529,030 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.

At year-end investment balances were as follows:

| | | Investment Maturities (In Years) | | | |
|---|---|---|---|---|---|
| INVESTMENTS | Fair Value | Less than 1 | 1-5 | 6-10 | More than 10 |
| Governmental Funds: | | | | | |
| Money market funds | $ 97,223 | $ 97,223 | $ - | $ - | $ - |
| U.S. Treasury notes | 4,770,547 | 576,651 | 4,193,896 | - | - |
| U.S. Government agencies | 2,325,199 | - | 2,325,199 | - | - |
| Total Governmental Funds | $ 7,192,969 | $ 673,874 | $ 6,519,095 | $ - | $ - |
| Fiduciary Funds: | | | | | |
| Cash and short term investments | $ 1,173,206 | $ - | $ - | $ - | $ - |
| Common stocks | 24,697,419 | - | - | - | - |
| Total Fiduciary Funds | $ 25,870,625 | $ - | $ - | $ - | $ - |

*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.

## III. Detailed notes on all funds (Continued)

### *A. Deposits and investments (continued)*

*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 corporate bonds ranged from a rating of BBB to AA+ by Standard & Poor's. The government's investments in U.S. Treasuries obligations and U.S. Government agencies are not required to be rated.

*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 no investments that exceeded greater than 5% in any one single issuer that would be considered a concentration of credit risk.

### *B. Receivables*

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

| | General | Fiduciary Funds | Total |
|---|---|---|---|
| Receivables: | | | |
| Taxes | | | |
| Real Estate | $ 169,372 | $ - | $ 169,372 |
| Transfer Taxes | 58,963 | - | 58,963 |
| Business/Mercantile | 73,176 | - | 73,176 |
| Earned Income | 614,091 | - | 614,091 |
| Accounts | 1,095,021 | - | 1,095,021 |
| Contributions | - | 993,349 | 993,349 |
| Total Receivables | $ 2,010,623 | $ 993,349 | $ 3,003,972 |

## III. Detailed notes on all funds (Continued)

### *C. Capital assets*

Capital asset activity for the year ended December 31, 2014 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| **Governmental Activities:** | | | | |
| Capital Assets, not being depreciated: | | | | |
| Land | $ 3,502,751 | $ 373,000 | $ - | $ 3,875,751 |
| Easements | 73,945 | - | - | 73,945 |
| Construction in Progress | 3,025,493 | 1,091,763 | (3,094,298) | 1,022,958 |
| Total Capital Assets, not being depreciated | 6,602,189 | 1,464,763 | (3,094,298) | 4,972,654 |
| Capital Assets, being depreciated: | | | | |
| Land Improvements | 2,593,715 | 1,304,670 | - | 3,898,385 |
| Buildings and Improvements | 4,563,567 | 8,313 | - | 4,571,880 |
| Machinery and Equipment | 1,372,456 | 8,300 | (6,525) | 1,374,231 |
| Vehicles | 3,205,015 | 308,400 | (223,703) | 3,289,712 |
| Library Collection | 2,417,068 | 72,968 | (2,000) | 2,488,036 |
| Infrastructure | 20,511,837 | 2,079,914 | (320,343) | 22,271,408 |
| Total Capital Assets being depreciated | 34,663,658 | 3,782,565 | (552,571) | 37,893,652 |
| Less Accumulated Depreciation for: | | | | |
| Land Improvements | 539,636 | 195,117 | - | 734,753 |
| Buildings and Improvements | 1,739,117 | 118,339 | - | 1,857,456 |
| Machinery and Equipment | 875,868 | 89,227 | (6,525) | 958,570 |
| Vehicles | 2,172,182 | 215,024 | (209,945) | 2,177,261 |
| Library Collection | 2,046,223 | 79,364 | (2,000) | 2,123,587 |
| Infrastructure | 12,210,866 | 419,253 | (232,858) | 12,397,261 |
| Total Accumulated Depreciation | 19,583,892 | 1,116,324 | (451,328) | 20,248,888 |
| Total Capital Assets, being depreciated, net | 15,079,766 | 2,666,241 | (101,243) | 17,644,764 |
| Governmental Activities Capital Assets, net | $ 21,681,955 | $ 4,131,004 | $ (3,195,541) | $ 22,617,418 |

## III. Detailed notes on all funds (Continued)

### *C. Capital assets (continued)*

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

| | | |
|---|---|---|
| Governmental Activities: | | |
| Administrative | $ | 62,135 |
| Police and Emergency Services | | 81,690 |
| Public Works | | 595,472 |
| Sanitation | | 139,470 |
| Sewer | | 59,648 |
| Library | | 87,734 |
| Park and Recreation | | 90,175 |
| Total Depreciation Expense - Governmental Activities | $ | 1,116,324 |

### *D. Interfund receivables, payables, and transfers*

The composition of interfund balances as of December 31, 2014, is as follows:

Interfund balances:

| | Due to | Due from |
|---|---|---|
| Capital Reserve | $ - | $ 190,924 |
| Sewer Reserve | - | 243,304 |
| General | 470,510 | 38,783 |
| Agency Fund | 2,501 | - |
| Total | $ 473,011 | $ 473,011 |

Interfund balances are primarily a result of:
(1) Saving for capital projects

Interfund transfers:

| | Transfer Out | Transfer In |
|---|---|---|
| General | $ 761,071 | $ - |
| Sewer Reserve | - | 243,304 |
| Capital Reserve | - | 517,767 |
| | $ 761,071 | $ 761,071 |

Interfund balances are primarily a result of:
(1) Saving for capital projects
(2) Reimbursement of expenditures

## III. Detailed notes on all funds (Continued)

### *E. Long-term debt*

General Obligation Notes

The government issues general obligation notes to provide funds for the acquisition, construction, and improvement of facilities and the purchase of equipment. The government obtained a loan in August, 2010 from a bank, to provide funds for a stormwater improvements project. The original amount of the note issued was $550,000, bearing interest at 3.90% per annum for ten years. Payments on the note are due on December 31st of each year.

The government also obtained a loan in October, 2014 from a bank, to provide funds for the reconstruction of a road bridge. The original amount of the note issued was $1,500,000, bearing interest at 3.16% per annum for thirty years. Payments on the note are due on the first day of each month.

General obligation notes are direct obligations and pledge the full faith and credit of the government. These notes are generally issued as 10-year notes with varying amounts of principal maturing each year.

General obligation notes currently outstanding are as follows:

| Purpose | Interest Rates | Amount |
|---|---|---|
| Governmental Activities | 3.16% -3.90% | $ 1,801,223 |

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

| Year Ending December 31 | Governmental Activities Principal | Governmental Activities Interest |
|---|---|---|
| 2015 | $ 119,739 | $ 66,733 |
| 2016 | 114,593 | 54,878 |
| 2017 | 118,823 | 50,649 |
| 2018 | 123,077 | 46,395 |
| 2019 | 127,485 | 41,989 |
| Thereafter | 1,197,506 | 1,008 |
| | $ 1,801,223 | $ 261,652 |

Debt service for general obligation notes is funded primarily from real estate taxes for governmental activities. Any liabilities for post-retirement obligations are generally liquidated by the general fund. Currently, there are no net pension obligations.

## III. Detailed notes on all funds (Continued)

### *E. Long-term debt (Continued)*

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2014 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due within one year |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| Notes payable | $ 354,856 | $ 1,500,000 | $ (53,633) | $ 1,801,223 | $ 119,739 |
| Net post-retirement obligation | 1,395,305 | 205,104 | 20,305 | 1,620,714 | - |
| Governmental activity Long-Term Liabilities | $ 1,750,161 | $ 1,705,104 | $ (33,328) | $ 3,421,937 | $ 119,739 |

## 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 Insurance Trust pool and the Delaware Valley Workers' Compensation Trust. The insurance premium expenses for the year ended December 31, 2014 were $156,287 and $170,688, respectively. The pooling agreement permits the pool to make additional assessments to its members. At December 31, 2014 there were no additional assessments due or anticipated for either trust. Instead the pool declared dividends of which Springfield's share was $41,415 and $25,785, respectively. The Township received an additional sum of $10,497 as a result of the payroll audit of the 2013 coverage year. An audit of the reported 2014 payroll will be performed during the first quarter of 2015.

### *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.

## III. Other information (Continued)

### *C. Commitments*

As of December 31, 2014 the Township has eight construction projects in progress. As of December 31, 2014, there are three construction projects with remaining commitments of $78,032 under their contracts. No new construction bids have been awarded as of the date of this report.

### *D. Employee retirement systems and pension plans*

Defined Benefit Pension Plan

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. The assets of the plans are combined to optimize investment. 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. Following are details of these three plans. The most recent valuation was as of January 1, 2013. Details below are from the valuation.

*Plan Description*

Springfield Township sponsors three single employer defined benefit pension plans to provide pension benefits for employees of the Township. 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 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.

At December 31, 2014, Springfield Township Pension Plan consisted of the following:

| | Police | Salaried Employees | Hourly Employees |
|---|---|---|---|
| Inactive Members or Beneficiaries Currently Receiving Benefits (1) | 25 | 15 | 5 |
| Inactive Members Entitled to but not yet Receiving Benefits | 1 | 4 | 3 |
| Active Members | 26 | 20 | 24 |
| | 52 | 39 | 32 |

(1) includes 2 DROP members

## IV. Other information (Continued)

### *D. Employee retirement systems and pension plans (continued)*

*Description of the 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.

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. Covered employees are required by statute to contribute 5% of their salary to the Pension Fund. 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.

*Description of 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 $1/25^{th}$ 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%.

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. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the Fund. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

## IV. Other information (Continued)

### *D. Employee retirement systems and pension plans (continued)*

*Description of 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 $1/25^{th}$ for each year of service less than 25, and increased by $1/75^{th}$ 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.

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. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the Fund. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

*1. 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.

*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.

## IV. Other information (Continued)

### *D. Employee retirement systems and pension plans (continued)*

*2. Contributions Required and Contributions Made*

Employees of all three plans are required to make contributions. Contributions are credited with interest at the rate used by the actuary for funding of Plan benefits. Contributions are determined on an annual basis. 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.

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 $352,414 for the pensions for the year ended December 31, 2014.

*3. 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.

The expected long-term rate of return is estimated based on many factors including the expected forecast for inflation, risk premiums for each class, expected asset allocation, current and future financial market conditions, and diversification and rebalancing strategies. Historical return patterns and correlations, consensus return forecasts and other relevant financial factors are analyzed to check for reasonability and appropriateness.

## IV. Other information (Continued)

### *D. Employee retirement systems and pension plans (continued)*

*3. Investments (continued)*

Rate of Return: For the year ended December 31, 2014, the annual money-weighted rate of return on Plan investments, net of pension investment expense was 7% percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*4. Net Pension Liability*

The components of the net pension liability of participating entities at December 31, 2014 were as follows:

| | Police | Salary | Hourly |
|---|---|---|---|
| Total pension liability | $ 17,380,029 | $ 8,765,041 | $ 4,611,577 |
| Plan fiduciary net position | (15,628,367) | (7,273,400) | (4,056,104) |
| Net Pension liability | $ 1,751,662 | $ 1,491,641 | $ 555,473 |
| Plan fiduciary net position as a percentage of the total pension liability | 90% | 83% | 88% |

Actuarial Assumptions: The total pension liability in the January 1, 2013 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

| | Police | Salary | Hourly | |
|---|---|---|---|---|
| Inflation | 3.00% | 3.00% | 3.00% | |
| Salary Increases | 4.00% | 4.00% | 4.00% | (average, including inflation) |
| Investment Rate of Return | 7.00% | 7.00% | 7.00% | (including inflation) |
| Postretirement Cost of Living Increase | 3.00% | 3.00% | 3.00% | |

Mortality rates were based on the UP1984 Table for males and females. This table does not include projected mortality improvements.

The actuarial assumptions used in the January 1, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2011 to December 31, 2012.

## IV. Other information (Continued)

### *D. Employee retirement systems and pension plans (continued)*

*4. Net Pension Liability (continued)*

The net pension liabilities for all three plans were measured as of December 31, 2014 and the total pension liabilities were determined by rolling forward the liabilities from the actuarial valuations as of January 1, 2013. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

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:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| 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% |

Discount Rate: The discount rate used to measure the total pension liability was 7.00% 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.

## IV. Other information (Continued)

### *D. Employee retirement systems and pension plans (continued)*

*4. Net Pension Liability (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 7.00%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (estimate based on plan demographics):

| Net Pension Liability | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|---|
| Police | $ 3,504,082 | $ 1,751,662 | $ 151,315 |
| Salaried | 2,401,270 | 1,491,641 | 664,495 |
| Hourly | 1,012,036 | 555,473 | 140,412 |

*5. 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 of at least one year, but not more than three years. 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, 2014, the DROP account balances of $225,247 are held by the plan pursuant to the DROP and are included in the total pension liability.

*6. Funded Status and Funding Progress*

The funded status of each plan as of January 1, 2013, the most recent actuarial valuation date, is as follows:

| Plan | Actuarial Value of Net Assets | Actuarial Accrued Liability Obligation | Unfunded Actuarial Accrued Liability | Funded Ratio | Projected Annual Covered Payroll | Unfunded Actuarial Liability as a Percentage of Payroll |
|---|---|---|---|---|---|---|
| Police | $ 13,139,237 | $ 16,573,889 | $ 3,434,652 | 79.28% | $ 2,184,025 | 157.26% |
| Salaried | 5,864,755 | 8,252,089 | 2,387,334 | 71.07% | 1,507,556 | 158.36% |
| Hourly | 3,366,585 | 4,186,985 | 820,400 | 80.41% | 1,304,391 | 62.90% |

## IV. Other information (Continued)

### *D. Employee retirement systems and pension plans (continued)*

6. *Funded Status and Funding Progress (continued)*

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

7. *Annual Pension Cost and Net Pension Obligation*

The Township's annual pension cost and net pension obligation to the Pension Plans for the current year were as follows:

| | Police | Salaried Employees | Hourly Employees |
|---|---|---|---|
| Annual required contribution | $ 709,336 | $ 498,189 | $ 119,609 |
| Interest on net pension obligation | - | - | - |
| Adjustments to annual required contribution | - | - | - |
| Annual pension cost | 709,336 | 498,189 | 119,609 |
| Contributions made | (709,336) | (498,189) | (119,609) |
| Increase (decrease) in net pension obligation | - | - | - |
| Net pension obligation (asset) at beginning of year | - | - | - |
| Net pension obligation (asset) at end of year | $ - | $ - | $ - |

The annual required contribution for the current year was determined as part of the January 1, 2013 actuarial valuation using the following assumptions:

| | Police | Salaried Employees | Hourly Employees |
|---|---|---|---|
| Date of Actuarial valuation | 1/1/2013 | 1/1/2013 | 1/1/2013 |
| Investment rate of return | 7.0% | 7.0% | 7.0% |
| Projected salary increases due to inflation | 4.0% | 4.0% | 4.0% |
| Cost method | Entry Age Normal | Entry Age Normal | Entry Age Normal |
| Amortization method | Level Dollar Closed | Level Dollar Closed | Level Dollar Closed |
| Amortization period | 5 | 6 | 10 |
| Cost of living increases | 3.0% | 3.0% | 3.0% |

## IV. Other information (Continued)

### *D. Employee retirement systems and pension plans (continued)*

*8. Three Year Trend Information*

***POLICE***

| Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation (Asset) |
|---|---|---|---|
| 12/31/2012 | $ 635,647 | 100.0% | $ - |
| 12/31/2013 | 513,892 | 100.0% | - |
| 12/31/2014 | 709,336 | 100.0% | - |

***SALARIED EMPLOYEES***

| Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation (Asset) |
|---|---|---|---|
| 12/31/2012 | $ 391,798 | 100.0% | $ - |
| 12/31/2013 | 339,414 | 100.0% | - |
| 12/31/2014 | 498,189 | 100.0% | - |

***HOURLY EMPLOYEES***

| Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation (Asset) |
|---|---|---|---|
| 12/31/2012 | $ 138,153 | 100.0% | $ - |
| 12/31/2013 | 92,248 | 100.0% | - |
| 12/31/2014 | 119,609 | 100.0% | - |

### *E. 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 does not issue a stand-alone financial report.

## IV. Other information (Continued)

### *E. Post-retirement benefits (continued)*

Description of the Plan

Through Board Resolution and Police Labor Contract, the Township provides post-retirement medical and dental benefits to uniformed and non-uniformed employees retiring after 1/2/2005. 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.

Funding Policy

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. The expenses are being accounting for on a "pay-as-you-go" basis. For December 31, 2014, there were three retirees receiving these benefits. The cost to the Township during 2014 amounted to $58,676 and the implicit subsidy was $38,371.

Funding Status and Funding Progress

The funded status of the plan as of January 1, 2012, the most recent actuarial valuation date, is as follows:

| Valuation Date | Actuarial Value of Net Assets | Actuarial Accrued Liability Obligation | Percentage Funded | Unfunded Actuarial Accrued Liability | Projected Annual Covered Payroll | Liability as a Percentage of Payroll |
|---|---|---|---|---|---|---|
| 1/1/2012 | $ - | $ 3,016,251 | 0.00% | $ 3,016,251 | $ 4,938,606 | 61.07% |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

## IV. Other information (Continued)

### *E. Post-retirement benefits (continued)*

Funding Status and Funding Progress (continued)

The schedule of funding progress, presented as *required supplemental information* (RSI) following the notes to the financial statements, is to present multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the Township maintains no Plan assets, required disclosures over Plan assets is not applicable.

Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point, and the projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Annual OPEB Cost and Net OPEB Obligation

The Township's annual OPEB cost is calculated based on the *annual required contribution* (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years. The following table illustrates the components of the Township's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Township's net OPEB obligation:

| | |
|---|---|
| Annual required contribution | $ 319,138 |
| Interest on net OPEB obligation | 62,788 |
| Adjustments to annual required contribution | (59,470) |
| Annual OPEB cost | 322,456 |
| Contributions made | (58,676) |
| Implicit subsidy | (38,371) |
| Increase (decrease) in net OPEB obligation | 225,409 |
| Net OPEB obligation (asset) at beginning of year | 1,395,305 |
| Net OPEB obligation (asset) at end of year | $ 1,620,714 |

Actuarial calculations reflect a long-term perspective, and consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

## IV. Other information (Continued)

### *E. Post-retirement benefits (continued)*

Annual OPEB Cost and Net OPEB Obligation (continued)

The January 1, 2012 actuarial valuation using the following assumptions:

| | |
|---|---|
| Date of Actuarial valuation | 1/1/2012 |
| Investment rate of return | 4.5% |
| Projected salary increases due to inflation | 3.0% |
| Cost method | Entry Age Normal |
| Amortization method | Level % Open |
| Amortization period | 30 |

Healthcare trend rate: 9% for medical and 5% for dental in 2013. Medical decreases by 0.5% per year in 2014 through 2021. Dental decreases by 0.25% per year in 2014 to 2017, and then remains constant at 4% for 2018 through 2021.

Three Year Trend Information

| Fiscal Year Ending | Annual OPEB Cost | Percentage Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| 12/31/2012 | $ 287,011 | 15.0% | $ 1,168,534 |
| 12/31/2013 | 304,732 | 26.0% | 1,395,305 |
| 12/31/2014 | 322,456 | 30.0% | 1,620,714 |

### *F. 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. The Township obtained a Tax and Revenue Anticipation Note in the amount of $500,000 at an interest rate of 2.29%. The Note is expected to be paid in full before December 31, 2015. No additional subsequent events have been recognized or disclosed.

## IV. Other information (Continued)

### *G. New Accounting Pronouncements*

GASB Statement No. 67 – *Financial Reporting for Pension Plans* was issued in June 2012. This Statement is effective for fiscal year beginning after June 15, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans through enhanced note disclosures and schedules of required supplementary information. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*. As a result of implementing this Statement, the pension disclosures and required supplementary information schedules for pensions in this financial statement have been expanded to include the new requirements.

GASB Statement No. 68 – Accounting and Financial Reporting for Pensions was issued in June 2012. This Statement is effective for fiscal years beginning after June 15, 2014. The objective of this Statement is to measure and recognize liabilities, deferred outflows of resources, deferred inflows or resources, and expense/expenditures for defined benefit pension plans that more closely match the benefits attributable to the employees' periods of service. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and No. 50, *Pension Disclosures*. This Statement will be implemented in 2015.

# REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF SPRINGFIELD

Required Supplemental Information for Police Pension Plan

December 31, 2014

## SCHEDULE OF FUNDING PROGRESS

| Valuation Date | Actuarial Value of Net Assets | Actuarial Accrued Liability Obligation | Percentage Funded | Unfunded Actuarial Accrued Liability | Projected Annual Covered Payroll | Accrued Liability as a Percentage of Payroll |
|---|---|---|---|---|---|---|
| 1/1/2009 | $ 7,853,760 | $ 12,847,096 | 61.13% | $ 4,993,336 | $ 2,274,911 | 219.50% |
| 1/1/2011 | 11,919,417 | 13,830,161 | 86.18% | 1,910,744 | 2,347,505 | 81.39% |
| 1/1/2013 | 13,139,237 | 16,573,889 | 79.28% | 3,434,652 | 2,184,025 | 157.26% |

## SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITES

| Calendar Year | Annual Required Contribution | Contributions From Employer | Percentage Contributed |
|---|---|---|---|
| 2009 | $ 836,015 | $ 836,015 | 100% |
| 2010 | 607,790 | 607,790 | 100% |
| 2011 | 615,993 | 615,993 | 100% |
| 2012 | 635,647 | 635,647 | 100% |
| 2013 | 513,892 | 513,892 | 100% |
| 2014 | 709,336 | 709,336 | 100% |

TOWNSHIP OF SPRINGFIELD

Required Supplemental Information for Salaried Employees Pension Plan

December 31, 2014

## SCHEDULE OF FUNDING PROGRESS

| Valuation Date | Actuarial Value of Net Assets | Actuarial Accrued Liability Obligation | Percentage Funded | Unfunded Actuarial Accrued Liability | Projected Annual Covered Payroll | Accrued Liability as a Percentage of Payroll |
|---|---|---|---|---|---|---|
| 1/1/2009 | $ 3,018,942 | $ 5,617,791 | 53.74% | $ 2,598,849 | $ 1,320,645 | 196.79% |
| 1/1/2011 | 5,112,496 | 6,433,666 | 79.46% | 1,321,170 | 1,440,757 | 91.70% |
| 1/1/2013 | 5,864,755 | 8,252,089 | 71.07% | 2,387,334 | 1,507,556 | 158.36% |

## SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITES

| Calendar Year | Annual Required Contribution | Contributions From Employer | Percentage Contributed |
|---|---|---|---|
| 2009 | $ 422,827 | $ 422,827 | 100% |
| 2010 | 589,434 | 589,434 | 100% |
| 2011 | 327,595 | 327,595 | 100% |
| 2012 | 391,798 | 391,798 | 100% |
| 2013 | 339,414 | 339,414 | 100% |
| 2014 | 498,189 | 498,189 | 100% |

TOWNSHIP OF SPRINGFIELD

Required Supplemental Information for Hourly Employees Pension Plan

December 31, 2014

## SCHEDULE OF FUNDING PROGRESS

| Valuation Date | Actuarial Value of Net Assets | Actuarial Accrued Liability Obligation | Percentage Funded | Unfunded Actuarial Accrued Liability | Projected Annual Covered Payroll | Liability as a Percentage of Payroll |
|---|---|---|---|---|---|---|
| 1/1/2009 | $ 1,902,903 | $ 2,883,331 | 66.00% | $ 980,428 | $ 1,212,711 | 80.85% |
| 1/1/2011 | 3,021,363 | 3,497,271 | 86.39% | 475,908 | 1,331,222 | 35.75% |
| 1/1/2013 | 3,366,585 | 4,186,985 | 80.41% | 820,400 | 1,304,391 | 62.90% |

## SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITES

| Calendar Year | Annual Required Contribution | Contributions From Employer | Percentage Contributed |
|---|---|---|---|
| 2009 | $ 157,490 | $ 157,490 | 100% |
| 2010 | 184,304 | 184,304 | 100% |
| 2011 | 98,770 | 98,770 | 100% |
| 2012 | 138,153 | 138,153 | 100% |
| 2013 | 92,248 | 92,248 | 100% |
| 2014 | 119,609 | 119,609 | 100% |

TOWNSHIP OF SPRINGFIELD

Required Supplemental Information for Police Pension Plan

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

| | 2014 |
|---|---|
| **Total pension liability** | |
| Service cost | $ 234,282 |
| Interest | 1,155,286 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | - |
| Changes of assumptions | - |
| Benefit payments, including refunds of employee contributions | (558,696) |
| Net change in total pension liability | 830,872 |
| **Total pension liability - beginning** | 16,549,157 |
| **Total pension liability - ending (a)** | $ 17,380,029 |
| | |
| **Plan fiduciary net position** | |
| Contributions - employer | $ 709,336 |
| Contributions - employee | 126,901 |
| Net investment income | 698,540 |
| Benefit payments, including refunds of employee contributions | (558,696) |
| Administrative expense | - |
| Other | 2,292 |
| Net change in plan fiduciary net position | 978,373 |
| | |
| **Plan fiduciary net position - beginning** | 14,649,994 |
| **Plan fiduciary net position - ending (b)** | $15,628,367 |
| | |
| **Township's net pension liability - ending (a)-(b)** | $ 1,751,662 |
| | |
| Plan fiduciary net position as a percentage of the total pension liability | 89.9% |
| | |
| Covered-employee payroll | $ 2,384,651 |
| | |
| Township's net pension liability as a percentage of covered-employee payroll | 73.5% |

**Notes to Schedule:**

Change in benefit terms: None since 1/1/2013

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

| | 2014 |
|---|---|
| **Total pension liability** | |
| Service cost | $ 184,773 |
| Interest | 584,474 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | - |
| Changes of assumptions | - |
| Benefit payments, including refunds of employee contributions | (338,124) |
| Net change in total pension liability | 431,123 |
| **Total pension liability - beginning** | 8,333,918 |
| **Total pension liability - ending (a)** | $ 8,765,041 |
| | |
| **Plan fiduciary net position** | |
| Contributions - employer | $ 498,189 |
| Contributions - employee | 45,548 |
| Net investment income | 365,774 |
| Benefit payments, including refunds of employee contributions | (338,124) |
| Administrative expense | - |
| Other | - |
| Net change in plan fiduciary net position | 571,387 |
| | |
| **Plan fiduciary net position - beginning** | 6,702,013 |
| **Plan fiduciary net position - ending (b)** | $ 7,273,400 |
| | |
| **Township's net pension liability - ending (a)-(b)** | $ 1,491,641 |
| | |
| Plan fiduciary net position as a percentage of the total pension liability | 83.0% |
| | |
| Covered-employee payroll | $ 1,331,338 |
| | |
| Township's net pension liability as a percentage of covered-employee payroll | 112.0% |

**Notes to Schedule:**

Change in benefit terms: None since 1/1/2013

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

| | 2014 |
|---|---|
| **Total pension liability** | |
| Service cost | $ 91,739 |
| Interest | 304,326 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | - |
| Changes of assumptions | - |
| Benefit payments, including refunds of employee contributions | (80,529) |
| Net change in total pension liability | 315,536 |
| **Total pension liability - beginning** | 4,296,041 |
| **Total pension liability - ending (a)** | $ 4,611,577 |
| | |
| **Plan fiduciary net position** | |
| Contributions - employer | $ 119,609 |
| Contributions - employee | 48,899 |
| Net investment income | 92,076 |
| Benefit payments, including refunds of employee contributions | (80,529) |
| Administrative expense | - |
| Other | - |
| Net change in plan fiduciary net position | 180,055 |
| | |
| **Plan fiduciary net position - beginning** | 3,876,049 |
| **Plan fiduciary net position - ending (b)** | $ 4,056,104 |
| | |
| **Township's net pension liability - ending (a)-(b)** | $ 555,473 |
| | |
| Plan fiduciary net position as a percentage of the total pension liability | 88.0% |
| | |
| Covered-employee payroll | $ 1,524,506 |
| | |
| Township's net pension liability as a percentage of covered-employee payroll | 36.4% |

**Notes to Schedule:**

Change in benefit terms: None since 1/1/2013

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

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Actuarially determined contribution | $ 709,336 | $ 513,892 | $ 520,269 | $ 615,993 | $ 607,790 |
| Contributions in relation to the actuarially determined contribution | 709,336 | 513,892 | 520,269 | 615,993 | 607,790 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| Covered-employee payroll | $ 2,384,651 | $ 2,184,023 (1) | $ 2,347,505 (1) | $ 2,347,505 (1) | $ 2,274,911 (1) |
| Contributions as a percentage of covered-employee payroll | 29.7% | 23.5% | 22.2% | 26.2% | 26.7% |

**Notes to Schedule:**

Actuarially determined contribuion 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:

| | |
|---|---|
| Valuation date | 1/1/2013 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level Dollar Closed |
| Remaining amortization period | 6 years |
| Asset valuation method | Market value of assets determined by the trustee |
| Inflation | 3.00% |
| Salary increases | 4.00%, average, including inflation |
| Investment rate of return | 7.00%, net of pension plan investment expense, including inflation |
| Retirement age | Normal Retirement Age |
| Mortality | UP1984 Table. This table does not include projected mortality improvements. |

Change in benefit terms: None since 1/1/2013

(1) - covered employee payroll taken from 1/1/2005 through 1/1/2013 actuarial valuations

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| | $ 836,015 | $ 815,319 | $ 746,385 | $ 743,053 | $ 591,040 |
| | 836,015 | 815,319 | 746,385 | 743,053 | 591,040 |
| | $ - | $ - | $ - | $ - | $ - |
| | $ 2,274,911 (1) | $ 2,019,127 (1) | $ 2,019,127 (1) | $ 1,793,455 (1) | $ 1,793,455 (1) |
| | 36.7% | 40.4% | 37.0% | 41.4% | 33.0% |

TOWNSHIP OF SPRINGFIELD

Required Supplemental Information for Salaried Employees Pension Plan

## SCHEDULE OF CONTRIBUTIONS

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Actuarially determined contribution | $ 498,189 | $ 339,414 | $ 344,599 | $ 327,595 | $ 589,434 |
| Contributions in relation to the actuarially determined contribution | 498,189 | 339,414 | 344,599 | 327,595 | 589,434 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| Covered-employee payroll | $ 1,331,338 | $ 1,507,556 (1) | $ 1,440,757 (1) | $ 1,440,757 (1) | $ 1,320,645 (1) |
| Contributions as a percentage of covered-employee payroll | 37.4% | 22.5% | 23.9% | 22.7% | 44.6% |

**Notes to Schedule:**

Actuarially determined contribuion 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:

| | |
|---|---|
| Valuation date | 1/1/2013 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level Dollar Closed |
| Remaining amortization period | 7 years |
| Asset valuation method | Market value of assets determined by the trustee |
| Inflation | 3.00% |
| Salary increases | 4.00%, average, including inflation |
| Investment rate of return | 7.00%, net of pension plan investment expense, including inflation |
| Retirement age | Normal Retirement Age |
| Mortality | UP1984 Table. This table does not include projected mortality improvements. |

Change in benefit terms: None since 1/1/2013

(1) - covered employee payroll taken from 1/1/2005 through 1/1/2013 actuarial valuations

| 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|
| $ 422,827 | $ 404,779 | $ 379,442 | $ 373,819 | $ 341,096 |
| 422,827 | 404,779 | 379,442 | 373,819 | 341,096 |
| $ - | $ - | $ - | $ - | $ - |
| $ 1,320,645 (1) | $ 929,162 (1) | $ 929,162 (1) | $ 820,669 (1) | $ 820,669 (1) |
| 32.0% | 43.6% | 40.8% | 45.6% | 41.6% |

TOWNSHIP OF SPRINGFIELD

Required Supplemental Information for Hourly Employees Pension Plan

## SCHEDULE OF CONTRIBUTIONS

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Actuarially determined contribution | $ 119,609 | $ 92,248 | $ 95,501 | $ 98,770 | $ 184,304 |
| Contributions in relation to the actuarially determined contribution | 119,609 | 92,248 | 95,501 | 98,770 | 184,304 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| Covered-employee payroll | $ 1,331,338 | $ 1,304,391 (1) | $ 1,331,222 (1) | $ 1,331,222 (1) | $ 1,212,711 (1) |
| Contributions as a percentage of covered-employee payroll | 9.0% | 7.1% | 7.2% | 7.4% | 15.2% |

**Notes to Schedule:**

Actuarially determined contribuion 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:

| | |
|---|---|
| Valuation date | 1/1/2013 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level Dollar Closed |
| Remaining amortization period | 15 years |
| Asset valuation method | Market value of assets determined by the trustee |
| Inflation | 3.00% |
| Salary increases | 4.00%, average, including inflation |
| Investment rate of return | 7.00%, net of pension plan investment expense, including inflation |
| Retirement age | Normal Retirement Age |
| Mortality | UP1984 Table.  This table does not include projected mortality improvements. |

Change in benefit terms:  None since 1/1/2013

(1) - covered employee payroll taken from 1/1/2005 through 1/1/2013 actuarial valuations

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| | $ 157,490 | $ 159,086 | $ 153,729 | $ 151,562 | $ 133,290 |
| | 157,490 | 159,086 | 153,729 | 151,562 | 133,290 |
| | $ - | $ - | $ - | $ - | $ - |
| | $ 1,212,711 (1) | $ 1,113,387 (1) | $ 1,113,387 (1) | $ 962,284 (1) | $ 962,284 (1) |
| | 13.0% | 14.3% | 13.8% | 15.8% | 13.9% |

## SCHEDULE OF INVESTMENT RETURNS

| | 2014 |
|---|---|
| **Police** | |
| Annual money-weighted rate of return, net of investment expense | 7.0% |
| **Salaried Employees** | |
| Annual money-weighted rate of return, net of investment expense | 7.0% |
| **Hourly Employees** | |
| Annual money-weighted rate of return, net of investment expense | 7.0% |

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

TOWNSHIP OF SPRINGFIELD

Required Supplemental Information for OPEB Plan

December 31, 2014

## SCHEDULE OF FUNDING PROGRESS

| Valuation Date | Actuarial Value of Net Assets | Actuarial Accrued Liability Obligation | Percentage Funded | Unfunded Actuarial Accrued Liability | Projected Annual Covered Payroll | Liability as a Percentage of Payroll |
|---|---|---|---|---|---|---|
| 1/1/2009 | $ - | $ 2,348,496 | 0.00% | $ 2,348,496 | $ 4,487,757 | 52.33% |
| 1/1/2012 | - | 3,016,251 | 0.00% | 3,016,251 | 4,938,606 | 61.07% |

## SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITES

| Calendar Year | Annual Required Contribution | Contributions From Employer | Implicit Subsidy | Percentage Contributed |
|---|---|---|---|---|
| 2009 | $ 204,135 | $ 17,111 | $ - | 8% |
| 2010 | 283,331 | 24,201 | - | 9% |
| 2011 | 307,516 | 24,624 | - | 8% |
| 2012 | 287,011 | 15,313 | 28,076 | 15% |
| 2013 | 304,732 | 23,777 | 54,184 | 26% |
| 2014 | 322,456 | 58,676 | 38,371 | 30% |

SPRINGFIELD TOWNSHIP

COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

December 31, 2014

| | Police Pension | Salaried Pension | Hourly Pension | Total Pension Trust Funds |
|---|---|---|---|---|
| ASSETS | | | | |
| Cash | $ 552,015 | $ 248,703 | $ 153,292 | $ 954,010 |
| Prepaid benefits | 47,948 | 30,206 | 9,691 | 87,845 |
| Contributions receivable | 544,923 | 385,288 | 63,138 | 993,349 |
| Investments | | | | |
| Exchange traded funds and closed end funds | 14,258,234 | 6,609,203 | 3,829,982 | 24,697,419 |
| Total Assets | $ 15,403,120 | $ 7,273,400 | $ 4,056,103 | $ 26,732,623 |
| NET POSITION | | | | |
| Net Position- Restricted for Pension Benefits | $ 15,403,120 | $ 7,273,400 | $ 4,056,103 | $ 26,732,623 |

# SPRINGFIELD TOWNSHIP

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
## FIDUCIARY FUNDS

### For the year ended December 31, 2014

| | Police Pension | Salaried Pension | Hourly Pension | Total Pension Trust Funds |
|---|---|---|---|---|
| Additions | | | | |
| Contributions | | | | |
| Member contributions | $ 126,901 | $ 45,548 | $ 48,899 | $ 221,348 |
| Employer contributions | 532,777 | 382,245 | 59,698 | 974,720 |
| State aid | 176,559 | 115,944 | 59,911 | 352,414 |
| Miscellaneous | 2,331 | - | - | 2,331 |
| Total Contributions | 838,568 | 543,737 | 168,508 | 1,550,813 |
| Investment Earnings | | | | |
| Net appreciation (depreciation) in fair value of investments | 428,067 | 225,619 | 57,035 | 710,721 |
| Dividends & Interest | 369,608 | 197,124 | 49,281 | 616,013 |
| Total Investment Earnings | 797,675 | 422,743 | 106,316 | 1,326,734 |
| Less: investment expense | (102,767) | (54,809) | (13,702) | (171,278) |
| Net Investment Earnings | 694,908 | 367,934 | 92,614 | 1,155,456 |
| Total Additions | 1,533,476 | 911,671 | 261,122 | 2,706,269 |
| Deductions | | | | |
| Benefits | 562,338 | 338,124 | 80,529 | 980,991 |
| Deferred retirement option program payments | 68,524 | - | - | 68,524 |
| Foreign tax paid | 4,050 | 2,160 | 540 | 6,750 |
| Total Deductions | 634,912 | 340,284 | 81,069 | 1,056,265 |
| Change in Net Position | 898,564 | 571,387 | 180,053 | 1,650,004 |
| Net Position - Restricted for Pension Benefits: | | | | |
| Beginning of Year | 14,504,556 | 6,702,013 | 3,876,050 | 25,082,619 |
| End of Year | $ 15,403,120 | $ 7,273,400 | $ 4,056,103 | $ 26,732,623 |