

**SPRINGFIELD TOWNSHIP
MONTGOMERY COUNTY, PENNSYLVANIA**

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

YEAR ENDED DECEMBER 31, 2019

SPRINGFIELD TOWNSHIP

GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Springfield Township
Montgomery County, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springfield Township, Montgomery County, Pennsylvania as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springfield Township, Montgomery County, Pennsylvania, as of December 31, 2019, 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 5 through 17 and the historical trend information on pages 60 through 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Springfield Township, Montgomery County, Pennsylvania, basic financial statements. The combining fund statements are presented for additional analysis and are not a required part of the basic financial statements. The combining fund statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining fund statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Bee, Bergvall & Co.

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

Warrington, PA
June 29, 2020

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

The preparation of a summary statement entitled "Management Discussion and Analysis" is a required element of the report model adopted by the Governmental Accounting Standards Board (GASB). Its purpose is to provide an overview of the financial activities of Springfield Township based upon currently known facts, or conditions. As management of Springfield Township, we offer readers of the Township's financial statements this narrative overview of financial activities for the fiscal year ended December 31, 2019. Please read the analysis in conjunction with the Township's financial statements which follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2019

Government-Wide Financial Statements (Full Accrual)

The assets and deferred outflows of Springfield Township exceeded its liabilities and deferred inflows at the close of fiscal year 2019 by \$42.4 million (total net position). Of this amount, \$4.9 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 \$8.8 million.

The Township's General Fund had total revenues of \$15,760,978 generated in tax and other revenues compared with total expenditures of \$13,984,472, providing an excess of revenues over expenditures of \$1,776,506 before other financing sources and uses. After Other Financing Sources and Uses are considered, there was a net increase in fund balance of \$77,464 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 \$172,755, or 1.2% more than the adopted budget, while revenues exceeded budget expectations by \$447,717, or 2.9%. Revenue categories that surpassed expectations include transfer taxes, business and mercantile taxes, earned income taxes, interest and rent, and miscellaneous revenues. Real Estate Taxes, which are the single largest source of revenue, were within 2.6% of budget projections.

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

USING THIS ANNUAL REPORT

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

Reporting on the Township as a Whole

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

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

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

Reporting the Township's Most Significant Funds

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

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

Springfield Township has two kinds of funds:

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

Infrastructure Assets

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

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

THE TOWNSHIP AS A WHOLE

The following table reflects the condensed Statement of Net Position:

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 11,648,157	\$ 9,645,836
Capital assets	<u>45,526,959</u>	<u>46,414,241</u>
Total Assets	<u>57,175,116</u>	<u>56,060,077</u>
Deferred Outflows of Resources	<u>1,463,488</u>	<u>3,797,661</u>
Long-term liabilities	12,229,860	15,679,167
Other liabilities	<u>887,387</u>	<u>1,191,868</u>
Total Liabilities	<u>13,117,247</u>	<u>16,871,035</u>
Deferred Inflows of Resources	<u>3,171,131</u>	<u>1,341,236</u>
Net Position:		
Invested in capital assets, net of debt	36,710,910	37,062,450
Restricted	745,015	791,037
Unrestricted	<u>4,894,301</u>	<u>3,791,980</u>
Total Net Position	<u>\$ 42,350,226</u>	<u>\$ 41,645,467</u>

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

Net position may serve over time as a useful indicator of a government's financial position. For 2019, Springfield Township's assets exceeded liabilities by \$42.4 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 2019 Statement of Net Position to prior year, there was a total increase in the net position of governmental activities of approximately \$704,759. Current assets increased by \$2.0 million; invested in capital assets, net of debt decreased by \$351,540; and restricted net position decreased by \$46,022.

Due to fluctuations in the actuarial determined pension and other post-employment benefits liabilities, deferred outflows of resources decreased by \$2.3 million; long-term liabilities decreased by \$3.4 million; and deferred inflows increased by \$1.8 million.

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

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 2019 the Township experienced an increase in net position of \$704,759. The following chart shows the revenues and expenses of the governmental activities:

	Governmental Activities	
	2019	2018
REVENUES		
Program revenues:		
Charges for services	\$ 2,227,738	\$ 2,229,532
Operating grants and contributions	1,313,677	1,296,704
Capital grants and contributions	70,264	136,042
General revenues:		
Property taxes	5,772,468	5,464,082
Other taxes	5,516,879	5,019,709
Grants and contributions not restricted to specific programs	9,782	40,106
Investment income	299,426	136,694
Gain (loss) on sale/retirement of assets	(6,006)	(271,299)
Miscellaneous	1,101,835	1,352,940
Total Revenues	16,306,063	15,404,510

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

EXPENSES		
Administration	\$ 6,183,077	\$ 7,294,598
Licenses and permits	230,387	228,169
Police and emergency service	4,005,558	4,224,212
Public works	2,225,988	1,377,858
Sanitation and recycling	1,506,612	1,212,664
Sewer	-	500
Library	911,747	926,876
Community development	-	-
Parks and recreation	<u>537,935</u>	<u>478,272</u>
Total Expenses	<u>15,601,304</u>	<u>15,743,149</u>
Change in Net Position	704,759	(338,639)
Net Position - Beginning	<u>41,645,467</u>	<u>41,984,106</u>
Net Position - Ending	<u>\$ 42,350,226</u>	<u>\$ 41,645,467</u>

In 2019, the revenue category property taxes increased by \$308,386 (5.6%) over the prior year due to an increase in tax millage. Other revenue categories with increases from the prior year levels include operating grants and contributions, other taxes, and investment income.

Miscellaneous revenues decreased by \$251,105 (18.6%). This decline is attributed to a decline in reimbursements/credits received by the Township from local public service entities. Other revenue categories which saw decreases include the category capital and restricted grants. The decrease in capital grants and contributions is related to the close out of 2015 & 2016 CDBG grants, which were not budgeted but were received in 2018. The Township's loss on the sale/retirement of assets also decreased from the prior year as fewer assets were sold.

Expenses related to Administration decreased by \$1,111,521 (15.2%) in 2019 due to several staff member retirements. Other significant fluctuations include an increase in public works of \$848,130 (61.6%) as well as in sanitation and recycling of \$293,948 (24.2%) due to wage increases, road resurfacing activities, and increasing recycling costs. There was also a decrease in police and emergency services of \$218,654 (5.2%) due to staff retirements and the transition to a new ambulatory service provider.

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

Normal Impacts - Revenues and Expenses

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

Revenues

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

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

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

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

Expenses

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

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

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

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

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

Current Year Impacts – Revenues and Expenses

Governmental Activities

For the fiscal year ended December 31, 2019, revenues for governmental activities totaled \$16.3 million. The largest revenue category was property taxes, which included \$5.8 million (35.4%) in receipts. The township's second largest revenue source was the category other taxes, of which \$5.5 million (33.8%) in earned income, business privilege, mercantile, and real estate transfer taxes were collected. The third largest revenue source was the category charges for services. The Township collected \$2.2 million (13.7%) in refuse service fees, building permits, and activity fees for parks and recreation programs. The fourth largest revenue source, operating grants and contributions, included receipts totaling \$1.3 million (8.1%). Other significant sources of general revenues include miscellaneous revenue \$1.1 million (6.8%), investment income \$299,426 (1.8%), capital grants and contributions \$70,264 (0.4%), and unrestricted grants and contributions \$9,782 (0.1%). The sale/retirement of assets resulted in a loss of \$6,006 due to streets that were resurfaced prior to being fully depreciated. However, the resurfacing activities were subsidized by the utility companies who were responsible for damaging the wearing course as part of their infrastructure improvements, notably water and gas main replacements.

For the 2019 fiscal year, expenses for government activities totaled \$15.6 million, representing a decrease of \$141,845 from the prior year. As the table on page 10 indicates, activities funded through the administration operating department constitute the single largest program expense at \$6.2 million (39.6% of total expenses). The second largest program expense is for police and emergency services at \$4.0 million (25.7%). Public works expenses are the third largest expense category at \$2.2 million (14.3%). Sanitation and recycling expenses are the next largest program expense at \$1.5 million (9.7%). Library expenditures were \$911,747 (5.8%), parks and recreation expenses were \$537,935 (3.4%), and licenses and permits were \$230,387 (1.5%).

The decrease in governmental expenses over the prior year is largely attributed to staff retirements. Other major decreases were related to library operations (wages, utilities and building maintenance activities) as well as police and emergency services (police wages decreases due to retirements, together with the elimination of ambulance wages due to the transition to a new provider). These decreases offset increases in spending by the public works department (capital projects and wages), sanitation and recycling (disposal fees), and parks and recreation (recreation programs and parks maintenance).

The change in net position reflects the difference between total revenues and total expenses. For governmental activities in fiscal 2019, revenues exceeded expenses by \$704,759, resulting in an increase in net position by that amount. The year ended with net position for governmental activities totaling \$42.3 million.

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

General Fund Budgetary Highlights

The Government revises its budget as it attempts to deal with unexpected changes in revenues. Careful monitoring of spending allowed General Fund expenses to come in only slightly over budget, with total expenditures \$172,755 (1.2%) over budget. Total revenues exceeded budget estimates by \$447,717 (2.6%), resulting in an excess of revenues over expenses of \$274,962, before other financing sources and uses. The additional revenues can be attributed to better than expected receipts for real estate transfer, earned income, and business privilege and mercantile tax collections. There were also revenue increases in interest and rent as well as in miscellaneous revenues. These increases were offset by revenue decreases in real estate tax and local services receipts, licenses and permits, intergovernmental services, and charges for services. Real estate tax receipts were still within 2.6% of budget. Please refer to the Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual, on page 25, for detailed information.

Capital Assets and Debt Administration

Capital Assets

At the end of 2019, the Township had \$45.5 million invested in a broad range of capital assets, including land, buildings, equipment, park facilities, roads, bridges, and storm sewer lines. Capital Asset Activity for the year 2019 is presented in detail on pages 40 and 41 of the Notes section.

	Beginning Balance		Net Additions (Deletions)		Ending Balance	
	<u>1/1/19</u>	<u>1/1/18</u>	<u>2019</u>	<u>2018</u>	<u>12/31/19</u>	<u>12/31/18</u>
Non-Depreciable Assets						
Land and easements	\$ 4,461,627	\$ 4,461,627	\$ (15,000)	\$ -	\$ 4,446,627	\$ 4,461,627
Construction in progress	556,223	24,414,096	142,041	(23,857,873)	698,264	556,223
Other Capital Assets						
Land improvements	4,672,621	4,453,791	11,000	218,830	4,683,621	4,672,621
Buildings and improvements	30,087,338	5,815,096	288,276	24,272,242	30,375,614	30,087,338
Machinery and equipment	1,696,293	1,579,771	(30,621)	116,522	1,665,672	1,696,293
Vehicles	3,906,811	3,610,762	(207,082)	296,049	3,699,729	3,906,811
Library collection	2,792,733	2,717,695	80,800	75,038	2,873,533	2,792,733
Infrastructure	13,996,925	13,606,939	142,926	389,986	14,139,851	13,996,925
Less: accumulated depreciation on capital assets	(15,756,330)	(14,916,383)	(1,299,622)	(839,947)	(17,055,952)	(15,756,330)
Totals	\$ 46,414,241	\$ 45,743,394	\$ (887,282)	\$ 670,847	\$ 45,526,959	\$ 46,414,241

The Springfield Township Board of Commissioners continues to place significant resources towards its capital assets. In 2019, the Township closed out several public projects, the new municipal complex, ADA improvements at one of its parklands utilizing a Community Development Block Grant, and significant renovations to the ambulance garage and recreation center located on Willow Grove Ave. The Township also continued its annual street resurfacing program and performed traffic signal upgrades, bridge repairs, storm sewer improvements and routine vehicle and equipment replacement.

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

Debt

The Commonwealth of Pennsylvania sets the borrowing limit, called the "Borrowing Base", of the Township through the State Local Government Unit Debt Act. The Township's "Borrowing Base", is calculated using the annual arithmetic average of total revenue (as defined in the Debt Act) for the three most recent full fiscal years. At the end of 2018, the Township's level of outstanding debt was \$8,816,049, and well below its "Borrowing Base" capacity of just over \$17,000,000 (last calculated in 2017).

General Obligation Notes

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

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

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

Tax Anticipation Notes

The Township typically obtains a tax anticipation note to provide funds for operating activities in anticipation of the receipt of tax revenues during the current year. In 2019, the Township solicited proposals from several local banks but could not find a proposal that allowed for prepayment of the debt before year end. Accordingly, the township chose to self-finance their operating activities instead.

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

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

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 2019 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 playground and parkland improvements, computer equipment and software purchases, and renovations to the recreation center on Willow Grove Avenue. Public safety improvements included upgrades to the township's traffic signal system, communications equipment, and the replacement of two police vehicles and associated equipment. These projects were funded utilizing a combination of capital reserve funds and government grants.

In 2018 the real estate tax rate was increased by \$44.55 per household over the 2017 rate. The 2019 real estate tax was increased by \$38.94, or 5.3%, per household. As a result, in 2019 the "typical" household with a \$175,400 real estate tax assessment paid \$778.95 in real estate taxes. The increase in real estate taxes is principally due to an increase in debt service related to the municipal campus renovation project, contributions to the volunteer fire companies and emergency medical service provider, utility and building maintenance costs, and contractual increases to employee wages and benefits. The tax increase was offset to some extent by anticipated increases to the real estate transfer, mercantile and business privilege taxes, earned income tax, and the adoption of a local services tax. The tax projections were based upon the township's most recent collection history, together with estimates provided by the parties responsible for collecting the taxes. With the exception of the real estate tax and local services tax, receipts for all of the aforementioned revenue sources exceeded budget projections.

The refuse service fee, which was the same from 2015 – 2016, increased by \$10.84 in 2017 and \$3.19 in 2018 due to increases in employee wages and waste disposal fees. The 2019 refuse fee increased by \$8.58 due to increases in both the waste and recycling disposal fees.

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

When the 2019 real estate tax and refuse service fee is combined, the typical household realized an increase of \$47.52, or 5.02% over the combined 2018 real estate tax and refuse fee.

The 2019 year-end financials saw general fund revenues exceed budget estimates by \$447,717, or 2.9%. Individual revenue categories that surpassed expectations included real estate transfer taxes, business privilege and mercantile taxes, earned income taxes, interest and rent, and miscellaneous revenues. 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 2.6% of budget projections. Other revenue sources that did not meet projections include licenses and permits, intergovernmental revenues, and charges for services.

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

General Fund expenses in 2019 exceeded projections by \$172,755, or 1.2%. Operating expenditures related to miscellaneous expenditures and health and sanitation were 5.6% and 0.5% more than expected, respectively. Parks and recreation expenditures also slightly exceeded expectations by 0.2%. All other expense categories were less than projected, with public safety and general government expenditures representing the majority of the decrease at \$23,771 and \$18,833, respectively.

After increasing the real estate tax rate in 2019 by \$38.94 per household, the 2020 real estate tax rate will not increase as the millage rate will remain at 4.441 mills. Receipts from the real estate transfer and earned income tax are projected to not change over their 2019 budgeted figures. Slight increases in local services taxes and mercantile taxes are projected to be offset by decreases in real estate taxes and business privilege taxes. Once again these projections are based upon the township's most recent collection history, together with estimates provided by the parties responsible for collecting the taxes.

After increasing expenditures by \$226,698, or 1.3%, in 2019, the 2020 budget will be \$27,626, or 0.16%, less than what was budgeted in 2019. The decrease of 0.16% can be attributed to a substantial reduction in pension obligations, together with a modest reduction in administrative salaries, and the satisfaction of the 2010 general obligation loan that was utilized to complete stormwater management improvements in the 300 block of Oreland Mill Road.

The refuse service fee, which increased by \$8.58 in 2019, will increase by \$9.10 in 2020 due to increases in employee wages, waste disposal fees and processing costs for recyclable materials, along with an increase in the amount of household waste collected. The combined 2020 real estate tax and refuse service fee paid by the typical household will increase by \$9.10 or 0.9% over those paid in 2019.

After increasing by approximately \$38,798 in 2019, funding for capital projects will increase by a modest \$28,750 to \$1,108,454 in 2020. Debt service payment for the \$10 million general obligation loan issued in 2016, and a much smaller loan issued in 2010 for a stormwater management project represent \$628,089 (56.7%) of the capital budget. Additional capital expenses include additional funding for the recreation center, the purchase of a new e-mail server, appropriations for replacement police vehicles and equipment, sidewalk repairs, the final payment for 800 MHZ radios for emergency responders, routine computer hardware and software upgrades, and appropriations for new and replacement tools and equipment. The Township is also the recipient of a Community Development Block Grant (CDBG) award to perform ADA improvements at Chiaramonte Park. The Township will also appropriate \$275,000 for its annual road resurfacing program through the Highway Aid fund.

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

As with most service-based organizations, employee wages and benefits will continue to be the single largest general fund expense for the Township in 2020. The police labor agreement, which was decided by an arbitration panel in September 2017, expired at the end of 2018, and will be decided by a panel of arbitrators once again since an agreement was not reached with the bargaining unit members. Police wages are projected to increase by 3.5% in 2020 for budget purposes. The labor agreement with the public works employees was renegotiated in 2019 and calls for wage increases of 3.0% in 2020 and 21, and 2.75% in 2022 and 23. Salaried employees are not represented by a bargaining unit but typically receive a combination of wages and benefits comparable to the police and public works employees. Accordingly, wages for salaried employees will increase by 3.25% in 2020. Healthcare premiums for all township employees decreased in 2016 due to the implementation of a new medical and prescription plan with increased copays for all employees. The premiums increased by 5.75% in 2017, 4.0% in 2018, 4.75% in 2019, and 4.7% in 2020. In addition to the increased copays, all public works and salaried employees contribute 1% of their wages towards the cost of their medical benefits. Members of the police bargaining unit are not required to contribute to their healthcare premiums despite the Township's request for same during each of the last 3 arbitration hearings.

Municipal pension fund obligations, after increasing by \$37,210, or 2.2% in 2019, will decrease by \$539,244 or 31.6% in 2020 based upon the latest actuarial projections. The township assumes a 6.75% return on pension investments, with any shortfall funded by the municipality. All employees contribute between 3% and 5% of their wages toward future pension benefits. In order to gain cost certainty for future retirement benefits, a new defined contribution retirement plan was created for all salaried employees hired after January 1, 2016. Over time it is hoped that the new defined contribution plan will ease the township's post-retirement obligations.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

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

SPRINGFIELD TOWNSHIP

STATEMENT OF NET POSITION

December 31, 2019

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,044,740
Investments	6,839,273
Receivables	1,873,344
Prepaid expenses	2,501
Temporarily restricted assets:	
Cash	8,038
Investments	33,412
Net pension asset	1,846,849
Capital assets not being depreciated:	
Land	4,446,627
Construction in progress	698,264
Other capital assets (net of accumulated depreciation)	<u>40,382,068</u>
Total Assets	<u>57,175,116</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows for pensions	1,319,395
Deferred outflows for OPEB plan	<u>144,093</u>
Total deferred outflows of resources	<u>1,463,488</u>
 <u>LIABILITIES</u>	
Accounts payable and other current liabilities	398,300
Escrows	8,038
Non-current liabilities:	
Due within one year	481,049
Due after one year	<u>12,229,860</u>
Total Liabilities	<u>13,117,247</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred inflows for pensions	2,544,248
Deferred inflows for OPEB plan	<u>626,883</u>
Total deferred inflows of resources	<u>3,171,131</u>
 <u>NET POSITION</u>	
Net investment in capital assets	36,710,910
Restricted for:	
Library	116,796
Highways and streets	620,181
Capital outlay	8,038
Unrestricted	<u>4,894,301</u>
Total Net Position	<u>\$ 42,350,226</u>

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

SPRINGFIELD TOWNSHIP

STATEMENT OF ACTIVITIES

For the year ended December 31, 2019

	<u>Governmental Activities</u>				
	<u>Total Primary Government</u>	<u>Adminis- trative</u>	<u>Licenses and Permits</u>	<u>Police and Emergency Services</u>	<u>Public Works</u>
Expenses:					
Program expenses	\$ 13,622,522	\$ 5,743,041	\$ 230,387	\$ 3,882,756	\$ 1,224,528
Depreciation	1,766,923	228,177	-	122,802	1,001,460
Interest on debt	211,859	211,859	-	-	-
Total Expenses	<u>15,601,304</u>	<u>6,183,077</u>	<u>230,387</u>	<u>4,005,558</u>	<u>2,225,988</u>
Program Revenues:					
Charges for services	2,227,738	19,937	362,409	81,537	55,805
Operating grants and contributions	1,313,677	479,856	-	153,715	604,981
Capital grants and contributions	70,264	-	-	-	28,684
Total Program Revenues	<u>3,611,679</u>	<u>499,793</u>	<u>362,409</u>	<u>235,252</u>	<u>689,470</u>
Net (Expense) Revenue	(11,989,625)	(5,683,284)	132,022	(3,770,306)	(1,536,518)
General Revenues:					
Taxes:					
Real estate	5,772,468				
Transfer taxes	649,643				
Business and mercantile taxes	1,329,836				
Earned income taxes	3,332,505				
Local services tax	204,895				
Grants and contributions not restricted to specific programs	9,782				
Investment earnings	299,426				
Gain (loss) on sale/retirement of assets	(6,006)				
Miscellaneous	1,101,835				
Total General Revenues	<u>12,694,384</u>				
Change in Net Position	704,759				
Net Position - Beginning	<u>41,645,467</u>				
Net Position - Ending	<u>\$ 42,350,226</u>				

<u>Sanitation and Recycling</u>	<u>Sewer</u>	<u>Library</u>	<u>Park and Recreation</u>
\$ 1,442,104	\$ -	\$ 668,381	\$ 431,325
64,508	-	243,366	106,610
-	-	-	-
<u>1,506,612</u>	<u>-</u>	<u>911,747</u>	<u>537,935</u>
5,589	1,472,092	-	230,369
-	-	62,438	12,687
-	41,580	-	-
<u>5,589</u>	<u>1,513,672</u>	<u>62,438</u>	<u>243,056</u>
(1,501,023)	1,513,672	(849,309)	(294,879)

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

SPRINGFIELD TOWNSHIP

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2019

	<u>General</u>	<u>Capital Reserve</u>	<u>Nonmajor Fund Highway Aid</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 208,974	\$ 769,315	\$ 66,451	\$ 1,044,740
Investments	1,785,264	4,483,869	570,140	6,839,273
Receivables				
Taxes	1,073,467	-	-	1,073,467
Accounts	487,452	-	-	487,452
Interest	27,070	-	-	27,070
Due from agency funds	-	2,501	-	2,501
Due from other funds	-	1,541,138	-	1,541,138
Total Current Assets	<u>3,582,227</u>	<u>6,796,823</u>	<u>636,591</u>	<u>11,015,641</u>
Restricted Assets				
Cash	-	8,038	-	8,038
Investments	-	33,412	-	33,412
Total Restricted Assets	<u>-</u>	<u>41,450</u>	<u>-</u>	<u>41,450</u>
 TOTAL ASSETS	 <u>\$ 3,582,227</u>	 <u>\$ 6,838,273</u>	 <u>\$ 636,591</u>	 <u>\$ 11,057,091</u>
<u>LIABILITIES</u>				
Accounts payable and accrued wages	\$ 350,532	\$ 31,358	\$ 16,410	\$ 398,300
Due to other funds	1,541,138	-	-	1,541,138
Escrows	-	8,038	-	8,038
Total Liabilities	<u>1,891,670</u>	<u>39,396</u>	<u>16,410</u>	<u>1,947,476</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue- property taxes	129,054	-	-	129,054
Unavailable revenue- sewer fees	102,005	-	-	102,005
Unavailable revenue - refuse fees	98,554	-	-	98,554
Total deferred inflows of resources	<u>329,613</u>	<u>-</u>	<u>-</u>	<u>329,613</u>
<u>FUND BALANCES</u>				
Restricted:				
Library	-	116,796	-	116,796
Highway	-	-	620,181	620,181
Capital outlay	-	8,038	-	8,038
Assigned:				
Library capital outlay	-	68,216	-	68,216
Capital outlay	-	6,605,827	-	6,605,827
Unassigned	1,360,944	-	-	1,360,944
Total Fund Balances	<u>1,360,944</u>	<u>6,798,877</u>	<u>620,181</u>	<u>8,780,002</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 <u>\$ 3,582,227</u>	 <u>\$ 6,838,273</u>	 <u>\$ 636,591</u>	 <u>\$ 11,057,091</u>

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

SPRINGFIELD TOWNSHIP

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

December 31, 2019

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

Total fund balances-total governmental funds (page 21) \$ 8,780,002

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

Cost of capital assets	62,582,911	
Accumulated depreciation	<u>(17,055,952)</u>	45,526,959

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	285,355	
Deferred inflows	<u>329,613</u>	614,968

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

Deferred outflows for pensions	1,319,395	
Deferred inflows for pensions	(2,544,248)	
Deferred inflows for OPEB plan	<u>(482,790)</u>	(1,707,643)

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

Notes payable	(8,816,049)	
Net pension liability	824,441	
Net post-retirement benefits obligation	<u>(2,872,452)</u>	<u>(10,864,060)</u>

Net position of governmental activities (page 18) \$ 42,350,226

SPRINGFIELD TOWNSHIP

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

For the year ended December 31, 2019

	<u>General</u>	<u>Capital Reserve</u>	<u>Nonmajor Fund Highway Aid</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes:				
Real estate	\$ 5,770,635	\$ -	\$ -	\$ 5,770,635
Transfer	649,643	-	-	649,643
Business and mercantile	1,329,836	-	-	1,329,836
Earned income	3,455,249	-	-	3,455,249
Local services	204,895	-	-	204,895
Fees, licenses and permits	469,233	-	-	469,233
Investment income and rent	457,307	85,030	14,477	556,814
Intergovernmental revenues	734,475	41,580	604,981	1,381,036
Fines and forfeitures	71,627	-	-	71,627
Charges for services	2,136,217	2,235	-	2,138,452
Other	481,861	-	1,398	483,259
Total Revenues	<u>15,760,978</u>	<u>128,845</u>	<u>620,856</u>	<u>16,510,679</u>
Expenditures				
Current:				
General government	1,379,460	-	-	1,379,460
Public safety	4,387,734	-	-	4,387,734
Health and sanitation	1,436,389	-	-	1,436,389
Highways and roads	1,417,862	-	547,264	1,965,126
Culture and recreation	1,307,584	-	-	1,307,584
Miscellaneous	4,055,443	-	-	4,055,443
Debt service:				
Principal	-	535,742	-	535,742
Interest	-	211,859	-	211,859
Capital projects	-	734,937	-	734,937
Total Expenditures	<u>13,984,472</u>	<u>1,482,538</u>	<u>547,264</u>	<u>16,014,274</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,776,506</u>	<u>(1,353,693)</u>	<u>73,592</u>	<u>496,405</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	49,097	-	49,097
Transfers in	-	1,699,042	-	1,699,042
Transfers out	<u>(1,699,042)</u>	<u>-</u>	<u>-</u>	<u>(1,699,042)</u>
Total Other Financing Sources (Uses)	<u>(1,699,042)</u>	<u>1,748,139</u>	<u>-</u>	<u>49,097</u>
Net Change in Fund Balance	77,464	394,446	73,592	545,502
Fund Balance - Beginning	<u>1,283,480</u>	<u>6,404,431</u>	<u>546,589</u>	<u>8,234,500</u>
Fund Balance - Ending	<u>\$ 1,360,944</u>	<u>\$ 6,798,877</u>	<u>\$ 620,181</u>	<u>\$ 8,780,002</u>

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

SPRINGFIELD TOWNSHIP

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

For the year ended December 31, 2019

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

Net change in fund balances-total governmental funds (page 21)	\$	545,502
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	992,988	
Depreciation expense	<u>(1,766,923)</u>	(773,935)
The effect of sales of capital assets is to decrease net assets.		(113,347)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(140,366)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Repayment of debt	<u>535,742</u>	535,742
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Net pension liability and deferred items	728,746	
Net post-retirement benefits and deferred items	<u>(77,583)</u>	<u>651,163</u>
Change in net position of governmental activities (pages 19-20)	\$	<u>704,759</u>

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

SPRINGFIELD TOWNSHIP

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

For the year ended December 31, 2019

	GENERAL FUND			Variance with Final Budget - Over (Under)
	Budgeted Amounts		Cash Basis	
	Original	Final	ACTUAL	
Revenues				
Taxes:				
Real estate	\$ 5,884,155	\$ 5,884,155	\$ 5,734,700	\$ (149,455)
Transfer	514,500	514,500	593,773	79,273
Business and mercantile	1,090,000	1,090,000	1,338,988	248,988
Earned income	3,300,000	3,300,000	3,425,279	125,279
Local services	167,149	167,149	134,700	(32,449)
Amusement	1,000	1,000	600	(400)
Licenses and permits	479,500	479,500	472,618	(6,882)
Fines and forfeitures	71,500	71,500	70,580	(920)
Interest and rent	305,852	305,852	427,113	121,261
Intergovernmental revenues	827,631	827,631	747,162	(80,469)
Charges for services	2,076,613	2,076,613	2,037,963	(38,650)
Miscellaneous revenues	490,279	490,279	672,420	182,141
Total Revenues	<u>15,208,179</u>	<u>15,208,179</u>	<u>15,655,896</u>	<u>447,717</u>
Expenditures				
Current:				
General government	1,417,459	1,456,442	1,437,609	(18,833)
Public safety	4,594,553	4,425,885	4,402,114	(23,771)
Health and sanitation	1,380,520	1,431,848	1,439,512	7,664
Highways and roads	1,576,505	1,416,480	1,413,222	(3,258)
Parks and recreation	458,441	545,052	546,392	1,340
Library services	788,913	750,132	744,686	(5,446)
Miscellaneous	4,206,664	3,835,642	4,050,701	215,059
Total Expenditures	<u>14,423,055</u>	<u>13,861,481</u>	<u>14,034,236</u>	<u>172,755</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>785,124</u>	<u>1,346,698</u>	<u>1,621,660</u>	<u>274,962</u>
Other Financing Sources (Uses)				
Sale of capital assets	15,000	15,000	58,244	43,244
Transfers in	1,659,204	1,659,204	-	(1,659,204)
Transfers out	(1,387,697)	(298,157)	(1,699,042)	(1,400,885)
Total Other Financing Sources (Uses)	<u>286,507</u>	<u>1,376,047</u>	<u>(1,640,798)</u>	<u>(3,016,845)</u>
Net Change in Fund Balance	1,071,631	2,722,745	(19,138)	(2,741,883)
Fund Balance - Beginning	<u>1,283,480</u>	<u>1,283,480</u>	<u>1,283,480</u>	
Fund Balance - Ending	<u>\$ 2,355,111</u>	<u>\$ 4,006,225</u>	<u>\$ 1,264,342</u>	

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

SPRINGFIELD TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

December 31, 2019

	Pension Trust Funds	Agency Fund Recycling Fund	Total
<u>ASSETS</u>			
Cash	\$ 542,573	\$ 224,813	\$ 767,386
Contributions receivable	531,930	-	531,930
Due from other pension	84,409	-	84,409
Investments			
Exchange traded funds and closed end funds	<u>38,240,796</u>	<u>-</u>	<u>38,240,796</u>
 Total Assets	 <u>\$ 39,399,708</u>	 <u>\$ 224,813</u>	 <u>\$ 39,624,521</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 29,053	\$ -	\$ 29,053
Due to other pension	84,409	2,501	86,910
Held for municipalities	<u>-</u>	<u>222,312</u>	<u>222,312</u>
Total Liabilities	<u>113,462</u>	<u>224,813</u>	<u>338,275</u>
<u>NET POSITION</u>			
Net Position - Restricted for Pension Benefits	<u>\$ 39,286,246</u>	<u>\$ -</u>	<u>\$ 39,286,246</u>

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

SPRINGFIELD TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the year ended December 31, 2019

	<u>Pension Trust Funds</u>
Additions	
Contributions	
Member contributions	\$ 234,609
Employer contributions	1,023,031
State aid	476,206
Total Contributions	<u>1,733,846</u>
Investment Earnings	
Net appreciation (depreciation) in fair value of investments	5,999,281
Dividends & Interest	<u>881,292</u>
Total Investment Earnings	6,880,573
Less: investment expense	<u>(119,696)</u>
Net Investment Earnings	<u>6,760,877</u>
Total Additions	<u>8,494,723</u>
Deductions	
Benefits	<u>1,585,980</u>
Total Deductions	<u>1,585,980</u>
Change in Net Position	6,908,743
Net Position - Restricted for Pension Benefits:	
Beginning of Year	<u>32,377,503</u>
End of Year	<u>\$ 39,286,246</u>

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

SPRINGFIELD TOWNSHIP

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

December 31, 2019

	Balance January 1, <u>2019</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31, <u>2019</u>
<u>RECYCLING FUND</u>				
ASSETS				
Cash	\$ 216,918	\$ 7,895	\$ -	\$ 224,813
Total Assets	<u>\$ 216,918</u>	<u>\$ 7,895</u>	<u>\$ -</u>	<u>\$ 224,813</u>
LIABILITIES				
Due to Other Funds	\$ 2,501	\$ -	\$ -	\$ 2,501
Held for Municipalities	214,417	7,895	-	222,312
Total Liabilities	<u>\$ 216,918</u>	<u>\$ 7,895</u>	<u>\$ -</u>	<u>\$ 224,813</u>

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

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

I. Summary of significant accounting policies

A. *Reporting entity*

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

B. *Government-wide and fund financial statements*

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

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

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

C. *Measurement focus, basis of accounting, and financial statement presentation*

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

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

I. Summary of significant accounting policies (Continued)

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

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

Additionally, the government reports the following fiduciary fund types:

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

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

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

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

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

I. Summary of significant accounting policies (Continued)

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

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

D. Assets, liabilities, and net position or equity

1. Deposits and investments

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

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

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

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

Investments for the government are reported at fair value.

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

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, 2019, 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, 2019 are recognized as revenue for the year ending December 31, 2019.

4. *Prepaid items*

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

5. *Capital assets*

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

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

I. Summary of significant accounting policies (Continued)

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

5. Capital assets (continued)

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

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

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

6. Compensated absences

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

7. Long-term obligations

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

8. Net position

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

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

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

I. Summary of significant accounting policies (Continued)

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

8. *Net position (continued)*

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents net position of the entity, not restricted for any project or other purpose.

9. *Fund balance*

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

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

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

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

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

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

I. Summary of significant accounting policies (Continued)

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

9. Fund balance (continued)

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

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

10. Deferred outflows/inflows of resources

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

1. *Differences between expected and actual experience on plan liability* is reported in the government-wide statement. A difference results when actual economic or demographic factors differ from expected results. These amounts are deferred and recognized as an outflow of resources in the period that the amounts become available.
2. *Changes in assumptions* are reported in the government-wide statement of net position. A difference results when assumptions are changed. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

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

1. *Unavailable revenue - property taxes, sewer fees, refuse fees* are reported in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

I. Summary of significant accounting policies (Continued)

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

10. Deferred outflows/inflows of resources (continued)

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

11. Use of estimates

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

II. Stewardship, compliance, and accountability

A. Budgetary information

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

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

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

II. Stewardship, compliance, and accountability (Continued)

A. *Budgetary information (continued)*

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

All budget revisions require the approval of the Township Board of Commissioners. The Board authorized the use of unallocated fund balance in 2019. Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders) outstanding at year end lapse.

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

	<u>General Fund</u>
GAAP Basis	\$ 77,464
Accrued revenues at December 31, 2018	1,561,615
Accrued revenues at December 31, 2019	(1,587,989)
Accrued liabilities at December 31, 2018	(767,666)
Accrued liabilities at December 31, 2019	697,438
Budgetary (Cash) Basis	<u>\$ (19,138)</u>

B. *Excess of expenditures over appropriations*

For the year ended December 31, 2019, expenditures exceeded appropriations in the following categories: health and sanitation \$7,664, parks and recreation \$1,340 and miscellaneous \$215,059. These over expenditures were funded by greater than anticipated revenues.

III. Detailed notes on all funds

A. *Deposits and investments*

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

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

III. Detailed notes on all funds (Continued)

A. *Deposits and investments (continued)*

At year-end, the Township's bank balance was \$2,036,789. Of that balance, \$500,000 was covered by federal depository insurance. Any balances exceeding depository insurance are exposed to custodial credit risk because it is uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the government's name. The investment in money market funds, as listed in the chart below, are considered cash equivalents due to the short maturities of those investments and are included above.

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

<u>INVESTMENTS</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>	
		<u>Less than 1</u>	<u>1-5</u>
Governmental Funds:			
Certificates of deposit	\$ 101,628	\$ 54,867	\$ 46,761
U.S. Treasury bonds and notes	5,715,866	-	5,715,866
U.S. Government agencies	1,055,191	-	1,055,191
Total Governmental Funds	<u>\$ 6,872,685</u>	<u>\$ 54,867</u>	<u>\$ 6,817,818</u>
Fiduciary Funds:			
Mutual Funds	\$ 736,832	\$ -	\$ -
Exchange Traded (ETF's)	37,503,964	-	-
Total Fiduciary Funds	<u>\$ 38,240,796</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

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 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 nine investments, totaling \$4,560,116 that exceeded greater than 5% in any one single issuer that would be considered a concentration of credit risk for December 31, 2019.

B. *Receivables*

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

Receivables:	<u>General</u>	<u>Fiduciary</u> <u>Funds</u>	<u>Total</u>
Taxes			
Real estate	\$ 183,651	\$ -	\$ 183,651
Transfer	93,396	-	93,396
Business/mercantile	4,574	-	4,574
Earned income	721,652	-	721,652
Local services	70,194	-	70,194
Accounts	487,452	-	487,452
Interest	27,070	-	27,070
Contributions	-	531,930	531,930
Total Receivables	<u>\$ 1,587,989</u>	<u>\$ 531,930</u>	<u>\$ 2,119,919</u>

C. *Interfund receivables, payables, and transfers*

The composition of interfund balances as of December 31, 2019, is as follows. Interfund balances are primarily a result of saving for capital projects.

	<u>Due to</u>	<u>Due from</u>
Capital reserve	\$ -	\$ 1,543,639
General	1,541,138	-
Agency fund	2,501	-
Total	<u>\$ 1,543,639</u>	<u>\$ 1,543,639</u>

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

III. Detailed notes on all funds (Continued)

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

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

	<u>Transfer Out</u>	<u>Transfer In</u>
General	\$ 1,699,042	\$ -
Capital reserve	-	1,699,042
Total	\$ 1,699,042	\$ 1,699,042

D. *Capital assets*

Capital asset activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 4,461,627	\$ -	\$ (15,000)	\$ 4,446,627
Construction in progress	556,223	366,655	(224,614)	698,264
Total Capital Assets, not being depreciated	5,017,850	366,655	(239,614)	5,144,891
Capital Assets, being depreciated:				
Land improvements	4,672,621	11,000	-	4,683,621
Buildings and improvements	30,087,338	295,185	(6,909)	30,375,614
Machinery and equipment	1,696,293	18,365	(48,986)	1,665,672
Vehicles	3,906,811	135,869	(342,951)	3,699,729
Library collection	2,792,733	82,800	(2,000)	2,873,533
Infrastructure	13,996,925	307,728	(164,802)	14,139,851
Total Capital Assets being depreciated	57,152,721	850,947	(565,648)	57,438,020
Less Accumulated Depreciation for:				
Land improvements	1,617,372	235,469	-	1,852,841
Buildings and improvements	2,304,022	734,576	(3,455)	3,035,143
Machinery and equipment	1,329,023	96,985	(48,986)	1,377,022
Vehicles	2,440,967	272,306	(315,390)	2,397,883
Library collection	2,434,591	86,950	(2,000)	2,519,541
Infrastructure	5,630,355	340,637	(97,470)	5,873,522
Total Accumulated Depreciation	15,756,330	1,766,923	(467,301)	17,055,952
Total Capital Assets, being depreciated, net	41,396,391	(915,976)	(98,347)	40,382,068
Governmental Activities Capital Assets, net	\$ 46,414,241	\$ (549,321)	\$ (337,961)	\$ 45,526,959

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

III. Detailed notes on all funds (Continued)

D. Capital assets (continued)

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

Governmental Activities:	
Administrative	\$ 228,177
Police and Emergency Services	122,802
Public Works	1,001,460
Sanitation and Recycling	64,508
Library	243,366
Park and Recreation	106,610
Total Depreciation Expense - Governmental Activities	<u>\$ 1,766,923</u>

E. Long-term debt

General Obligation Notes

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

General obligation notes currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities	0% -3.90%	<u>\$ 8,816,049</u>

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2019 was as follows:

	Beginning			Ending	Due within
Governmental activities:	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>one year</u>
Notes payable	\$ 9,351,791	\$ -	\$ (535,742)	\$ 8,816,049	\$ 481,049
Net pension liability	(824,441)	3,133,498	(3,133,498)	(824,441)	-
Net post-retirement obligation	<u>2,642,148</u>	<u>285,795</u>	<u>(55,491)</u>	<u>2,872,452</u>	<u>-</u>
Governmental activity					
Long-Term Liabilities	<u>\$ 11,169,498</u>	<u>\$ 3,419,293</u>	<u>\$ (3,724,731)</u>	<u>\$ 10,864,060</u>	<u>\$ 481,049</u>

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

III. Detailed notes on all funds (Continued)

E. Long-term debt (continued)

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

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

Year Ending December 31	Governmental Activities	
	Principal	Interest
2020	\$ 481,049	\$ 241,914
2021	435,000	230,046
2022	450,000	218,040
2023	460,000	205,620
2024	465,000	192,924
Thereafter	6,525,000	1,216,056
	<u>\$ 8,816,049</u>	<u>\$ 2,304,600</u>

IV. Other information

A. Risk management

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

The Township participates in the following public entity risk pools operated for the benefit of approximately 33 municipalities: Delaware Valley Property & Liability Trust, Delaware Valley Workers' Compensation Trust, and Delaware Valley Health Trust. Settled claims from these risks have not exceeded insurance coverage for the past three years. There were no significant reductions in insurance coverage from coverage in the prior year. Trust underwriting and rate-setting policies are established after consultation with independent insurance consultants. Any member may withdraw from the Trust by giving 150 days written notice to the Executive committee.

The Township paid \$169,829 in insurance premium expense to the Delaware Valley Property & Liability Trust pool for coverage year 2019. The pooling agreement permits the pool to make additional assessments to its members. At December 31, 2019 there were no additional assessments due or anticipated. Instead the pool declared a dividend of which Springfield's share was \$49,825. Springfield paid no deductibles during coverage year 2019.

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

IV. Other information (Continued)

A. *Risk management (continued)*

The Township paid \$241,768 in insurance premium expense to the Delaware Valley Workers' Compensation Trust for coverage year 2019. The pooling agreement permits the pool to make additional assessments to its members. At December 31, 2019 there were no additional assessments due or anticipated. Instead the pool declared a dividend of which Springfield's share was \$31,406. The Township received an additional sum of \$1,914 as a result of the payroll audit of the 2018 coverage year. An audit of the reported 2019 payroll will be performed during the first quarter of 2020.

The Township paid \$1,436,855 in insurance premium expense to the Delaware Valley Health Trust for coverage year 2019. There were no refunds or dividends distributed.

B. *Contingent liabilities*

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

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

C. *Commitments*

As of December 31, 2019 the Township had several construction projects in progress. The commitments are associated with various the Township projects.

D. *Defined benefit pension plan*

Plan Description and Membership

The Township sponsors three single employer defined benefit pension plans, the Police Pension Plan, the Salaried Employees Pension Plan, and the Hourly Employees Pension Plan. These plans are reported as Pension Trust Funds in the accompanying financial statements and do not issue stand-alone reports. The plans are administered by the Township. The most recent valuation was as of January 1, 2019. Details below are from the valuation.

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

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

IV. Other information (Continued)

D. Defined benefit pension plan (continued)

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, 2019, Springfield Township Pension Plans consisted of the following:

	<u>Police</u>	<u>Salaried</u>	<u>Hourly</u>
Inactive Members or Beneficiaries Currently Receiving Benefits (1)	33	21	7
Inactive Members Entitled to but not yet Receiving Benefits	1	3	4
Active Members	<u>30</u>	<u>19</u>	<u>24</u>
	<u>64</u>	<u>43</u>	<u>35</u>

(1) includes 1 DROP members in Police Pension Plan

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

Benefits Provided

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

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

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

IV. Other information (Continued)

D. Defined benefit pension plan (continued)

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

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

Summary of Significant Accounting Policies and Plan Asset Matters

Measurement Focus and Basis of Accounting

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

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

IV. Other information (Continued)

D. Defined benefit pension plan (continued)

Measurement Focus and Basis of Accounting (continued)

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

Contributions

Employees of all three plans are required to make contributions.

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

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

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

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

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

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

IV. Other information (Continued)

D. Defined benefit pension plan (continued)

Contributions (continued)

The Township's annual required contribution is equal to its minimum municipal obligation ("MMO") as calculated in accordance with Pennsylvania law (Act 205 of 1984) less state aid and employee contributions deposited in the pension fund during the year. State law requires that state aid be used first to fund the plan, then employee contributions and finally general Township funds. The Township received state aid, which is recognized as revenue and expenses, in the amount of \$476,206 for the pensions for the year ended December 31, 2019.

Investments

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

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

Rate of Return: For the year ended December 31, 2019, the annual money-weighted rate of return on Plan investments, net of pension investment expense was 21.23% for the Police, 21.23% for the Salaried Employees Pension Plan, and 21.34% for Hourly Employees Pension Plans. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The components of the net pension liability of participating entities at December 31, 2019 were as follows:

	<u>Police</u>	<u>Salaried</u>	<u>Hourly</u>
Total pension liability	\$ 20,301,770	\$ 10,724,436	\$ 7,418,685
Plan fiduciary net position	<u>(21,366,322)</u>	<u>(11,506,733)</u>	<u>(6,396,277)</u>
Net pension liability (asset)	<u>\$ (1,064,552)</u>	<u>\$ (782,297)</u>	<u>\$ 1,022,408</u>
 Plan fiduciary net position as a percentage of the total pension liability	 105%	 107%	 86%

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

IV. Other information (Continued)

D. Defined benefit pension plan (continued)

Net Pension Liability (continued)

Actuarial Assumptions: The total pension liability in the January 1, 2019 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

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

(1) Pursuant to Act 600

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

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

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2017 to December 31, 2018.

The net pension liabilities for all three plans were measured as of December 31, 2019 and the total pension liabilities were determined by rolling forward the liabilities from the actuarial valuations as of January 1, 2019. There were no significant changes in benefit terms or assumptions since the last valuation.

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

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

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

IV. Other information (Continued)

D. Defined benefit pension plan (continued)

Net Pension Liability (continued)

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

	Increase (Decrease)		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
<u>Police Pension Plan</u>			
Balance at December 31, 2018	\$ 19,442,195	\$ 17,810,497	\$ 1,631,698
Changes for the year:			
Service cost	336,071	-	336,071
Interest	1,301,025	-	1,301,025
Change of benefit terms	-	-	-
Differences between expected and actual experience	230,125	-	230,125
Change of assumptions	-	-	-
Contributions - employer	-	719,513	(719,513)
Contributions - employee	-	137,413	(137,413)
Net investment income	-	3,706,545	(3,706,545)
Benefit payments, including refunds of employee contributions	(1,007,646)	(1,007,646)	-
Administrative expense	-	-	-
Other changes	-	-	-
Net Changes	<u>859,575</u>	<u>3,555,825</u>	<u>(2,696,250)</u>
Balance at December 31, 2019	<u>\$ 20,301,770</u>	<u>\$ 21,366,322</u>	<u>\$ (1,064,552)</u>

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

IV. Other information (Continued)

D. Defined benefit pension plan (continued)

Net Pension Liability (continued)

	Increase (Decrease)		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
<u>Salaried Pension Plan</u>			
Balance at December 31, 2018	\$ 10,245,904	\$ 9,420,241	\$ 825,663
Changes for the year:			
Service cost	192,310	-	192,310
Interest	689,169	-	689,169
Change of benefit terms	-	-	-
Differences between expected and actual experience	53,663	-	53,663
Change of assumptions	-	-	-
Contributions - employer	-	532,387	(532,387)
Contributions - employee	-	38,913	(38,913)
Net investment income	-	1,971,802	(1,971,802)
Benefit payments, including refunds of employee contributions	(456,610)	(456,610)	-
Administrative expense	-	-	-
Other changes	-	-	-
Net Changes	<u>478,532</u>	<u>2,086,492</u>	<u>(1,607,960)</u>
Balance at December 31, 2019	<u>\$ 10,724,436</u>	<u>\$ 11,506,733</u>	<u>\$ (782,297)</u>

	Increase (Decrease)		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
<u>Hourly Pension Plan</u>			
Balance at December 31, 2018	\$ 6,892,160	\$ 5,128,427	\$ 1,763,733
Changes for the year:			
Service cost	143,894	-	143,894
Interest	471,029	-	471,029
Change of benefit terms	-	-	-
Differences between expected and actual experience	27,308	-	27,308
Change of assumptions	-	-	-
Contributions - employer	-	242,450	(242,450)
Contributions - employee	-	52,000	(52,000)
Net investment income	-	1,089,106	(1,089,106)
Benefit payments, including refunds of employee contributions	(115,706)	(115,706)	-
Administrative expense	-	-	-
Other changes	-	-	-
Net Changes	<u>526,525</u>	<u>1,267,850</u>	<u>(741,325)</u>
Balance at December 31, 2019	<u>\$ 7,418,685</u>	<u>\$ 6,396,277</u>	<u>\$ 1,022,408</u>

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

IV. Other information (Continued)

D. Defined benefit pension plan (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the Plan, calculated using the discount rate of 6.75%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (estimate based on plan demographics):

	1% Decrease <u>(5.75%)</u>	Current Discount <u>Rate (6.75%)</u>	1% Increase <u>(7.75%)</u>
Net pension liability			
Police	\$ 1,422,776	\$ (1,064,552)	\$ (3,121,161)
Salaried	307,303	(782,297)	(1,844,473)
Hourly	2,164,399	1,022,408	20,426

Deferred Outflows and Inflows of Resources: For the year ended December 31, 2019, the Borough recognized pension expense of \$443,862 for the Police Pension Plan, \$54,456 for the Salaried Employees Pension Plan, and \$252,997 for the Hourly Employees Pension Plan. At December 31, 2019, the Borough reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

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

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

IV. Other information (Continued)

D. Defined benefit pension plan (continued)

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

Year Ended December 31:	Police	Salaried Employees	Hourly Employees
2020	\$ (116,556)	\$ (203,965)	\$ (23,019)
2021	(90,011)	(145,344)	(14,414)
2022	80,828	2,252	70,025
2023	(466,366)	(266,413)	(75,079)
2024	-	-	71,480
Thereafter	-	(87,233)	38,962
Total	<u>\$ (592,105)</u>	<u>\$ (700,703)</u>	<u>\$ 67,955</u>

Payable to the Pension Plan: For the year ended December 31, 2019, there was \$535,030 payable for contributions to the pension plan.

Deferred Retirement Option Program

An active member who has met the eligibility requirements for the program, which are age 50 and 25 years of service, may elect to participate in the deferred retirement option program for a period not to exceed 36 months. Monthly pension shall be calculated as of the date participation in the program and shall be accumulated in a self-directed account and distributed in a lump sum at retirement. As of December 31, 2019, the DROP account balances of \$59,482 are held by the Plan pursuant to the DROP and are included in the total pension liability.

E. Defined contribution pension plan

Springfield Township sponsors a Defined Contribution Pension Plan to provide pension benefits for all full-time non-uniformed salaried employees of the Township hired on or after January 1, 2016. As of December 31, 2019, there was 1 active participant in the Plan. Employees are required to contribute 3-5% of compensation each pay period on an after-tax basis. The Township shall contribute an amount equal to the mandatory employee contribution at a rate of 4-8%, respectively. Employer and employee contributions to the plan for 2019 totaled \$4,887 and \$6,283, respectively. Plan provisions and contribution requirements are established and may be amended by ordinance enacted by the Springfield Township Board of Commissioners.

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

IV. Other information (Continued)

E. Defined contribution pension plan (continued)

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

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

F. Post-retirement benefits

The Township administers a single-employer defined benefit plan to provide for certain postretirement healthcare benefits (OPEB) to eligible retired police officers. The Plan was established and is governed through Board Resolution and Police Labor Contract, to provide post-retirement medical and dental benefits to uniformed and non-uniformed employees retiring after January 2, 2005. The Plan is funded on a pay-as-you-go basis and there is no irrevocable trust established for the Plan. The most recent valuation was as of January 1, 2019.

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

Membership of the Plan consisted of the following at December 31, 2019 (the date of the latest actuarial valuation):

Inactive employees (or their beneficiaries)	
currently receiving benefits	6
Inactive employees entitled to benefits	
but not yet receiving them	0
Active employees	<u>72</u>
	<u>78</u>

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

IV. Other information (Continued)

F. Post-retirement benefits (continued)

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

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

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

Net OPEB Liability

The Township's net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

	<u>OPEB</u>
Inflation	2.80%
Salary Increases	0%-4.25% (including inflation)
Investment Rate of Return	Not applicable
Healthcare Cost Trend Rates	Health care trend rates start at an initial rate of 7.5%, decreasing to an ultimate rate of 4.5%.

Mortality rates were based on the SOA RPH-2019 Total Dataset Mortality Table fully generational using Scale MP-2019.

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

IV. Other information (Continued)

F. Post-retirement benefits (continued)

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study from the period January 1, 2017 to December 31, 2018.

The net OPEB liability was measured as of December 31, 2019 and the total OPEB liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2019. Significant events or changes in assumptions occurred between the valuation date and the fiscal year end: The inflation rate increased from 4.11% to 3.26%.

Discount Rate: The discount rate used to measure the total OPEB liability was 3.26 percent, based upon 20-year AA/Aa municipal bond rates, for the plan. No assets have been accumulated in an irrevocable trust, so the municipal rate has been applied to all periods.

Change in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
<u>OPEB Plan</u>			
Balance at December 31, 2018	\$ 2,642,148	\$ -	\$ 2,642,148
Changes for the year:			
Service cost	172,902	-	172,902
Interest	112,893	-	112,893
Change of benefit terms	-	-	-
Differences between expected and actual experience	162,105	-	162,105
Change of assumptions	(79,662)	-	(79,662)
Contributions - employer	-	137,934	(137,934)
Benefit payments, including refunds of employee contributions	(137,934)	(137,934)	-
Net Changes	230,304	-	230,304
Balance at December 31, 2019	\$ 2,872,452	\$ -	\$ 2,872,452

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability calculated using the discount rate of 3.26 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease <u>(2.26%)</u>	Current Discount Rate <u>(3.26%)</u>	1% Increase <u>(4.26%)</u>
Net OPEB liability	\$ 3,072,388	\$ 2,872,452	\$ 2,682,537

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

IV. Other information (Continued)

F. Post-retirement benefits (continued)

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

	1% Decrease Valuation Rates	Healthcare Cost Trend Valuation Rates	1% Increase Valuation Rates
Net OPEB liability	\$ 2,553,307	\$ 2,872,452	\$ 3,250,240

OPEB Expense, and Deferred Outflows and Inflows of Resources

For December 31, 2019, the Township reported the following deferred outflows and inflows of resources related to OPEB. The actuarial determined expense for the OPEB Plan was \$215,517.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>OPEB Plan</u>		
Differences between expected and actual experience	\$ -	\$ 390,643
Changes in assumptions	144,093	236,240
Net difference between projected and actual earnings on OPEB plan investments	-	-
Total	<u>\$ 144,093</u>	<u>\$ 626,883</u>

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

<u>Year Ended December 31:</u>	<u>Governmental- Activities OPEB</u>
2020	\$ (70,278)
2021	(70,278)
2022	(70,278)
2023	(70,278)
2024	(70,278)
Thereafter	(131,400)
Total	<u>\$ (482,790)</u>

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

IV. Other information (Continued)

G. Recycling Fund

For many years Springfield Township managed the Montgomery County Consortium of Communities Recycling Program and maintained the receipts for the sale and disposal of materials. In 2003, the Township oversaw the construction of a new recycling transfer center, but turned the daily operations over to Upper Dublin Township at their request. As a result, the fund that was established to separate the Recycling Consortium funds from Township funds is no longer used for regular operating receipts or expenditures, but instead is utilized to perform capital repairs at the recycling center when needed. As of December 31, 2019, the Recycling Fund balance held by Springfield Township for capital repairs at the recycling center was \$224,813. Springfield Township's share of the funds amounted to \$128,553.

H. Country Club lease agreement

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

I. Subsequent events

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

Subsequent to year end, a global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. As a result, economic uncertainties have arisen that could negatively impact the Township finances including investment income. The potential impact is unknown at this time.

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF SPRINGFIELD

Required Supplemental Information for Police Pension Plan

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability						
Service cost	\$ 336,071	\$ 286,145	\$ 287,397	\$ 219,979	\$ 259,046	\$ 234,282
Interest	1,301,025	1,263,604	1,244,277	1,200,004	1,213,646	1,155,286
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	230,125	353,442	(132,799)	(29,196)	(1,421,484)	-
Changes of assumptions	-	522,003	-	-	546,819	-
Benefit payments, including refunds of employee contributions	<u>(1,007,646)</u>	<u>(1,496,685)</u>	<u>(746,352)</u>	<u>(905,117)</u>	<u>(602,563)</u>	<u>(558,696)</u>
Net change in total pension liability	859,575	928,509	652,523	485,670	(4,536)	830,872
Total pension liability - beginning	<u>19,442,195</u>	<u>18,513,686</u>	<u>17,861,163</u>	<u>17,375,493</u>	<u>17,380,029</u>	<u>16,549,157</u>
Total pension liability - ending (a)	<u>\$ 20,301,770</u>	<u>\$ 19,442,195</u>	<u>\$ 18,513,686</u>	<u>\$ 17,861,163</u>	<u>\$ 17,375,493</u>	<u>\$ 17,380,029</u>
Plan fiduciary net position						
Contributions - employer	\$ 719,513	\$ 701,914	\$ 653,820	\$ 738,866	\$ 727,203	\$ 709,336
Contributions - employee	137,413	129,715	122,217	118,597	188,402	126,901
Net investment income	3,706,545	(1,104,628)	2,736,132	1,207,711	(142,351)	698,540
Benefit payments, including refunds of employee contributions	(1,007,646)	(1,496,685)	(746,352)	(905,117)	(602,563)	(558,696)
Administrative expense	-	-	-	-	-	-
Other	-	-	1	-	(144,752)	2,292
Net change in plan fiduciary net position	3,555,825	(1,769,684)	2,765,818	1,160,057	25,939	978,373
Plan fiduciary net position - beginning	<u>17,810,497</u>	<u>19,580,181</u>	<u>16,814,363</u>	<u>15,654,306</u>	<u>15,628,367</u>	<u>14,649,994</u>
Plan fiduciary net position - ending (b)	<u>\$ 21,366,322</u>	<u>\$ 17,810,497</u>	<u>\$ 19,580,181</u>	<u>\$ 16,814,363</u>	<u>\$ 15,654,306</u>	<u>\$ 15,628,367</u>
Township's net pension liability - ending (a)-(b)	<u>\$ (1,064,552)</u>	<u>\$ 1,631,698</u>	<u>\$ (1,066,495)</u>	<u>\$ 1,046,800</u>	<u>\$ 1,721,187</u>	<u>\$ 1,751,662</u>
Plan fiduciary net position as a percentage of the total pension liability	105.2%	91.6%	105.8%	94.1%	90.1%	89.9%
Covered payroll	\$ 2,688,644	\$ 2,563,485	\$ 2,466,015	\$ 2,308,146	\$ 2,378,900	\$ 2,384,651
Net pension liability as a percentage of covered payroll	-39.6%	63.7%	-43.2%	45.4%	72.4%	73.5%
Annual money-weighted return, net of investment expenses	21.23%	-6.45%	16.59%	8.23%	-0.92%	5.02%

Notes to Schedule:

Change in benefit terms: None since 1/1/2019

The discount rate decreased from 7% to 6.75% in 2018

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

TOWNSHIP OF SPRINGFIELD

Required Supplemental Information for Salaried Employees Pension Plan

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability						
Service cost	\$ 192,310	\$ 184,050	\$ 168,549	\$ 173,897	\$ 172,010	\$ 184,773
Interest	689,169	686,774	659,335	648,414	613,125	584,474
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	53,663	(343,837)	(117,237)	(321,007)	(49,848)	-
Changes of assumptions	-	257,561	-	-	116,527	-
Benefit payments, including refunds of employee contributions	(456,610)	(331,314)	(337,002)	(342,890)	(356,244)	(338,124)
Net change in total pension liability	478,532	453,234	373,645	158,414	495,570	431,123
Total pension liability - beginning	10,245,904	9,792,670	9,419,025	9,260,611	8,765,041	8,333,918
Total pension liability - ending (a)	<u>\$ 10,724,436</u>	<u>\$ 10,245,904</u>	<u>\$ 9,792,670</u>	<u>\$ 9,419,025</u>	<u>\$ 9,260,611</u>	<u>\$ 8,765,041</u>
Plan fiduciary net position						
Contributions - employer	\$ 532,387	\$ 533,554	\$ 517,252	\$ 508,747	\$ 497,069	\$ 498,189
Contributions - employee	38,913	44,774	40,713	43,946	42,869	45,548
Net investment income	1,971,802	(645,583)	1,359,830	634,922	(63,604)	365,774
Benefit payments, including refunds of employee contributions	(456,610)	(331,314)	(337,002)	(342,890)	(356,244)	(338,124)
Administrative expense	-	-	-	-	-	-
Other	-	(333)	-	-	135	-
Net change in plan fiduciary net position	2,086,492	(398,902)	1,580,793	844,725	120,225	571,387
Plan fiduciary net position - beginning	<u>9,420,241</u>	<u>9,819,143</u>	<u>8,238,350</u>	<u>7,393,625</u>	<u>7,273,400</u>	<u>6,702,013</u>
Plan fiduciary net position - ending (b)	<u>\$ 11,506,733</u>	<u>\$ 9,420,241</u>	<u>\$ 9,819,143</u>	<u>\$ 8,238,350</u>	<u>\$ 7,393,625</u>	<u>\$ 7,273,400</u>
Township's net pension liability - ending (a)-(b)	<u>\$ (782,297)</u>	<u>\$ 825,663</u>	<u>\$ (26,473)</u>	<u>\$ 1,180,675</u>	<u>\$ 1,866,986</u>	<u>\$ 1,491,641</u>
Plan fiduciary net position as a percentage of the total pension liability	107.3%	91.9%	100.3%	87.5%	79.8%	83.0%
Covered-employee payroll	\$ 1,139,203	\$ 1,424,688	\$ 1,435,454	\$ 1,380,244	\$ 1,384,592	\$ 1,331,338
Net pension liability as a percentage of covered payroll	-68.7%	58.0%	-1.8%	85.5%	134.8%	112.0%
Annual money-weighted return, net of investment expenses	21.23%	-6.56%	16.57%	8.39%	-0.89%	5.01%

Notes to Schedule:

Change in benefit terms: None since 1/1/2019

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

TOWNSHIP OF SPRINGFIELD

Required Supplemental Information for Hourly Employees Pension Plan

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability						
Service cost	\$ 143,894	\$ 136,368	\$ 128,788	\$ 119,986	\$ 118,408	\$ 91,739
Interest	471,029	444,757	415,031	397,620	327,018	304,326
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	27,308	(77,819)	1,155	(156,242)	321,132	-
Changes of assumptions	-	237,791	-	-	358,526	-
Benefit payments, including refunds of employee contributions	(115,706)	(132,480)	(123,320)	(119,546)	(116,590)	(80,529)
Net change in total pension liability	526,525	608,617	421,654	241,818	1,008,494	315,536
Total pension liability - beginning	6,892,160	6,283,543	5,861,889	5,620,071	4,611,577	4,296,041
Total pension liability - ending (a)	<u>\$ 7,418,685</u>	<u>\$ 6,892,160</u>	<u>\$ 6,283,543</u>	<u>\$ 5,861,889</u>	<u>\$ 5,620,071</u>	<u>\$ 4,611,577</u>
Plan fiduciary net position						
Contributions - employer	\$ 242,450	\$ 239,010	\$ 197,015	\$ 132,802	\$ 123,667	\$ 119,609
Contributions - employee	52,000	50,913	47,923	44,794	47,218	48,899
Net investment income	1,089,106	(347,705)	738,545	329,993	(39,995)	92,076
Benefit payments, including refunds of employee contributions	(115,706)	(132,480)	(123,320)	(119,546)	(116,590)	(80,529)
Administrative expense	-	-	-	-	-	-
Other	-	-	-	-	79	-
Net change in plan fiduciary net position	1,267,850	(190,262)	860,163	388,043	14,379	180,055
Plan fiduciary net position - beginning	5,128,427	5,318,689	4,458,526	4,070,483	4,056,104	3,876,049
Plan fiduciary net position - ending (b)	<u>\$ 6,396,277</u>	<u>\$ 5,128,427</u>	<u>\$ 5,318,689</u>	<u>\$ 4,458,526</u>	<u>\$ 4,070,483</u>	<u>\$ 4,056,104</u>
Township's net pension liability - ending (a)-(b)	<u>\$ 1,022,408</u>	<u>\$ 1,763,733</u>	<u>\$ 964,854</u>	<u>\$ 1,403,363</u>	<u>\$ 1,549,588</u>	<u>\$ 555,473</u>
Plan fiduciary net position as a percentage of the total pension liability	86.2%	74.4%	84.6%	76.1%	72.4%	88.0%
Covered payroll	\$ 1,770,153	\$ 1,680,652	\$ 1,594,828	\$ 1,533,488	\$ 1,513,417	\$ 1,524,506
Net pension liability as a percentage of covered payroll	57.8%	104.9%	60.5%	91.5%	102.4%	36.4%
Annual money-weighted return, net of investment expenses	21.34%	-6.48%	16.52%	8.06%	-1.00%	5.02%

Notes to Schedule:

Change in benefit terms: None since 1/1/2019

The discount rate decreased from 7% to 6.75% in 2018

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

TOWNSHIP OF SPRINGFIELD

Required Supplemental Information for Police Pension Plan

SCHEDULE OF CONTRIBUTIONS

<u>Fiscal Year Ended December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a Percentage of Covered Payroll</u>
2010	\$ 607,790	\$ 607,790	\$ -	\$ 2,274,911	(1) 26.72%
2011	615,993	615,993	-	2,347,505	(1) 26.24%
2012	520,269	520,269	-	2,347,505	(1) 22.16%
2013	513,892	513,892	-	2,184,023	(1) 23.53%
2014	709,336	709,336	-	2,384,651	(1) 29.75%
2015	727,203	727,203	-	2,378,900	30.57%
2016	706,591	738,866	(32,275)	2,308,146	32.01%
2017	653,820	653,820	-	2,466,015	26.51%
2018	694,260	701,914	(7,654)	2,563,485	27.38%
2019	709,872	719,513	(9,641)	2,563,485	28.07%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial valuation date	1/1/2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar - Closed
Remaining amortization period	15 years
Asset valuation method	Market Value
Inflation	3%
Salary increases	4%, average, including inflation
Investment rate of return	7%, net of pension plan investment expense, including inflation
Retirement age	Age 53 and 25 years of service
Mortality	UP-94 Mortality Table projected to 2020 using Scale AA

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

The discount rate decreased from 7% to 6.75% in 2018

(1) - covered employee payroll taken from 1/1/2010 through 1/1/2013 actuarial valuations

TOWNSHIP OF SPRINGFIELD

Required Supplemental Information for Salaried Employees Pension Plan

SCHEDULE OF CONTRIBUTIONS

<u>Fiscal Year Ended December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a Percentage of Covered Payroll</u>
2010	\$ 589,434	\$ 589,434	\$ -	\$ 1,320,645	(1) 44.63%
2011	327,595	327,595	-	1,440,757	(1) 22.74%
2012	344,599	344,599	-	1,440,757	(1) 23.92%
2013	339,414	339,414	-	1,507,556	(1) 22.51%
2014	498,189	498,189	-	1,331,338	37.42%
2015	497,069	497,069	-	1,384,592	35.90%
2016	493,542	508,747	(15,205)	1,380,244	36.86%
2017	517,252	517,252	-	1,435,454	36.03%
2018	529,123	533,554	(4,431)	1,424,688	37.45%
2019	532,387	532,387	-	1,139,203	46.73%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial valuation date	1/1/2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Remaining amortization period	3 years
Asset valuation method	Market value of assets determined by the trustee
Inflation	3%
Salary increases	4.00%, average, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Retirement age	25% at age 62, 10% at ages 63-64, 50% at age 65, 10% at age 66, 20% at age 67, 10% at ages 68-69, 100% at age 70
Mortality	UP-94 Mortality Table projected to 2020 using Scale AA

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

The discount rate decreased from 7% to 6.75% in 2018

(1) - covered employee payroll taken from 1/1/2010 through 1/1/2013 actuarial valuations

TOWNSHIP OF SPRINGFIELD

Required Supplemental Information for Hourly Employees Pension Plan

SCHEDULE OF CONTRIBUTIONS

<u>Fiscal Year Ended December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a Percentage of Covered Payroll</u>
2010	\$ 184,304	\$ 184,304	\$ -	\$ 1,212,711	(1) 15.20%
2011	98,770	98,770	-	1,331,222	(1) 7.42%
2012	95,501	95,501	-	1,331,222	(1) 7.17%
2013	92,248	92,248	-	1,304,391	(1) 7.07%
2014	119,609	119,609	-	1,331,338	(1) 8.98%
2015	123,667	123,667	-	1,513,417	8.17%
2016	124,945	132,802	(7,857)	1,533,488	8.66%
2017	197,015	197,015	-	1,594,828	12.35%
2018	239,010	239,010	-	1,680,652	14.22%
2019	242,450	242,450	-	1,770,153	13.70%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial valuation date	1/1/2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Remaining amortization period	13 years
Asset valuation method	Market value of assets determined by the trustee
Inflation	3%
Salary increases	4.00%, average, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Retirement age	67% at age 62, 10% at ages 63-64, 100% at age 65
Mortality	UP-94 Mortality Table projected to 2020 using Scale AA

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

The discount rate decreased from 7% to 6.75% in 2018

(1) - covered employee payroll taken from 1/1/2010 through 1/1/2013 actuarial valuations

TOWNSHIP OF SPRINGFIELD

Required Supplemental Information for OPEB Plan

December 31, 2019

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 172,902	\$ 200,160
Interest	112,893	114,619
Changes of benefit terms	-	-
Differences between expected and actual experience	162,105	(411,212)
Changes of assumptions	(79,662)	(303,738)
Benefit payments (including premium subsidies)	<u>(137,934)</u>	<u>(177,459)</u>
Net change in total OPEB liability	230,304	(577,630)
Total OPEB liability - beginning	<u>2,642,148</u>	<u>3,219,778</u>
Total OPEB liability - ending (a)	<u>\$ 2,872,452</u>	<u>\$ 2,642,148</u>
 Plan fiduciary net position		
Contributions - employer (including premium subsidies)	\$ 137,934	\$ 177,459
Contributions - employee	-	-
Net investment income	-	-
Benefit payments (including premium subsidies)	(137,934)	(177,459)
Administrative expense	-	-
Other	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	-	-
 Plan fiduciary net position - beginning	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>
 Township's net OPEB liability - ending (a)-(b)	<u>\$ 2,872,452</u>	<u>\$ 2,642,148</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%
 Covered payroll	\$ 5,675,244	\$ 5,681,441
 Net OPEB liability as a percentage of covered payroll	50.6%	46.5%
 Annual money-weighted return, net of investment expenses	Not Applicable	Not Applicable

Notes to Schedule:

Change in assumptions and benefit terms: Discount decreased from 4.11% to 3.26% in 2019

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

SPRINGFIELD TOWNSHIP

COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

December 31, 2019

	Police Pension	Salaried Pension			Hourly Pension	Total Pension Trust Funds
		Defined Benefit	Defined Contribution	Total		
<u>ASSETS</u>						
Cash	\$ 284,024	\$ 152,869	\$ 6,855	\$ 159,724	\$ 98,825	\$ 542,573
Contributions receivable	250,224	197,060	781	197,841	83,865	531,930
Due from other pension	81,309	3,100	-	3,100	-	84,409
Investments						
Exchange traded funds and closed end funds	<u>20,750,765</u>	<u>11,235,014</u>	<u>12,376</u>	<u>11,247,390</u>	<u>6,242,641</u>	<u>38,240,796</u>
Total Assets	<u>\$ 21,366,322</u>	<u>\$ 11,588,043</u>	<u>\$ 20,012</u>	<u>\$ 11,608,055</u>	<u>\$ 6,425,331</u>	<u>\$ 39,399,708</u>
<u>LIABILITIES</u>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 29,053	\$ 29,053
Due to other pension	-	81,309	3,100	84,409	-	84,409
Total Liabilities	-	81,309	3,100	84,409	29,053	113,462
<u>NET POSITION</u>						
Net Position- Restricted for Pension Benefits	<u>\$ 21,366,322</u>	<u>\$ 11,506,734</u>	<u>\$ 16,912</u>	<u>\$ 11,523,646</u>	<u>\$ 6,396,278</u>	<u>\$ 39,286,246</u>

SPRINGFIELD TOWNSHIP

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the year ended December 31, 2019

	Police Pension	Salaried Pension			Hourly Pension	Total Pension Trust Funds
		Defined Benefit	Defined Contribution	Total		
Additions						
Contributions						
Member contributions	\$ 137,413	\$ 38,913	\$ 6,283	\$ 45,196	\$ 52,000	\$ 234,609
Employer contributions	485,306	372,096	4,887	376,983	160,742	1,023,031
State aid	234,207	160,291	-	160,291	81,708	476,206
Total Contributions	<u>856,926</u>	<u>571,300</u>	<u>11,170</u>	<u>582,470</u>	<u>294,450</u>	<u>1,733,846</u>
Investment Earnings						
Net appreciation (depreciation) in fair value of investments	3,279,275	1,760,808	-	1,760,808	959,198	5,999,281
Dividends & Interest	493,241	246,007	2,160	248,167	139,884	881,292
Total Investment Earnings	3,772,516	2,006,815	2,160	2,008,975	1,099,082	6,880,573
Less: investment expense	(65,971)	(35,012)	(49)	(35,061)	(18,664)	(119,696)
Net Investment Earnings	<u>3,706,545</u>	<u>1,971,803</u>	<u>2,111</u>	<u>1,973,914</u>	<u>1,080,418</u>	<u>6,760,877</u>
Total Additions	<u>4,563,471</u>	<u>2,543,103</u>	<u>13,281</u>	<u>2,556,384</u>	<u>1,374,868</u>	<u>8,494,723</u>
Deductions						
Benefits	<u>1,007,646</u>	<u>456,610</u>	<u>6,018</u>	<u>462,628</u>	<u>115,706</u>	<u>1,585,980</u>
Total Deductions	<u>1,007,646</u>	<u>456,610</u>	<u>6,018</u>	<u>462,628</u>	<u>115,706</u>	<u>1,585,980</u>
Change in Net Position	3,555,825	2,086,493	7,263	2,093,756	1,259,162	6,908,743
Net Position - Restricted for Pension Benefits:						
Beginning of Year	17,810,497	9,420,241	9,649	9,429,890	5,137,116	32,377,503
End of Year	<u>\$ 21,366,322</u>	<u>\$ 11,506,734</u>	<u>\$ 16,912</u>	<u>\$ 11,523,646</u>	<u>\$ 6,396,278</u>	<u>\$ 39,286,246</u>