

**SPRINGFIELD TOWNSHIP
MONTGOMERY COUNTY, PENNSYLVANIA**

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FOR THE YEAR ENDED DECEMBER 31, 2013

SPRINGFIELD TOWNSHIP

GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2013

TABLE OF CONTENTS

Independent Auditors' Report	2-3
Management's Discussion and Analysis	4-14
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16-17
Fund Financial Statements:	
Balance Sheet – Governmental Funds	18
Reconciliation of the Balance Sheet for Governmental Funds to the Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund (Budgetary Basis)	22
Statement of Fiduciary Net Position – Fiduciary Funds	23
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	24
Statement of Changes in Assets and Liabilities – Agency Funds	25
Notes to Financial Statements	26-46
Required Supplemental Information:	
Schedule of Funding Progress – Police Pension Plan	48
Schedule of Funding Progress – Salaried Employees Pension Plan	49
Schedule of Funding Progress – Hourly Employees Pension Plan	50
Schedule of Funding Progress – OPEB Plan	51



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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Springfield Township
Montgomery County, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springfield Township, Montgomery County, Pennsylvania as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springfield Township, Montgomery County, Pennsylvania, as of December 31, 2013, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 and the historical trend information on pages 48 through 51 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.



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

September 16, 2014

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

The preparation of a summary statement entitled “Management Discussion and Analysis” is a required element of the report model adopted by the Governmental Accounting Standards Board (GASB) in their statement number 34. Its purpose is to provide an overview of the financial activities of Springfield Township based upon currently known facts, or conditions. As management of Springfield Township, we offer readers of the Township’s financial statements this narrative overview of financial activities for the fiscal year ended December 31, 2013. Please read the analysis in conjunction with the Township’s financial statements which follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2013

Government-Wide Financial Statements (Full Accrual)

The assets of Springfield Township exceeded its liabilities at the close of fiscal year 2013 by \$29.4 million (total net position). Of this amount, \$4.2 million, unrestricted net position, may be used to meet the government’s obligations to citizens and creditors.

Fund Financial Statements (Modified Accrual)

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

The Township’s General Fund had total revenues of \$19,775,860 generated in tax and other revenues compared with total expenditures of \$17,512,528, providing an excess of revenues over expenditures of \$2,263,332 before other financing sources and uses. After Other Financing Sources and Uses are considered, there was a net increase of \$734,966 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 \$792,559, or 5.3% under the adopted budget, while revenues exceeded expectations by \$819,507, or 5.5%. Revenue categories that surpassed expectations include earned income and real estate transfer taxes, intergovernmental revenues (federal and state grants), and licenses and permit fees. Real Estate Taxes were within 1.9% of budget projections.

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (pages 16-17) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements begin on page 18. For governmental activities, these statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of government.

Reporting on the Township as a Whole

Our analysis of the Township as a whole begins on page 15. One of the most important questions asked about the Township's finances is, "Is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about Springfield Township as a whole and about its activities in a way that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or disbursed.

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

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

Reporting the Township's Most Significant Funds

The fund financial statements begin on page 18 and provide detailed information about the most significant funds, not the Township as a whole. Some funds are required to be established by State law. Others are established to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants or other funds.

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

Springfield Township has two kinds of funds:

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

Infrastructure Assets

Historically, a government’s largest group of assets (infrastructure such as roads, bridges, sewers etc.) have not been reported nor depreciated in government financial statements. GASB Statement number 34 requires that these assets be valued and reported within the Governmental column of the Government-wide Statements. Additionally the government must elect to either (1) depreciate these assets over their estimated useful life or, (2) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government develops the asset management system (the modified approach), which periodically (at least every three years), by category, measures and demonstrates its maintenance of locally established levels of service standards, the government may record its cost of maintenance in lieu of depreciation. The Township has chosen to depreciate assets over their useful life. If a road project is considered maintenance, the cost of the project will be expensed. An “overlay” of a road will be considered maintenance whereas a “rebuild” of a road will be capitalized.

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

THE TOWNSHIP AS A WHOLE

The following table reflects the condensed Statement of Net Position:

	Governmental Activities	
	2013	2012
Current and other assets	\$ 11,453,582	\$ 9,158,966
Capital assets	21,681,955	19,574,525
Total Assets	33,135,537	28,733,491
Long-term liabilities	1,696,528	1,523,390
Other liabilities	2,087,253	753,223
Total Liabilities	3,783,781	2,276,613
Net Position:		
Invested in capital assets, net of debt	21,327,099	19,168,049
Restricted	3,801,905	3,508,436
Unrestricted	4,222,752	3,780,393
Total Net Position	\$ 29,351,756	\$ 26,456,878

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

Net position may serve over time as a useful indicator of a government's financial position. For 2013, Springfield Township's assets exceeded liabilities by \$29.4 million. The largest portion of the Township's net position reflects its investment in capital assets (e.g. land, buildings, infrastructure and equipment), less the outstanding debt to acquire these assets. The restricted net position portion represents resources that are subject to external restrictions on how they may be used; it also is reported net of the related outstanding debt. The unrestricted net position for governmental activities is the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

In comparing the 2013 Statement of Net Position to prior year, there was a total increase in the net position of governmental activities of approximately \$2.9 million.

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.

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

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 2013 the Township experienced an increase in net position of \$2,894,878. The following chart shows the revenues and expenses of the governmental activities:

	Governmental Activities	
	2013	2012
REVENUES		
Program revenues:		
Charges for services	\$ 4,619,411	\$ 4,236,722
Operating grants and contributions	1,108,519	1,230,109
Capital grants and contributions	3,812,107	354,476
General revenues:		
Property taxes	4,567,543	4,253,636
Other taxes	5,180,830	4,019,206
Grants and contributions not restricted to specific programs	15,509	20,808
Investment income	186,756	75,326
Gain (loss) on sale/retirement of assets	28,590	34,362
Miscellaneous	1,272,262	1,211,261
Total Revenues	20,791,527	15,435,906
EXPENSES		
Administration	3,793,924	4,779,905
Licenses and permits	121,826	104,834
Police and emergency service	4,200,447	4,233,752
Public works	1,660,775	1,438,079
Sanitation and recycling	1,413,867	1,686,511
Sewer	2,191,091	2,088,474
Library	651,408	614,788
Community development	3,210,688	-
Parks and recreation	652,623	300,860
Total Expenses	17,896,649	15,247,203
Change in Net Position	2,894,878	188,703
Net Position - Beginning	26,456,878	26,268,175
Net Position - Ending	\$ 29,351,756	\$ 26,456,878

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

In 2013, the revenue category Capital grants and contributions increased 975.4% over those received in 2012. The increase in capital grants can be attributed to a FEMA Hazard Mitigation Grant that allowed the Township to purchase 9 flood-prone homes in the Flourtown section of the Township. Other revenues that exceeded 2012 receipts include Investment income, receipts from other taxes (including business privilege, earned income, mercantile and real estate transfer taxes), charges for services (including parks and recreation programs), property taxes and miscellaneous receipts. Revenues which did not meet or exceed the prior year levels include unrestricted grants and contributions, sale of retired assets, and operating grants and contributions, all of which can be expected to vary from year to year. A new expense category for community development activities was added in 2013 to capture the expenses associated with the aforementioned FEMA grant and purchase of 9 flood-prone homes. Expenses for parks and recreation activities, which decreased significantly in 2012, increased by 16.9% in 2013. These expenses are off-set by additional revenues received in the charges for services category above. Expenses for licenses and permits increased by 16.2% due to review services associated with increased building construction and land development activities. Public works expenses increased 15.5% due mostly to winter maintenance activities. Expenses associated with library and sanitary sewer operations increased at much smaller percentages. The expenses for the administration, sanitation and recycling, and police and emergency services all decreased in 2013.

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.

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

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

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

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

Current Year Impacts – Revenues and Expenses

Governmental Activities

For the fiscal year ended December 31, 2013, revenues for governmental activities totaled \$20.8 million, of which other taxes were the largest revenue source. The Township collected \$5,180,830 (24.9% of total revenues) in earned income, business privilege, mercantile, and real estate transfer taxes in 2013. The Township's second largest revenue source in 2013 was the category charges for services, of which \$4,619,411 (22.2%) was collected. The third largest revenue source, property taxes, generated \$4,567,543 (22.0%) in receipts. Other significant sources of general revenues include capital grants and contributions \$3,812,107 (18.3%), miscellaneous income \$1,272,262 (6.1%), and operating grants \$1,108,519 (5.3%).

For the 2013 fiscal year, expenses for government activities totaled \$17.9 million, representing an increase of \$2,649,446 from the prior year. As the table on page 8 indicates, the costs associated with police and emergency services constitute the largest program expense at \$4.2 million (23.5% of total expenses). The second largest program expense is for activities funded through the administration department at \$3.7 million (21.2%). Community development expenses are the third largest expense category at \$3.2 million (17.9%). Sanitary sewer expenses are the next largest program expense at \$2.2 million (12.2%), followed by public works expenses at \$1.7 million (9.3%). Sanitation and recycling expenses totaled \$1.4 million (7.9%). The increase in governmental expenses over the prior year can be attributed to the purchase of nine (9) residential properties via the FEMA Hazard Mitigation grant, combined with modest reductions in spending by administration, sanitation and recycling, and police and emergency services.

The change in net position reflects the difference between total revenues and total expenses. For governmental activities in fiscal 2013, revenues exceeded expenses by \$2,894,878, resulting in an increase in net position by that amount. The year ended with net position for governmental activities totaling \$29.4 million.

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

General Fund Budgetary Highlights

The Government revises its budget as it attempts to deal with unexpected changes in revenues. Careful monitoring of spending allowed the General Fund to come in under budget with total expenditures \$792,559 (5.3%) under budget. Total revenues exceeded final estimates by \$819,507 (5.5%), resulting in the excess of revenues over expenses of \$1,612,066, before other financing sources and uses. The increase in revenues can be attributed to better than expected revenues from earned income tax collections, real estate transfer tax receipts, intergovernmental revenues, and permit fees. Please refer to the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, on page 22, for detailed information.

Capital Assets and Debt Administration

Capital Assets

At the end of 2013, the Township had \$21.7 million invested in a broad range of capital assets, including land, buildings, equipment, park facilities, roads, bridges, and sewer lines. Capital Asset Activity for the year 2013 is presented in detail on pages 36 and 37 of the Notes section.

	Beginning Balance		Net Additions (Deletions)		Ending Balance	
	<u>1/1/13</u>	<u>1/1/12</u>	<u>2013</u>	<u>2012</u>	<u>12/31/13</u>	<u>12/31/12</u>
Non-Depreciable Assets						
Land and easements	\$ 2,620,019	\$ 2,287,193	\$ 956,677	\$ 332,826	\$ 3,576,696	\$ 2,620,019
Construction in progress	2,035,656	2,007,390	989,837	28,266	3,025,493	2,035,656
Other Capital Assets						
Land improvements	2,052,627	1,809,260	541,088	243,367	2,593,715	2,052,627
Buildings and improvements	4,499,922	4,439,484	63,645	60,438	4,563,567	4,499,922
Machinery and equipment	1,350,160	1,278,661	22,296	71,499	1,372,456	1,350,160
Vehicles	3,232,948	3,191,456	(27,933)	41,492	3,205,015	3,232,948
Library collection	2,342,132	2,269,878	74,936	72,254	2,417,068	2,342,132
Infrastructure	20,128,800	19,240,678	383,037	888,122	20,511,837	20,128,800
Less: accumulated depreciation on capital assets	<u>(18,687,739)</u>	<u>(18,072,853)</u>	<u>(896,153)</u>	<u>(614,886)</u>	<u>(19,583,892)</u>	<u>(18,687,739)</u>
Totals	<u>\$ 19,574,525</u>	<u>\$ 18,451,147</u>	<u>\$ 2,107,430</u>	<u>\$ 1,123,378</u>	<u>\$ 21,681,955</u>	<u>\$ 19,574,525</u>

The Springfield Township Board of Commissioners continues to place significant resources towards its capital assets. In 2013, the Township continued to fund one of its most significant programs, the annual road-resurfacing program. Other major capital projects included the acquisition and demolition of nine flood-prone dwellings in the 400 and 500 blocks of Hemlock Road, engineering and design for the reconstruction of the East Mill Road Bridge, completion of the Bethlehem Pike Streetscape project, and recreational improvements at Sandy Run Park. The Township also continued to plan for storm water drainage improvements along Terminal Avenue in Erdenheim, an extension of the public sanitary sewer system to serve the Caroline Drive neighborhood, and renovations to the municipal campus. The township also performed minor building improvements at the Black Horse Inn, traffic signal upgrades, and routine vehicle and equipment replacement.

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

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 2013, the Township's level of outstanding debt was \$354,856, and well below its "Borrowing Base" capacity.

General Obligation Notes

Springfield Township issues general obligation notes for the purpose of obtaining funds for the acquisition, construction and improvement of facilities. General obligation notes are direct obligations and pledge the full faith and credit of the government. In August 2010, a general obligation note in the amount of \$550,000 was obtained to perform stormwater management improvements in the 300 Block of Oreland Mill Road. The note bears an interest rate of 3.90% per annum for ten years. Payments are due on December 31 of each year.

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 2013 the Township obtained a Tax Anticipation Note in the amount of \$500,000 from First Niagara Bank. The note bears an interest rate of 2.25% per annum. The note matured and was paid off before year's end. Detailed schedules of the Township's long-term debt are found on pages 38 of the notes section.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The elected officials of Springfield Township consider many factors when establishing budget appropriations, tax rates and fee schedules. The 2013 budget was prepared with the concept of maintaining the same general level of service as in previous years, with minor variations as discussed by the Board of Commissioners throughout the prior year. Examples of such variations include efforts to improve stormwater management and drainage on a township-wide basis (which includes the removal of flood-prone dwellings along Hemlock Road), the reconstruction of the East Mill Road Bridge, recreational improvements at Sandy Run Park in Oreland, the extension of the public sanitary sewer system in the Caroline Drive neighborhood, renovations to the first floor of the Black Horse Inn, and planning assistance for the renovations to the administration, police, public works and library buildings. Public safety improvements included upgrades to the township's traffic signal system, and the replacement of two police vehicles. The Township also replaced a highway dump truck and refuse truck. These projects were funded utilizing a combination of government grants and capital reserve funds.

In 2012, the "typical" household with a \$175,400 real estate tax assessment paid \$591.10 in real estate taxes. In 2013 the same household realized an increase of 0.214 mills to their real estate tax rate, resulting in an increase of \$37.53, or a total of \$628.63. It should be noted that the 2013 real estate tax increase was the first such increase in eight years. The refuse service fee, which was \$194.86 per household in 2012, was decreased by \$1.10 per household in 2013 to \$193.76. The decrease was possible by re-amortizing the depreciation schedule for the equipment assigned to the refuse department. These savings were coupled with a decrease in disposal fees (due to less waste being generated by residents), but offset slightly by increases in labor, materials and supplies, collection fees, and vehicle operating expenses.

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

Sanitary sewer rental fees, which increased by \$2.54 per household in 2012, increased by \$16.33 per household in 2013 to \$315.70. The 5.5% increase was necessary to align the township's sewer fees with those charged by the City of Philadelphia to treat wastewater flows. It should be noted that wastewater treatment fees represent 91% of the total expenses to be recovered by the sanitary sewer rental fee. When the real estate tax, refuse and sanitary sewer fees are combined, the typical household realized an increase of \$52.76 or 0.3% over the combined 2011 real estate tax and users fees.

The 2013 General Fund budget saw overall revenues exceed budget estimates. Individual revenue categories that surpassed expectations included earned income and real estate transfer taxes, fees from licenses and permits, and intergovernmental revenues (including federal and state grants). As in prior years, the largest single source of revenue for the Township continues to be the real estate property tax, receipts of which were within 1.9% of initial projections. Other major sources of income include charges for services (including refuse disposal and sanitary sewer fees), and business privilege and mercantile taxes.

General Fund expenses in 2013 were \$792,559, or 5.3% under budget. Operating expenditures related to health and sanitation activities, miscellaneous expenses, the parks and recreation department, highways and roads, and public safety activities were less than projected. Health and sanitation expenses were reduced as a result of less solid waste being discarded by residents for disposal, and less wastewater being treated. Expenses for the Township's largest cost category, public safety, were 0.7% less than budgeted.

In 2014 the real estate tax rate will decrease from 3.584 mills to 3.467 mills. The 3.3% decrease eliminates approximately ½ of the 2013 tax increase and was made possible by higher than anticipated revenues in 2013. The refuse service fee will also be decreased by \$4.25 (2.2%) due to decreases in vehicle operating expenses, and continued reductions in the amount of waste being disposed by residents. The sanitary sewer rental fee, after increasing by \$16.33 in 2013, will increase by \$0.87 in 2014 due to continued increases in the wastewater treatment fees charged by the City of Philadelphia, offset slightly by a reduction in water consumption. The combined 2014 real estate tax, refuse and sanitary sewer service fees paid by the typical household will decrease \$23.90 or 2.1% over those paid in 2013.

On the expense side, funding for capital projects will increase by approximately \$106,765. Routine Police and Highway vehicle replacements, along with sidewalk improvements along Haws Lane, represent the bulk of these expenditures. Additional capital expenses include appropriations to the sinking funds established for the replacement of the emergency generator and heating units at the Township Building. There are also routine computer hardware and software upgrades, traffic signal improvements, and appropriations for new and replacement tools and equipment. The Township will also appropriate \$220,000 for its annual road resurfacing program through the Highway Aid fund.

**TOWNSHIP OF SPRINGFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

As with most service-based organizations, employee wages and benefits will continue to be the single largest expense for the Township in 2014. The police labor agreement, which was decided by an arbitration panel in January 2012, expires at the end of 2014. Police officers will receive wage increases of 3.25% in the final year of the contract. The labor agreement with the public works employees calls for wage increases of 3.25% in 2014 and 2015 before it expired. Salaried employees are not represented by a bargaining unit but typically receive a combination of wages and benefits comparable to the police and public works employees. Wages for salaried employees will increase by 3.20% in 2014. The Delaware Valley Health Insurance Trust projects healthcare premiums to increase by 10.9% on average in 2014. However, the Township will realize a 6.0% increase in its premiums after applying all available discounts and rate stabilization credits. Members of the police bargaining unit are not required to contribute to the cost of their healthcare benefits but public works and administrative/salaried employees contribute 1% of their wages. Municipal costs for the three employee pension plans, after decreasing \$361,650 from 2010 – 2013, are expected to increase by \$273,607 in 2014. The increase is related to new actuarial projections assuming more conservative investment returns. All employees contribute between 3% and 5% of their wages toward future pension benefits. In 2013 the Township realized better than expected revenues from many of its traditional tax sources which allowed the Township to reduce the 2014 real estate tax while still providing the same level of services to its residents and maintain funding for its capital programs.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

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

SPRINGFIELD TOWNSHIP

STATEMENT OF NET POSITION

December 31, 2013

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,616,617
Investments	6,369,123
Receivables	3,105,004
Prepaid expenses	2,501
Temporarily restricted assets:	
Investments	360,337
Capital assets not being depreciated:	
Land	3,502,751
Easements	73,945
Construction in progress	3,025,493
Other capital assets (net of accumulated depreciation)	<u>15,079,766</u>
Total Assets	<u>33,135,537</u>
<u>LIABILITIES</u>	
Accounts payable and other current liabilities	2,033,620
Non-current liabilities:	
Due within one year	53,633
Due after one year	<u>1,696,528</u>
Total Liabilities	<u>3,783,781</u>
<u>NET POSITION</u>	
Invested in capital assets, net of related debt	21,327,099
Restricted for:	
Library	116,796
Highways and streets	82,352
Sewer system	3,602,757
Unrestricted	<u>4,222,752</u>
Total Net Position	<u>\$ 29,351,756</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, 2013

	<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	\$ 16,802,115	\$ 3,696,590	\$ 121,826	\$ 4,118,016	\$ 1,134,027
Depreciation	1,067,518	70,318	-	82,431	526,748
Interest on debt	<u>27,016</u>	<u>27,016</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>17,896,649</u>	<u>3,793,924</u>	<u>121,826</u>	<u>4,200,447</u>	<u>1,660,775</u>
Program Revenues:					
Charges for services	4,619,411	19,650	335,040	77,024	13,357
Operating grants and contributions	1,108,519	369,080	-	181,523	425,952
Capital grants and contributions	<u>3,812,107</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>285,928</u>
Total Program Revenues	<u>9,540,037</u>	<u>388,730</u>	<u>335,040</u>	<u>258,547</u>	<u>725,237</u>
Net (Expense) Revenue	(8,356,612)	(3,405,194)	213,214	(3,941,900)	(935,538)
General Revenues:					
Taxes:					
Real estate	4,567,543				
Transfer taxes	719,434				
Business and mercantile taxes	937,221				
Earned income taxes	3,524,175				
Grants and contributions not restricted to specific programs	15,509				
Investment earnings	186,756				
Gain (loss) on sale/retirement of assets	28,590				
Miscellaneous	<u>1,272,262</u>				
Total General Revenues	<u>11,251,490</u>				
Change in Net Position	2,894,878				
Net Position - Beginning	<u>26,456,878</u>				
Net Position - Ending	<u>\$ 29,351,756</u>				

<u>Sanitation and Recycling</u>	<u>Sewer</u>	<u>Library</u>	<u>Community Development</u>	<u>Park and Recreation</u>
\$ 1,328,306	\$ 2,051,621	\$ 564,831	\$ 3,210,688	\$ 576,210
85,561	139,470	86,577	-	76,413
-	-	-	-	-
<u>1,413,867</u>	<u>2,191,091</u>	<u>651,408</u>	<u>3,210,688</u>	<u>652,623</u>
2,660,169	1,326,186	-	-	187,985
-	131,964	-	-	-
-	<u>103,562</u>	-	<u>3,364,309</u>	<u>58,308</u>
<u>2,660,169</u>	<u>1,561,712</u>	<u>-</u>	<u>3,364,309</u>	<u>246,293</u>
1,246,302	(629,379)	(651,408)	153,621	(406,330)

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

SPRINGFIELD TOWNSHIP

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2013

	<u>General</u>	<u>Sewer Reserve</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	\$ 371,310	\$ 565,972	\$ 656,177	\$ 23,158	\$ 1,616,617
Investments	1,763,451	2,694,488	1,800,930	110,254	6,369,123
Receivables					
Taxes	961,547	-	-	-	961,547
Accounts	1,287,339	-	117,663	-	1,405,002
Due from agency funds	-	-	2,501	-	2,501
Due from other funds	-	351,059	1,415,283	-	1,766,342
Total Current Assets	<u>4,383,647</u>	<u>3,611,519</u>	<u>3,992,554</u>	<u>133,412</u>	<u>12,121,132</u>
Restricted Assets					
Cash and Investments	322,756	-	37,581	-	360,337
Total Restricted Assets	<u>322,756</u>	<u>-</u>	<u>37,581</u>	<u>-</u>	<u>360,337</u>
 TOTAL ASSETS	 <u>\$ 4,706,403</u>	 <u>\$ 3,611,519</u>	 <u>\$ 4,030,135</u>	 <u>\$ 133,412</u>	 <u>\$ 12,481,469</u>
 <u>LIABILITIES</u>					
Accounts payable and accrued wages	\$ 588,770	\$ 8,762	\$ 1,385,028	\$ 51,060	\$ 2,033,620
Due to other funds	1,766,342	-	-	-	1,766,342
Total Liabilities	<u>2,355,112</u>	<u>8,762</u>	<u>1,385,028</u>	<u>51,060</u>	<u>3,799,962</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable revenue- property taxes	163,844	-	-	-	163,844
Unavailable revenue- sewer fees	247,771	-	-	-	247,771
Unavailable revenue - refuse fees	96,117	-	-	-	96,117
Total deferred inflows of resources	<u>507,732</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>507,732</u>
 <u>FUND BALANCES</u>					
Restricted:					
Library	-	-	116,796	-	116,796
Highway	-	-	-	82,352	82,352
Assigned:					
Library capital outlay	-	-	62,180	-	62,180
Capital outlay	-	3,602,757	2,466,131	-	6,068,888
Unassigned	1,843,559	-	-	-	1,843,559
Total Fund Balances	<u>1,843,559</u>	<u>3,602,757</u>	<u>2,645,107</u>	<u>82,352</u>	<u>8,173,775</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 <u>\$ 4,706,403</u>	 <u>\$ 3,611,519</u>	 <u>\$ 4,030,135</u>	 <u>\$ 133,412</u>	 <u>\$ 12,481,469</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, 2013

Amounts reported for governmental activities in the statement of net position (page 15)
are different because:

Total fund balances--total governmental funds (page 18)	\$ 8,173,775
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Capital assets used in governmental activities are not financial resources
and, therefore, are reported in the funds.

Cost of capital assets	41,265,847	
Accumulated depreciation	<u>(19,583,892)</u>	21,681,955

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	738,455	
Deferred inflows	<u>507,732</u>	1,246,187

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

Notes payable	(354,856)	
Net post-retirement benefits obligation	<u>(1,395,305)</u>	<u>(1,750,161)</u>

Net position of governmental activities (page 15)	<u>\$ 29,351,756</u>
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The notes to the financial statements are an integral part of this statement

SPRINGFIELD TOWNSHIP

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

For the year ended December 31, 2013

	<u>General</u>	<u>Sewer Reserve</u>	<u>Capital Reserve</u>	<u>Nonmajor Fund Highway Aid</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes:					
Real estate	\$ 4,607,664	\$ -	\$ -	\$ -	\$ 4,607,664
Transfer	719,434	-	-	-	719,434
Business and mercantile	937,221	-	-	-	937,221
Earned income	3,493,878	-	-	-	3,493,878
Fees, licenses and permits	459,337	-	-	-	459,337
Investment income and rent	(8,757)	58,821	64,535	4,255	118,854
Intergovernmental revenues	4,240,926	-	300,343	389,766	4,931,035
Fines and forfeitures	65,503	-	-	-	65,503
Charges for services	4,530,677	-	13,357	-	4,544,034
Other	729,977	-	13,823	-	743,800
Total Revenues	<u>19,775,860</u>	<u>58,821</u>	<u>392,058</u>	<u>394,021</u>	<u>20,620,760</u>
Expenditures					
Current:					
General government	1,260,954	-	-	-	1,260,954
Public safety	4,173,715	-	-	-	4,173,715
Health and sanitation	3,290,703	82,332	-	-	3,373,035
Highways and roads	1,263,024	-	-	428,100	1,691,124
Culture and recreation	1,000,383	-	-	-	1,000,383
Community development	3,210,688	-	-	-	3,210,688
Miscellaneous	2,801,898	-	-	-	2,801,898
Debt service:					
Principal	500,000	-	51,620	-	551,620
Interest	11,163	-	15,853	-	27,016
Capital projects	-	-	2,049,427	-	2,049,427
Total Expenditures	<u>17,512,528</u>	<u>82,332</u>	<u>2,116,900</u>	<u>428,100</u>	<u>20,139,860</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,263,332</u>	<u>(23,511)</u>	<u>(1,724,842)</u>	<u>(34,079)</u>	<u>480,900</u>
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	31,598	-	-	-	31,598
Proceeds from tax and revenue anticipation note	500,000	-	-	-	500,000
Transfers in	-	351,059	1,708,905	-	2,059,964
Transfers out	<u>(2,059,964)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,059,964)</u>
Total Other Financing Sources (Uses)	<u>(1,528,366)</u>	<u>351,059</u>	<u>1,708,905</u>	<u>-</u>	<u>531,598</u>
Net Change in Fund Balance	734,966	327,548	(15,937)	(34,079)	1,012,498
Fund Balance - Beginning	<u>1,108,593</u>	<u>3,275,209</u>	<u>2,661,044</u>	<u>116,431</u>	<u>7,161,277</u>
Fund Balance - Ending	<u>\$ 1,843,559</u>	<u>\$ 3,602,757</u>	<u>\$ 2,645,107</u>	<u>\$ 82,352</u>	<u>\$ 8,173,775</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, 2013

Changes in Net Position

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

Net change in fund balances--total governmental funds (page 20)	\$	1,012,498
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	3,177,956	
Depreciation expense	<u>(1,067,518)</u>	2,110,438
The effect of sales of capital assets is to decrease net assets.		(3,008)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(49,899)
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		51,620
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Net post-retirement benefits		<u>(226,771)</u>
Change in net position of governmental activities (pages 16-17)	\$	<u>2,894,878</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, 2013

	GENERAL FUND			Variance with Final Budget - Over (Under)
	Budgeted Amounts		ACTUAL	
	Original	Final		
Revenues				
Taxes:				
Real estate	\$ 4,639,488	\$ 4,639,488	\$ 4,550,589	\$ (88,899)
Transfer	367,500	367,500	723,117	355,617
Business and mercantile	950,000	950,000	924,408	(25,592)
Earned income	2,400,000	2,400,000	3,268,098	868,098
Licenses and permits	594,200	594,200	779,419	185,219
Fines and forfeits	96,000	96,000	64,153	(31,847)
Interest and rent	157,228	157,228	(9,118)	(166,346)
Intergovernmental revenues	605,817	605,817	796,729	190,912
Charges for services	4,179,937	4,179,937	3,892,501	(287,436)
Miscellaneous revenues	920,541	920,541	740,322	(180,219)
Total Revenues	<u>14,910,711</u>	<u>14,910,711</u>	<u>15,730,218</u>	<u>819,507</u>
Expenditures				
Current:				
General government	1,020,338	1,020,338	1,059,545	39,207
Public safety	4,002,293	4,002,293	3,977,120	(25,173)
Health and sanitation	3,684,575	3,684,575	3,273,371	(411,204)
Highways and roads	1,387,672	1,387,672	1,355,602	(32,070)
Parks and recreation	417,021	417,021	355,051	(61,970)
Library services	629,734	629,734	636,462	6,728
Miscellaneous	3,434,557	3,434,557	3,130,317	(304,240)
Debt service	515,000	515,000	511,163	(3,837)
Total Expenditures	<u>15,091,190</u>	<u>15,091,190</u>	<u>14,298,631</u>	<u>(792,559)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(180,479)</u>	<u>(180,479)</u>	<u>1,431,587</u>	<u>1,612,066</u>
Other Financing Sources (Uses)				
Proceeds from tax and revenue anticipation note	500,000	500,000	500,000	-
Operating transfers in	873,088	873,088	-	(873,088)
Operating transfers out	(876,313)	(876,313)	(2,059,964)	(1,183,651)
Total Other Financing Sources (Uses)	<u>496,775</u>	<u>496,775</u>	<u>(1,559,964)</u>	<u>(2,056,739)</u>
Net Change in Fund Balance	316,296	316,296	(128,377)	(444,673)
Fund Balance - Beginning	<u>1,108,593</u>	<u>1,108,593</u>	<u>1,108,593</u>	
Fund Balance - Ending	<u>\$ 1,424,889</u>	<u>\$ 1,424,889</u>	<u>\$ 980,216</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, 2013

	Pension Trust Funds	Agency Fund <u>Recycling Fund</u>	Total
<u>ASSETS</u>			
Cash	\$ 967,470	\$ 215,685	\$ 1,183,155
Prepaid benefits	77,191	-	77,191
Contributions receivable	594,677	-	594,677
Total Receivables	<u>1,639,338</u>	<u>215,685</u>	<u>1,855,023</u>
Investments			
Common stocks	10,778,935	-	10,778,935
Mutual funds	9,899	-	9,899
Exchange traded funds and closed end funds	7,143,930	-	7,143,930
Corporate bonds	1,523,365	-	1,523,365
U.S. Treasury obligations	3,987,152	-	3,987,152
Total Investments	<u>23,443,281</u>	<u>-</u>	<u>23,443,281</u>
 Total Assets	 <u>\$ 25,082,619</u>	 <u>\$ 215,685</u>	 <u>\$ 25,298,304</u>
<u>LIABILITIES</u>			
Due to Township	\$ -	\$ 2,501	\$ 2,501
Held for municipalities	-	213,184	213,184
Total Liabilities	<u>-</u>	<u>215,685</u>	<u>215,685</u>
<u>NET POSITION</u>			
Net Position- Restricted for Pension Benefits	<u>\$ 25,082,619</u>	<u>\$ -</u>	<u>\$ 25,082,619</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, 2013

	<u>Pension Trust Funds</u>
Additions	
Contributions	
Member contributions	\$ 197,798
Employer contributions	580,424
State aid	365,130
Total Contributions	<u>1,143,352</u>
Investment Earnings	
Net appreciation (depreciation) in fair value of investments	2,575,112
Dividends	396,115
Interest	128,361
Total Investment Earnings	3,099,588
Less: investment expense	<u>(212,656)</u>
Net Investment Earnings	<u>2,886,932</u>
Total Additions	<u>4,030,284</u>
Deductions	
Benefits	933,175
Deferred retirement option program payments	97,204
Foreign tax paid	942
Total Deductions	<u>1,031,321</u>
Change in Net Position	2,998,963
Net Position - Restricted for Pension Benefits:	
Beginning of Year	<u>22,083,656</u>
End of Year	<u>\$ 25,082,619</u>

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

SPRINGFIELD TOWNSHIP

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS

December 31, 2013

	Balance January 1, <u>2013</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31, <u>2013</u>
<u>RECYCLING FUND</u>				
ASSETS				
Cash	\$ 214,142	\$ 5,178	\$ (3,635)	\$ 215,685
Total Assets	<u>\$ 214,142</u>	<u>\$ 5,178</u>	<u>\$ (3,635)</u>	<u>\$ 215,685</u>
LIABILITIES				
Due to Other Funds	\$ 2,501	\$ -	\$ -	\$ 2,501
Held for Municipalities	<u>211,641</u>	<u>5,178</u>	<u>(3,635)</u>	<u>213,184</u>
Total Liabilities	<u>\$ 214,142</u>	<u>\$ 5,178</u>	<u>\$ (3,635)</u>	<u>\$ 215,685</u>

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

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

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, 2013

I. Summary of significant accounting policies (Continued)

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

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

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

The government reports the following major governmental funds:

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

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

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

Additionally, the government reports the following fiduciary fund types:

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

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

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

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

I. Summary of significant accounting policies (Continued)

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

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net position or equity

1. Deposits and investments

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

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

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

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

Investments for the government are reported at fair value.

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

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, 2013, 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, 2013 are recognized as revenue for the year ending December 31, 2013.

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, 2013

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:

Invested in capital assets, net of related debt - 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, 2013

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 are neither restricted nor committed. Intent is expressed by (a) the Board of Commissioners or (b) a body (a budget, finance committee, or Township Manager and Finance Director) to which the assigned amounts are to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

I. Summary of significant accounting policies (Continued)

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

9. Fund Balance (continued)

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

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

In all cases, encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Township has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has three types of items that qualify for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, sewer fees and refuse fees. The government-wide statement does not report unavailable revenues.

11. Use of estimates

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

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

II. Stewardship, compliance, and accountability

A. Budgetary information

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

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

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

All budget revisions require the approval of the Township Board of Commissioners. The Board authorized the use of unallocated fund balance in 2013.

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	\$ 734,966
Accrued revenues at December 31, 2012	1,479,697
Accrued revenues at December 31, 2013	(2,248,906)
Accrued liabilities at December 31, 2012	(1,150,496)
Accrued liabilities at December 31, 2013	<u>1,056,362</u>
Budgetary (Cash) Basis	<u>\$ (128,377)</u>

B. Excess of expenditures over appropriations

For the year ended December 31, 2013, expenditures exceeded appropriations by \$39,207 for general government and \$6,728 for library services.

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

III. Detailed notes on all funds

A. *Deposits and investments*

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The government’s policy is to require their banking institution to provide a letter stating that they follow the Commonwealth of Pennsylvania Act 72, where all funds in excess of federal depository insurance limits held by the bank are collateralized in public funds secured on a pooled basis. The investments in money market funds are considered cash equivalents because of their short maturity dates. At year-end, the carrying amount of deposits for the governmental activities was \$2,035,330 and the bank balance was \$3,040,332. For other bank balances, \$529,039 was covered by federal depository insurance. Any balances exceeding depository insurance are exposed to custodial credit risk because it is uninsured and collateralized with securities held by the pledging institution’s trust department or agent, but not in the government’s name. The investment in money market funds, as listed in the chart below, are considered cash equivalents due to the short maturities of those investments and are included above.

At year-end investment balances were as follows:

<u>INVESTMENTS</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Governmental Funds:					
Money market funds	\$ 360,337	\$ 360,337	\$ -	\$ -	\$ -
U.S. Treasury notes	5,014,360	629,058	4,385,302	-	-
U.S. Government agencies	1,354,763	-	1,354,763	-	-
Total Governmental Funds	\$ 6,729,460	\$ 989,395	\$ 5,740,065	\$ -	\$ -
Fiduciary Funds:					
Cash and short term investments	\$ 1,183,155	\$ -	\$ -	\$ -	\$ -
Common stocks	17,932,764	-	-	-	-
Corporate bonds	1,523,365	229,057	492,686	459,681	641,207
U.S. Treasury obligations	3,987,152	11,153	2,314,156	621,755	627,556
Total Fiduciary Funds	\$ 24,626,436	\$ 240,210	\$ 2,806,842	\$ 1,081,436	\$ 1,268,763

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, 2013

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 Section 1, Note D. The government does not have a formal investment policy for credit risk. The government's investments in corporate bonds ranged from a rating of BBB to AA+ by Standard & Poor's. The government's investments in U.S. Treasuries obligations and U.S. Government agencies are not required to be rated.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. There were no investments that exceeded greater than 5% in any one single issuer that would be considered a concentration of credit risk.

B. *Receivables*

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

	<u>General</u>	<u>Capital Reserve</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Receivables:				
Taxes				
Real Estate	\$ 298,275	\$ -	\$ -	\$ 298,275
Transfer Taxes	28,744	-	-	28,744
Business/Mercantile	19,467	-	-	19,467
Earned Income	615,061	-	-	615,061
Accounts	1,287,339	117,663	-	1,405,002
Contributions	-	-	594,677	594,677
Total Receivables	<u>\$ 2,248,886</u>	<u>\$ 117,663</u>	<u>\$ 594,677</u>	<u>\$ 2,961,226</u>

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

III. Detailed notes on all funds (Continued)

C. *Capital assets*

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 2,546,074	\$ 956,677	\$ -	\$ 3,502,751
Easements	73,945	-	-	73,945
Construction in Progress	<u>2,035,656</u>	<u>1,715,221</u>	<u>(725,384)</u>	<u>3,025,493</u>
Total Capital Assets, not being depreciated	<u>4,655,675</u>	<u>2,671,898</u>	<u>(725,384)</u>	<u>6,602,189</u>
Capital Assets, being depreciated:				
Land Improvements	2,052,627	541,088	-	2,593,715
Buildings and Improvements	4,499,922	63,645	-	4,563,567
Machinery and Equipment	1,350,160	22,296	-	1,372,456
Vehicles	3,232,948	136,342	(164,275)	3,205,015
Library Collection	2,342,132	76,936	(2,000)	2,417,068
Infrastructure	<u>20,128,800</u>	<u>391,135</u>	<u>(8,098)</u>	<u>20,511,837</u>
Total Capital Assets being depreciated	<u>33,606,589</u>	<u>1,231,442</u>	<u>(174,373)</u>	<u>34,663,658</u>
Less Accumulated Depreciation for:				
Land Improvements	409,755	129,881	-	539,636
Buildings and Improvements	1,621,055	118,062	-	1,739,117
Machinery and Equipment	774,473	101,395	-	875,868
Vehicles	2,087,812	248,645	(164,275)	2,172,182
Library Collection	1,970,016	78,207	(2,000)	2,046,223
Infrastructure	<u>11,824,628</u>	<u>391,328</u>	<u>(5,090)</u>	<u>12,210,866</u>
Total Accumulated Depreciation	<u>18,687,739</u>	<u>1,067,518</u>	<u>(171,365)</u>	<u>19,583,892</u>
Total Capital Assets, being depreciated, net	<u>14,918,850</u>	<u>163,924</u>	<u>(3,008)</u>	<u>15,079,766</u>
Governmental Activities Capital Assets, net	<u>\$ 19,574,525</u>	<u>\$ 2,835,822</u>	<u>\$ (728,392)</u>	<u>\$ 21,681,955</u>

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

III. Detailed notes on all funds (Continued)

C. Capital assets (continued)

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

Governmental Activities:

Administrative	\$	70,318
Police and Emergency Services		82,431
Public Works		526,748
Sanitation		139,470
Sewer		85,561
Library		86,577
Park and Recreation		<u>76,413</u>
Total Depreciation Expense - Governmental Activities	\$	<u><u>1,067,518</u></u>

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of December 31, 2013, is as follows:

Interfund balances:

	<u>Due to</u>	<u>Due from</u>
Capital Reserve	\$ -	\$ 1,417,784
Sewer Reserve	-	351,059
General	1,766,342	-
Agency Fund	<u>2,501</u>	<u>-</u>
Total	<u><u>\$ 1,768,843</u></u>	<u><u>\$ 1,768,843</u></u>

Interfund balances are primarily a result of:

- (1) Saving for capital projects

Interfund transfers:

	<u>Transfer Out</u>	<u>Transfer In</u>
General	\$ 2,059,964	\$ -
Sewer Reserve	-	351,059
Capital Reserve	<u>-</u>	<u>1,708,905</u>
	<u><u>\$ 2,059,964</u></u>	<u><u>\$ 2,059,964</u></u>

Interfund balances are primarily a result of:

- (1) Saving for capital projects
- (2) Reimbursement of expenditures

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

III. Detailed notes on all funds (Continued)

E. Long-term debt

General Obligation Notes

The government issues general obligation notes to provide funds for the acquisition, construction, and improvement of facilities and the purchase of equipment. The government obtained a loan in August, 2011 from a bank, to provide funds for a stormwater improvements project. The original amount of the note issued was \$550,000, bearing interest at 3.90% per annum for ten years. Payments on the note are due on December 31 of each year.

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

General obligation notes currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities	3.90%	\$ <u>354,856</u>

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

<u>Year Ending</u> December 31	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 53,633	\$ 13,839
2015	55,725	11,748
2016	57,898	9,574
2017	60,156	7,316
2018	62,503	4,970
Thereafter	<u>64,941</u>	<u>2,533</u>
	<u>\$ 354,856</u>	<u>\$ 49,980</u>

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2013 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due within</u> <u>one year</u>
Governmental activities:					
Notes payable	\$ 406,476	\$ -	\$ (51,620)	\$ 354,856	\$ 53,633
Net post-retirement obligation	<u>1,168,534</u>	<u>304,732</u>	<u>(77,961)</u>	<u>1,395,305</u>	<u>-</u>
Governmental activity					
Long-Term Liabilities	<u>\$ 1,575,010</u>	<u>\$ 304,732</u>	<u>\$ (129,581)</u>	<u>\$ 1,750,161</u>	<u>\$ 53,633</u>

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

IV. Other information

A. Risk management

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

The Township participates in the Delaware Valley Insurance Trust pool and the Delaware Valley Workers' Compensation Trust. The insurance expenses for the year ended December 31, 2013 were \$162,876 and \$141,123, respectively. The pooling agreement permits the pool to make additional assessments to its members. At December 31, 2013 there were no additional assessments due or anticipated for either trust. Instead the pool declared dividends of which Springfield's share was \$48,510 and \$29,634, respectively. The Township received an additional sum of \$2,038 as a result of the payroll audit of the 2012 coverage year. An audit of the reported 2013 payroll will be performed during the first quarter of 2014.

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, 2013 the Township has eight construction projects in progress. As of December 31, 2013, there are three construction projects with remaining commitments of \$261,800 under their contracts. No new construction bids have been awarded as of the date of this report.

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

IV. Other information (Continued)

D. Employee retirement systems and pension plans

Defined Benefit Pension Plan

The Township sponsors three single employer defined benefit pension plans, the Police Pension Plan, the Salaried Employees Pension Plan, and the Hourly Employees Pension Plan. The assets of the plans are combined to optimize investment. All full time police and non-uniform employees participate in the plans. Following are details of these two plans. The most recent valuation was as of January 1, 2013. Details below are from the valuation.

Plan Description

Springfield Township sponsors three single employer defined benefit pension plans to provide pension benefits for employees of the Township. These plans are reported as Pension Trust Funds in the accompanying financial statements and do not issue stand-alone reports.

At January 1, 2013, Springfield Township Pension Plan consisted of the following:

	<u>Police</u>	<u>Salaried Employees</u>	<u>Hourly Employees</u>
Retirees and beneficiaries currently receiving benefits	25	12	8
Terminated employees entitled to benefits not yet receiving them	1	5	4
Active employees	<u>25</u>	<u>22</u>	<u>24</u>
	<u>51</u>	<u>39</u>	<u>36</u>

Description of the Police Pension Plan

The Pension Fund provides only retirement benefits. 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.

If an employee leaves covered employment before 12 years of credited service, accumulated employee contributions of the Pension Fund (not the Association) plus related investment earnings are refunded to the employee or designated beneficiary. Covered employees are required by statute to contribute 5% of their salary to the Pension Fund. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the Pension Fund. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

IV. Other information (Continued)

D. Employee retirement systems and pension plans (continued)

Description of Salaried 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 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.

Covered employees are required to contribute 3% of their salary to the Pension Fund. If an employee leaves covered employment or dies before 6 years of credited service, accumulated employee contribution, if any, plus related investment earnings are refunded to the employee or designated beneficiary. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the Fund. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

Description of Hourly Employees Pension Plan

The Pension Plan provides only retirement benefits. All benefits fully vest after 6 years of credited service. Employees who retire at or after age 62, with 10 years of credited service, are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 37.5% of the average compensation of the three highest consecutive years of service reduce by 1/25th for each year of service less than 25, and increased by 1/75th for each year of service completed in excess of 25 years.

Covered employees are required to contribute 3% of their salary to the Pension Fund. If an employee leaves covered employment or dies before 6 years of credited service, accumulated employee contribution, if any, plus related investment earnings are refunded to the employee or designated beneficiary. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the Fund. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

1. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: 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.

Method Used to Value Investments: Pension Plan equity securities are reported at market value. Fixed income securities are reported at market 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.

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

IV. Other information (Continued)

D. Employee retirement systems and pension plans (continued)

2. Contributions Required and Contributions Made

The Pension Plan 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. Level percentage of payroll employer contribution rates is determined using the entry age normal actuarial funding method as required by Pennsylvania Act 205. The Pension Plan also uses a method defined by Act 205 to amortize the unfunded liability over a defined period.

3. Funded Status and Funding Progress

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

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

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

4. Annual Pension Cost and Net Pension Obligation

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

	<u>Police</u>	<u>Salaried Employees</u>	<u>Hourly Employees</u>
Annual required contribution	\$ 513,892	\$ 339,414	\$ 92,248
Interest on net pension obligation	-	-	-
Adjustments to annual required contribution	-	-	-
Annual pension cost	513,892	339,414	92,248
Contributions made	(513,892)	(339,414)	(92,248)
Increase (decrease) in net pension obligation	-	-	-
Net pension obligation (asset) at beginning of year	-	-	-
Net pension obligation (asset) at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

IV. Other information (Continued)

D. Employee retirement systems and pension plans (continued)

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

	<u>Police</u>	<u>Salaried Employees</u>	<u>Hourly Employees</u>
Date of Actuarial valuation	1/1/2013	1/1/2013	1/1/2013
Investment rate of return	6.5%	6.5%	6.5%
Projected salary increases due to inflation	3.5%	3.5%	3.5%
Cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar Open	Level Dollar Open	Level Dollar Open
Amortization period	5	6	10
Cost of living increases	3.0%	3.0%	3.0%

4. Three Year Trend Information

POLICE

Fiscal Year	Annual Pension	Percentage of APC	Net Pension Obligation
<u>Ending</u>	<u>Cost (APC)</u>	<u>Contributed</u>	<u>(Asset)</u>
12/31/2011	\$ 615,993	100.0%	\$ -
12/31/2012	635,647	100.0%	-
12/31/2013	513,892	100.0%	-

SALARIED EMPLOYEES

Fiscal Year	Annual Pension	Percentage of APC	Net Pension Obligation
<u>Ending</u>	<u>Cost (APC)</u>	<u>Contributed</u>	<u>(Asset)</u>
12/31/2011	\$ 327,595	100.0%	\$ -
12/31/2012	391,798	100.0%	-
12/31/2013	339,414	100.0%	-

HOURLY EMPLOYEES

Fiscal Year	Annual Pension	Percentage of APC	Net Pension Obligation
<u>Ending</u>	<u>Cost (APC)</u>	<u>Contributed</u>	<u>(Asset)</u>
12/31/2011	\$ 98,770	100.0%	\$ -
12/31/2012	138,153	100.0%	-
12/31/2013	92,248	100.0%	-

E. Post-retirement benefits

The Township administers a single-employer defined benefit plan to provide for certain postretirement healthcare benefits (OPEB) to eligible retired police officers.

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

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

IV. Other information (Continued)

E. Post-retirement benefits (continued)

Description of the Plan

Through Board Resolution and Police Labor Contract, the Township provides post-retirement medical and dental benefits to uniformed and non-uniformed employees retiring after 1/2/2005. The retirees are offered the same benefits that are available to active employees and would have to pay for spousal/dependent coverage. If substantially equivalent coverage is available to retirees through spousal health insurance, a retiree would not be covered under the Township plan and the Township may opt to reimburse any premium co-payment of a retiree rather than provide coverage. Should spousal coverage become unavailable, the retiree would be immediately reinstated to the Township plan. Participation in the Township plan will cease at age 65 or whenever the retiree becomes eligible for Medicare, whichever is earlier.

Funding Policy

Retirees are not required to make contributions to the plan, but are required to reimburse the Township for the portion of the premiums not covered by the Township's explicit subsidy. The contribution requirements of plan members have been established and may be amended through Board Resolution and Police Labor Contracts. The funding of these benefits will be covered by annual appropriation by the Township. The expenses are being accounting for on a "pay-as-you-go" basis. For December 31, 2013, there were three retirees receiving these benefits. The cost to the Township during 2013 amounted to \$23,777 and the implicit subsidy was \$54,184.

Funding Status and Funding Progress

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

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

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

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

IV. Other information (Continued)

E. Post-retirement benefits (continued)

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

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

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 301,954
Interest on net OPEB obligation	52,584
Adjustments to annual required contribution	<u>(49,806)</u>
Annual OPEB cost	304,732
Contributions made	(23,777)
Implicit subsidy	<u>(54,184)</u>
Increase (decrease) in net OPEB obligation	226,771
Net OPEB obligation (asset) at beginning of year	<u>1,168,534</u>
Net OPEB obligation (asset) at end of year	<u>\$ 1,395,305</u>

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

TOWNSHIP OF SPRINGFIELD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

IV. Other information (Continued)

E. Post-retirement benefits (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

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

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

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

Three Year Trend Information

Fiscal Year <u>Ending</u>	Annual OPEB <u>Cost</u>	Percentage Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
12/31/2011	\$ 307,516	8.3%	\$ 924,912
12/31/2012	287,011	8.5%	1,168,534
12/31/2013	304,732	5.0%	1,395,305

F. Subsequent events

The Township has evaluated events and transactions for potential recognition or disclosure in the financial statements through the date of this report, which is the date the financial statements were available to be issued. The Township obtained a Tax and Revenue Anticipation Note in the amount of \$500,000 at an interest rate of 1.60%. The Note is expected to be paid in full before December 31, 2014. No additional subsequent events have been recognized or disclosed.

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF SPRINGFIELD

Required Supplemental Information for Police Pension Plan

December 31, 2013

SCHEDULE OF FUNDING PROGRESS

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

**SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER
AND OTHER CONTRIBUTING ENTITIES**

Calendar Year	Annual Required Contribution	Contributions From Employer	Percentage Contributed
2008	\$ 815,319	\$ 815,319	100%
2009	836,015	836,015	100%
2010	607,790	607,790	100%
2011	615,993	615,993	100%
2012	635,647	635,647	100%
2013	513,892	513,892	100%

TOWNSHIP OF SPRINGFIELD

Required Supplemental Information for Salaried Employees Pension Plan

December 31, 2013

SCHEDULE OF FUNDING PROGRESS

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

**SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER
AND OTHER CONTRIBUTING ENTITIES**

Calendar Year	Annual Required Contribution	Contributions From Employer	Percentage Contributed
2008	\$ 404,779	\$ 707,779	100%
2009	422,827	422,827	100%
2010	589,434	589,434	100%
2011	327,595	327,595	100%
2012	391,798	391,798	100%
2013	339,414	339,414	100%

TOWNSHIP OF SPRINGFIELD

Required Supplemental Information for Hourly Employees Pension Plan

December 31, 2013

SCHEDULE OF FUNDING PROGRESS

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

**SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER
AND OTHER CONTRIBUTING ENTITIES**

Calendar Year	Annual Required Contribution	Contributions From Employer	Percentage Contributed
2008	\$ 159,086	\$ 159,086	100%
2009	184,304	157,490	100%
2010	98,770	184,304	100%
2011	98,770	98,770	100%
2012	138,153	138,153	100%
2013	92,248	92,248	100%

TOWNSHIP OF SPRINGFIELD

Required Supplemental Information for OPEB Plan

December 31, 2013

SCHEDULE OF FUNDING PROGRESS

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

**SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER
AND OTHER CONTRIBUTING ENTITIES**

Calendar Year	Annual Required Contribution	Contributions From Employer	Implicit Subsidy	Percentage Contributed
2008	\$ 212,120	\$ 16,255	\$ -	8%
2009	204,135	17,111	-	8%
2010	283,332	24,201	-	9%
2011	307,516	24,624	-	8%
2012	287,011	15,313	28,076	15%
2013	304,732	23,777	54,184	26%