

TOWNSHIP OF SPRING

**FINANCIAL STATEMENTS,
SUPPLEMENTARY AND OTHER INFORMATION**

Year Ended December 31, 2018



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INDEPENDENT AUDITOR'S REPORT

**To the Board of Supervisors
Township of Spring
Sinking Spring, Pennsylvania**

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Spring as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 from 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 risks assessments, the auditor considers internal control relevant to the Township'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 Township'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 opinions.

Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Spring as of December 31, 2018, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Township of Spring's basic financial statements. The combining modified cash basis - nonmajor governmental funds financial statements and combining modified cash basis - fiduciary funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining modified cash basis - nonmajor governmental funds financial statements and combining modified cash basis - fiduciary funds financial statements are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining modified cash basis - nonmajor governmental funds financial statements and combining modified cash basis -fiduciary funds financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Township of Spring's basic financial statements. The budgetary comparison information and the pension and other postemployment benefits information, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Basis of Accounting

We draw attention to Note 1 of the financial statements which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Herbein + Company, Inc.

Reading, Pennsylvania
August 2, 2019

TOWNSHIP OF SPRING
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

Our discussion and analysis of the Township of Spring's (the Township) financial performance provides an overview of the Township's financial activities for the year ended December 31, 2018, within the limitations of the Township's modified cash basis of accounting. Please read it in conjunction with the Township's financial statements that begin on Page 14.

Financial Highlights

- The Township's net position increased by \$654,387 for the year ended December 31, 2018, compared to an increase of \$2,309,126 for the year ended December 31, 2017.
- The Township's General Fund ended 2018 with a modified cash basis fund balance of \$6,436,105, which represents 50% of recurring revenues of the Fund and compares to \$6,447,328 and 45% for 2017. The Township maintains a fund balance in order to provide adequate financial resources to pay for services to the citizens of the Township during periods when tax and other revenue collections are not sufficient to fund daily operating costs. This generally occurs in the first few months of each year. This enables the Township to avoid having to borrow money to cover operating expenses prior to the receipt of tax revenues that are assessed March 1 of each year.
- The other funds presented as major funds for 2018 include the Fire Protection Fund, Refuse Fund, Transportation Impact Fund and Capital Fund, which had fund balances of \$222,376, \$616,388, \$1,455,610 and \$3,235,929, respectively.
- The Township's Fire Protection Fund, Transportation Impact Fund and Capital Fund were considered major funds in 2017 as well.
- The Sewer Fund has a modified cash basis fund balance of \$5,649,561 and \$4,858,934 at December 31, 2018 and 2017, respectively, which will be utilized by the Township for future sanitary sewer system operations and capital improvement projects throughout the Township. The Sewer Fund transferred \$1,313,747 and \$1,289,130 during 2018 and 2017, respectively, to governmental funds for debt service payments and reimbursement of operating expenditures.
- The Township's outstanding balance on long-term debt at December 31, 2018 decreased by approximately \$715,000 from the outstanding balance at December 31, 2017.

Using This Annual Report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Township's modified cash basis of accounting.

TOWNSHIP OF SPRING
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

Using This Annual Report - continued

Report Components

This annual report consists of five parts as follows:

Government-Wide Financial Statements - The statement of net position - modified cash basis and the statement of activities - modified cash basis (on Pages 14 and 15) provide information about the activities of the Township government-wide (or "as a whole"). The statement of activities reports revenues and expenditures utilizing the modified cash basis of accounting as described in Note 1D to the financial statements.

Fund Financial Statements - Fund financial statements (starting on Page 16) focus on the individual parts of the Township's government. 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 (major) funds. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. For proprietary activities, these statements offer information about the activities the Township operates like a business, such as the sewer services.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs.

The fiduciary fund financial statements can be found on Pages 21 and 22 of the financial statements.

Notes to the Financial Statements - The notes to the financial statements are an integral part of the government-wide and fund financial statements, and provide expanded explanation and detail regarding the information reported in the statements.

Supplementary Information - The management's discussion and analysis, on Pages 3 to 13, supplementary information, on Pages 47 to 50, and other information, on Pages 51 to 55, represents information that provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statements").

Basis of Accounting

The Township has elected to present its financial statements on a modified cash basis of accounting. The modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Basis of accounting is a reference to when financial events are recorded. Under the modified cash basis of accounting, only revenues collected and expenditures paid and intergovernmental due to and due from receivables and payables are recorded. Under this basis, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when the related liability is incurred. The change in fair value of investments held in pension funds is also recorded.

TOWNSHIP OF SPRING
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

Using This Annual Report - continued

Basis of Accounting - continued

As a result of the use of the modified cash basis of accounting, other receivables, other payables, inventories, long-lived assets, accrued income and expenses, and amortization and depreciation are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Township as a Whole

The Township's Reporting Entity Presentation

This annual report includes all activities for which the Township is responsible. Certain Township accounts have been reclassified in the current year to more clearly report Township activities. The Township is a Pennsylvania Second Class Township which operates under a Board of Supervisors form of government. The governing body is an elected five-member Board of Supervisors. The Township is managed by a Township Manager appointed by the Board of Supervisors. The Township operates the general government activities of the community, including police and fire protection, street and road maintenance, parks and other culture and recreation, health and welfare, and various administrative functions.

The Government-Wide Statement of Net Position and the Statement of Activities

The government-wide financial statements are presented on Pages 14 and 15. One of the most important questions asked about the Township's finances is, "Is the Township as a whole better off or worse as a result of the year's activities?" The statement of net position - modified cash basis and the statement of activities - modified cash basis report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include only the Township's assets, liabilities, and activities resulting from the use of the modified cash basis of accounting, as previously described.

These two statements report the Township's net position and changes in them. Over time, increases or decreases in the Township's net position are one indicator of whether its financial health is improving or deteriorating. You will need to also consider nonfinancial factors to assess the overall health of the Township, i.e., changes in the Township's tax base, the condition of the Township's roads, etc. In addition, the limitations of the modified cash basis of accounting should be considered when analyzing the overall financial health of the Township.

TOWNSHIP OF SPRING
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

Reporting the Township as a Whole - continued

The Government-Wide Statement of Net Position and the Statement of Activities - continued

In the statement of net position - modified cash basis and the statement of activities - modified cash basis, we divide the Township into two types of activities:

Governmental Activities - Most of the Township's basic services are reported here, including general government services, public safety, public works, and culture and recreation. Charges related to these services finance a portion of these activities and the balance with general revenues of the Township, including real estate taxes, income taxes, and grants.

Business-Type Activities - The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Township's sewer system operation is reported here.

Reporting the Township's Most Significant Funds

The Fund Financial Statements

The fund financial statements begin on Page 16 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 or by bond covenants. However, the Township establishes certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Township's three kinds of funds; governmental, proprietary, and fiduciary, under the modified cash basis of accounting, use the same accounting approach.

Governmental Funds - Most of the Township's basic services are reported in governmental funds that focus on how money flows in and out of those funds and the balances remaining at year-end that are available for spending. These funds report the acquisition of capital assets and payments for debt principal as cash disbursements and not as changes to asset and debt balances. 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 you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

Proprietary Funds - When the Township charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities.

Fiduciary Funds - Fiduciary funds are often used to account for assets that are held in a trustee or fiduciary capacity such as pension plan assets, assets held per trust agreements, and similar arrangements.

TOWNSHIP OF SPRING
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

A Financial Analysis of the Township as a Whole

The Township is presenting its financial statements as required by GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as applicable to the Township's modified cash basis of accounting. The statement of net position and the statement of activities report information about the Township as a whole, and about its activities, to measure the results of the year's activities.

Government-Wide Financial Statements

The Township's net position at December 31, 2018 and 2017 is presented below:

Table A-1
Summary of Statement of Net Position - Modified Cash Basis

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Cash and Investments	\$ 13,618,097	\$ 13,676,768	\$ 5,715,164	\$ 4,995,443	\$ 19,333,261	\$ 18,672,211
Internal balances	65,603	136,509	(65,603)	(136,509)	-	-
Other current assets	<u>1,399</u>	-	-	-	<u>1,399</u>	-
Total Assets	<u>13,685,099</u>	<u>13,813,277</u>	<u>5,649,561</u>	<u>4,858,934</u>	<u>19,334,660</u>	<u>18,672,211</u>
Payroll taxes withheld	<u>8,062</u>	-	-	-	<u>8,062</u>	-
Total Liabilities	<u>8,062</u>	-	-	-	<u>8,062</u>	-
Net position:						
Restricted	3,431,912	1,897,400	-	-	3,431,912	1,897,400
Unrestricted	<u>10,245,125</u>	<u>11,915,877</u>	<u>5,649,561</u>	<u>4,858,934</u>	<u>15,894,686</u>	<u>16,774,811</u>
Total Net Position	<u>\$ 13,677,037</u>	<u>\$ 13,813,277</u>	<u>\$ 5,649,561</u>	<u>\$ 4,858,934</u>	<u>\$ 19,326,598</u>	<u>\$ 18,672,211</u>

Net position of the Township's governmental activities decreased 0.9% during 2018 to \$13,677,037. This compares to an increase of 14.8% during 2017. Net position is shown as restricted if it can only be used for specific purposes. Net position of \$3,431,912 and \$1,897,400 at December 31, 2018 and 2017, respectively, is restricted and the remaining net position is unrestricted.

The net position of the Township's business-type activities increased by 16.3% during 2018 to \$5,649,561. This compares to an increase of 12.4% during 2017. The net position of the Township's business-type activities is unrestricted.

TOWNSHIP OF SPRING
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

A Financial Analysis of the Township as a Whole - continued

Government-Wide Financial Statements - continued

The Township's change in net position (resulting from modified cash transactions) for the years ended December 31, 2018 and 2017 is presented below:

Table A-2
Summary of Statement of Activities - Modified Cash Basis

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues						
Program revenues:						
Charges for services	\$ 4,069,539	\$ 2,568,019	\$ 6,448,082	\$ 5,441,886	\$ 10,517,621	\$ 8,009,905
Operating grants and contributions	1,716,417	2,425,377	23,845	20,555	1,740,262	2,445,932
Capital grants and contributions	287,768	-	-	27,863	287,768	27,863
General revenues:						
Real estate taxes	6,205,981	7,759,252	-	-	6,205,981	7,759,252
Earned income taxes	4,172,063	4,036,288	-	-	4,172,063	4,036,288
Real estate transfer and other taxes	2,447,514	2,618,982	-	-	2,447,514	2,618,982
Interest income	313,142	455,177	110,515	55,981	423,657	511,158
Miscellaneous income	114,437	-	24,552	-	138,989	-
Proceeds from sale of capital assets	-	775,427	-	304,000	-	1,079,427
Transfers	1,313,747	1,289,130	(1,313,747)	(1,289,130)	-	-
Total Revenues	<u>20,640,608</u>	<u>21,927,652</u>	<u>5,293,247</u>	<u>4,561,155</u>	<u>25,933,855</u>	<u>26,488,807</u>

TOWNSHIP OF SPRING
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

A Financial Analysis of the Township as a Whole - continued

Government-Wide Financial Statements - continued

Table A-2
Summary of Statement of Activities - Modified Cash Basis - continued

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Expenditures						
General government	\$ 1,639,171	\$ 1,816,576	\$ -	\$ -	\$ 1,639,171	\$ 1,816,576
Public safety	9,613,161	9,770,066	-	-	9,613,161	9,770,066
Public works - sanitation	1,495,543	1,600,388	4,502,620	4,026,312	5,998,163	5,626,700
Public works - highways and streets	4,605,455	3,242,808	-	-	4,605,455	3,242,808
Culture and recreation	1,438,850	1,716,222	-	-	1,438,850	1,716,222
Community development	3,150	-	-	-	3,150	-
Debt service	1,847,846	1,884,605	-	-	1,847,846	1,884,605
Employer paid benefits, insurance, other	<u>133,672</u>	<u>122,704</u>	<u>-</u>	<u>-</u>	<u>133,672</u>	<u>122,704</u>
Total Expenditures	<u>20,776,848</u>	<u>20,153,369</u>	<u>4,502,620</u>	<u>4,026,312</u>	<u>25,279,468</u>	<u>24,179,681</u>
Increase (Decrease) in Net Position	(136,240)	1,774,283	790,627	534,843	654,387	2,309,126
Net Position at Beginning of Year	<u>13,813,277</u>	<u>12,038,994</u>	<u>4,858,934</u>	<u>4,324,091</u>	<u>18,672,211</u>	<u>16,363,085</u>
Net Position at End of Year	<u>\$13,677,037</u>	<u>\$13,813,277</u>	<u>\$ 5,649,561</u>	<u>\$ 4,858,934</u>	<u>\$19,326,598</u>	<u>\$18,672,211</u>

The Township's combined net position, resulting from modified cash basis transactions, increased \$654,387 and \$2,309,126 during 2018 and 2017, respectively (see Table A-2). Looking at the net position and net expenses of governmental and business-type activities separately, governmental activities had a decrease of \$136,240 and business-type activities had an increase of \$790,627 during 2018.

TOWNSHIP OF SPRING
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

A Financial Analysis of the Township as a Whole - continued

Governmental Activities

To aid in the understanding of the statement of activities, some additional explanation is provided. Of particular interest is the format that is significantly different from a typical statement of activities. You will notice that expenses are listed in the first column, with revenues from that particular program reported to the right. The result is net revenue (expenditures) by program. This type of format highlights the relative financial burden of each of the functions on the Township's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenues, even if restricted for a specific purpose.

For the years ended December 31, 2018 and 2017, total revenues for governmental activities, resulting from modified cash basis transactions, amounted to \$20,640,608 and \$21,927,652, respectively. The 2018 amount includes proceeds from the sale of capital assets of \$1,655 and transfers in of \$1,313,747. The 2017 amount includes proceeds from the sale of capital assets of \$775,427 and transfers in of \$1,289,130.

For the years ended December 31, 2018 and 2017, total expenditures for governmental activities, resulting from modified cash basis transactions, amounted to \$20,776,848 and \$20,153,369, respectively. Of these total disbursements for the years ended December 31, 2018 and 2017, respectively, taxpayers and other general revenues funded \$14,566,884 and \$16,934,256, respectively, while those directly benefiting from the program funded \$2,004,185 and \$2,425,377, respectively, from grants and other contributions, and \$4,069,539 and \$2,568,019, respectively, from charges for services.

Business-Type Activities

In reviewing the business-type activities' net revenues/expenditures resulting from modified cash basis transactions for the years ended December 31, 2018 and 2017, there are certain activities that need to be examined more closely. While the sewer system activities reported revenues (net of interfund transfers) of \$5,293,247 and \$4,561,155, respectively, the sewer system reported expenditures of \$4,502,620 and \$4,026,312, respectively. The 2018 expenditures include \$1,985,972 of payments made for wastewater treatment of Township generated sewage at treatment facilities not operated by the Township. Included in the sewer system revenues for the year ended December 31, 2018 were tapping fees of \$108,007 related to fees for new connections to the system. The sewer system had operating income before transfers of \$2,104,374 and \$1,823,973 for the years ended December 31, 2018 and 2017, respectively.

TOWNSHIP OF SPRING
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

A Financial Analysis of the Township's Funds

Certain funds experienced noteworthy changes from the prior year and are highlighted as follows:

- For the year ended December 31, 2018, the General Fund reported revenues of \$13,025,171 and expenditures of \$13,036,394 (including transfers out of \$684,468), resulting in a decrease in fund balance of \$11,223. This compares to a decrease in the General Fund balance of \$376,341 for the year ended December 31, 2017.
 - The real estate tax millage for general purposes was 2.60 and 2.25 for 2018 and 2017, respectively.
 - During 2018, the Township saw the effects of the economy and legislative changes throughout various general fund revenue areas:
 - ❖ Earned income tax revenue increased \$135,755 or 3.4% when compared to 2017. In 2017, earned income tax revenue increased \$156,100 or 4.0% when compared to 2016.
 - ❖ Real estate transfer and other tax revenue decreased \$171,468 or 6.5% when compared to 2017. In 2017, real estate transfer and other tax revenue increased \$117,815 or 4.7% when compared to 2016.
- The Fire Protection Fund had a deficiency of revenues and net transfers under expenditures in the amount of \$118,545 for the year ended December 31, 2018.
- The Refuse Fund had an excess of revenues and net transfers under expenditures in the amount of \$244,027 for the year ended December 31, 2018.
- The Transportation Impact Fund had an excess of revenues and net transfers over expenditures in the amount of \$33,481 for the year ended December 31, 2018.
- The Capital Fund had an excess of revenues and net transfers over expenditures in the amount of \$248,571 for the year ended December 31, 2018.
- The Sewer Fund had an increase in net position during 2018 in the amount of \$790,627. The majority of the excess was a result of an increase in collection and treatment costs of approximately \$898,000.

TOWNSHIP OF SPRING
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

Budgetary Highlights

For the year ended December 31, 2018, General Fund expenditures were \$316,899 less than appropriations, while actual resources available for appropriation were \$112,866 above the budgeted amount.

For the year ended December 31, 2018, Fire Protection Fund expenditures were \$85,529 greater than appropriations, while actual resources available for appropriation were \$764 below the budgeted amount.

For the year ended December 31, 2018, Refuse Fund expenditures were \$6,707 less than appropriations, while actual resources available for appropriation were \$32,070 above the budgeted amount.

For the year ended December 31, 2018, Transportation Impact Fund expenditures were \$11,000 less than appropriations, while actual resources available for appropriation were \$18,982 above the budgeted amount.

Capital Assets and Debt Administration

Capital Assets

The acquisition of capital assets by the Township is reported as expenditures in the year of acquisition in the fund acquiring the related assets.

Long-Term Debt

Proceeds from the acquisition of long-term debt are reported as revenues in the respective fund acquiring the debt in the year the proceeds are received. Correspondingly, debt service payments are reported as expenditures in the year payment is made by the fund making the related debt service payments.

The Township had long-term debt outstanding from General Obligation Bonds of \$18,520,000 and \$19,180,000 at December 31, 2018 and 2017, respectively.

The Township also had long-term debt outstanding from loans payable to the County of Berks in the amount of \$55,094.

Additional information on the Township's long-term debt can be found in Note 5 of this report.

TOWNSHIP OF SPRING
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

Economic Factors and Next Year's Budget and Rates

The economic downturn that began over 10 years ago is still impacting the vitality of the residential development market in the Township. The annual number of new home permits issued by the Township Codes Department had steadily decreased over a number of years, reaching a low of 6 in 2017. That trend was broken in 2018 when the number of new home permits increased to 12.

One of the two garden apartment projects that had been under review in 2017 was approved by the Township in December of 2018, with site construction for this 210-unit development already underway in accordance with the provisions of a Pre-Plan Approval Construction Agreement. The second garden apartment project received Preliminary Plan approval and construction of this 180-unit development is anticipated within 2019.

Despite a similar decline in commercial development, a few significant improvements did take place in 2018. The 40,000-square foot building at 3000 Penn Avenue which was purchased by the Yocum Institute for the Arts, was fully renovated during 2018 and opened to the public in September. The Institute provides training and education in theater, music, dance and art (painting, sculpture, and ceramics) and has an extensive outreach program throughout the community. The Township has viewed the renovation of this property as important in the projected revitalization of Penn Avenue.

Other commercial activities taking place in 2018 included: building expansion and parking improvements at the Reading Dermatology office along Penn Avenue, installation of additional petroleum handling facilities at the Sunoco tank farm, conversion of a building along SR 724, formerly occupied by a laundromat and dry cleaner, to a flooring business and approval of a 7,000-square foot Mavis Discount Tire facility on an open lot within the Spring Meadow shopping center.

In the Spring Ridge area, the developer of the proposed hospital/medical office complex and retail shopping center on the 100-acre property owned by the Reading Hospital has advanced the project by negotiating with potential anchor stores. The applicant's consulting engineer has continued to work on traffic and transportation planning for the project.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact John Groller, Director of Financial Services, or Tracy Daniels, Township Treasurer, at 610-678-5393.

TOWNSHIP OF SPRING

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

December 31, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 13,618,097	\$ 5,715,164	\$ 19,333,261
Internal balances	65,603	(65,603)	-
Other current assets	1,399	-	1,399
TOTAL ASSETS	13,685,099	5,649,561	19,334,660
LIABILITIES			
Payroll taxes withheld	8,062	-	8,062
TOTAL LIABILITIES	8,062	-	8,062
NET POSITION			
Restricted	3,431,912	-	3,431,912
Unrestricted	10,245,125	5,649,561	15,894,686
TOTAL NET POSITION	\$ 13,677,037	\$ 5,649,561	\$ 19,326,598

TOWNSHIP OF SPRING

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities:							
General government	\$ 1,639,171	\$ 560,916	\$ 63,713	\$ -	\$ (1,014,542)	\$ -	\$ (1,014,542)
Public safety:							
Police	6,032,271	162,696	238,746	-	(5,630,829)	-	(5,630,829)
Fire, ambulance, and rescue	2,813,861	215,383	325,303	-	(2,273,175)	-	(2,273,175)
Other (planning, zoning, etc.)	767,029	414,156	24,861	-	(328,012)	-	(328,012)
Public works - sanitation	1,495,543	1,967,831	48,084	-	520,372	-	520,372
Public works - highways and streets	4,605,455	527,484	954,999	-	(3,122,972)	-	(3,122,972)
Culture and recreation	1,438,850	221,073	60,711	-	(1,157,066)	-	(1,157,066)
Community development	3,150	-	-	-	(3,150)	-	(3,150)
Debt service - principal	885,639	-	-	-	(885,639)	-	(885,639)
Debt - interest, fiscal agent fees	962,207	-	-	287,768	(674,439)	-	(674,439)
Employer paid benefits, insurance, other	133,672	-	-	-	(133,672)	-	(133,672)
Total Governmental Activities	20,776,848	4,069,539	1,716,417	287,768	(14,703,124)	-	(14,703,124)
Business-Type Activities							
Sewer	4,502,620	6,448,730	23,845	-	-	1,969,955	1,969,955
Total Primary Government	\$ 25,279,468	\$ 10,518,269	\$ 1,740,262	\$ 287,768	(14,703,124)	1,969,955	(12,733,169)
General Revenues:							
Taxes:							
Property taxes					6,205,981	-	6,205,981
Earned income taxes					4,172,063	-	4,172,063
Real estate transfer and other taxes					2,447,514	-	2,447,514
Investment earnings					313,142	110,515	423,657
Miscellaneous income					114,437	23,904	138,341
Transfers					1,313,747	(1,313,747)	-
Total General Revenues and Transfers					14,566,884	(1,179,328)	13,387,556
Change in Net Position					(136,240)	790,627	654,387
Net Position - Beginning of Year (restated)					13,813,277	4,858,934	18,672,211
Net Position - End of Year					\$ 13,677,037	\$ 5,649,561	\$ 19,326,598

See accompanying notes.

TOWNSHIP OF SPRING
BALANCE SHEET - MODIFIED CASH BASIS -
GOVERNMENTAL FUNDS

December 31, 2018

	General	Fire Protection	Refuse	Transportation Impact	Capital	Nonmajor Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 6,444,902	\$ 155,013	\$ 616,032	\$ 1,455,771	\$ 3,235,929	\$ 1,710,450	\$ 13,618,097
Interfund receivables	40,523	67,363	356	-	-	197	108,439
Other current assets	1,399	-	-	-	-	-	1,399
TOTAL ASSETS	\$ 6,486,824	\$ 222,376	\$ 616,388	\$ 1,455,771	\$ 3,235,929	\$ 1,710,647	\$ 13,727,935
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Payroll taxes withheld	\$ 8,062	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,062
Interfund payables	42,657	-	-	161	-	18	42,836
TOTAL LIABILITIES	50,719	-	-	161	-	18	50,898
FUND BALANCES							
Restricted	-	222,376	616,388	1,455,610	-	1,137,538	3,431,912
Assigned	-	-	-	-	3,235,929	573,091	3,809,020
Unassigned	6,436,105	-	-	-	-	-	6,436,105
TOTAL FUND BALANCES	6,436,105	222,376	616,388	1,455,610	3,235,929	1,710,629	13,677,037
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,486,824	\$ 222,376	\$ 616,388	\$ 1,455,771	\$ 3,235,929	\$ 1,710,647	\$ 13,727,935

See accompanying notes.

TOWNSHIP OF SPRING

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2018

	General	Fire Protection	Refuse	Transportation Impact	Capital	Nonmajor Funds	Total Governmental Funds
REVENUES							
Real estate taxes	\$ 4,090,218	\$ 2,115,763	\$ -	\$ -	\$ -	\$ -	\$ 6,205,981
Earned income taxes	4,172,063	-	-	-	-	-	4,172,063
Other taxes	2,447,514	-	-	-	-	-	2,447,514
Licenses, permits, and fines	866,441	-	-	-	-	-	866,441
Interest and rent	156,976	13,796	19,157	27,416	45,241	50,556	313,142
Intergovernmental	488,296	307,230	74,136	-	-	1,193,044	2,062,706
Charges for services	685,976	3,824	1,941,777	-	-	-	2,631,577
Special assessments	-	-	-	6,065	-	420,403	426,468
Other	116,032	70,621	-	-	-	12,661	199,314
TOTAL REVENUES	13,023,516	2,511,234	2,035,070	33,481	45,241	1,676,664	19,325,206
EXPENDITURES							
Current:							
General government	1,560,932	5,841	8,769	-	53,739	9,890	1,639,171
Public safety:							
Police	6,015,203	-	-	-	17,068	-	6,032,271
Fire, ambulance, and rescue	391,004	2,336,052	-	-	-	86,805	2,813,861
Other (planning, zoning, etc.)	767,029	-	-	-	-	-	767,029
Public works - sanitation	-	-	1,495,543	-	-	-	1,495,543
Public works - highways and streets	2,162,579	-	-	-	814,463	1,628,413	4,605,455
Culture and recreation	1,306,115	-	-	-	132,735	-	1,438,850
Community development	3,150	-	-	-	-	-	3,150
Debt service - principal	34,779	106,992	-	-	83,868	660,000	885,639
Debt service - interest, fiscal agent fees	-	8,940	-	-	3,547	949,720	962,207
Employer paid benefits, insurance, other	111,135	21,704	731	-	-	102	133,672
TOTAL EXPENDITURES	12,351,926	2,479,529	1,505,043	-	1,105,420	3,334,930	20,776,848
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	671,590	31,705	530,027	33,481	(1,060,179)	(1,658,266)	(1,451,642)

See accompanying notes.

TOWNSHIP OF SPRING

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS - CONTINUED

For the Year Ended December 31, 2018

	General	Fire Protection	Refuse	Transportation Impact	Capital	Nonmajor Funds	Total Governmental Funds
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	671,590	31,705	530,027	33,481	(1,060,179)	(1,658,266)	(1,451,642)
OTHER FINANCING SOURCES (USES)							
Sale of capital assets	1,655	-	-	-	-	-	1,655
Transfers in (out)	(684,468)	(150,250)	(286,000)	-	1,308,750	1,125,715	1,313,747
TOTAL OTHER FINANCING SOURCES (USES)	(682,813)	(150,250)	(286,000)	-	1,308,750	1,125,715	1,315,402
NET CHANGE IN FUND BALANCES	(11,223)	(118,545)	244,027	33,481	248,571	(532,551)	(136,240)
FUND BALANCES - BEGINNING OF YEAR (RESTATED)	6,447,328	340,921	372,361	1,422,129	2,987,358	2,243,180	13,813,277
FUND BALANCES - END OF YEAR	<u>\$ 6,436,105</u>	<u>\$ 222,376</u>	<u>\$ 616,388</u>	<u>\$ 1,455,610</u>	<u>\$ 3,235,929</u>	<u>\$ 1,710,629</u>	<u>\$ 13,677,037</u>

TOWNSHIP OF SPRING

STATEMENT OF NET POSITION - MODIFIED CASH BASIS -
PROPRIETARY FUND

December 31, 2018

	<u>Sewer Fund</u>
ASSETS	
Cash and investments	\$ 5,715,164
LIABILITIES	
Interfund payables	<u>65,603</u>
NET POSITION	
Unrestricted	<u>5,649,561</u>
TOTAL NET POSITION	<u><u>\$ 5,649,561</u></u>

TOWNSHIP OF SPRING

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
MODIFIED CASH BASIS - PROPRIETARY FUND**

For the Year Ended December 31, 2018

	Sewer Fund
OPERATING REVENUES	
Charges for services:	
Sewer charges	\$ 6,340,075
Tapping fees	108,007
Miscellaneous revenue	648
TOTAL OPERATING REVENUES	6,448,730
OPERATING EXPENSES	
Personnel services	714,872
Maintenance, operations, and contract services	2,766,607
Professional fees	110,567
Materials and supplies	15,604
Capital outlay	808,061
Bank fees	38,851
Insurance	48,058
TOTAL OPERATING EXPENSES	4,502,620
NET OPERATING INCOME	1,946,110
NONOPERATING REVENUES (EXPENSES)	
State subsidies	23,845
Interest income	110,515
Other income	23,904
TOTAL NONOPERATING REVENUES (EXPENSES)	158,264
INCOME BEFORE TRANSFERS	2,104,374
TRANSFERS OUT	(1,313,747)
CHANGE IN NET POSITION	790,627
NET POSITION - BEGINNING OF YEAR	4,858,934
NET POSITION - END OF YEAR	\$ 5,649,561

See accompanying notes.

TOWNSHIP OF SPRING

STATEMENT OF NET POSITION - MODIFIED CASH BASIS -
FIDUCIARY FUNDS

December 31, 2018

	Pension Trust Funds	Agency (Escrow) Funds
ASSETS		
Investments	<u>\$ 21,740,437</u>	<u>\$ 77,896</u>
TOTAL ASSETS	<u>21,740,437</u>	<u>77,896</u>
LIABILITIES		
Funds held in escrow	<u>-</u>	<u>\$ 77,896</u>
NET POSITION		
Net position held in trust for pension benefits	<u>\$ 21,740,437</u>	

TOWNSHIP OF SPRING

STATEMENT OF CHANGES IN NET POSITION -
MODIFIED CASH BASIS - FIDUCIARY FUNDS

For the Year Ended December 31, 2018

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
Township and Commonwealth	\$ 1,558,906
Employee	98,771
Investment income (loss)	<u>(1,470,108)</u>
TOTAL ADDITIONS	187,569
DEDUCTIONS	
Benefit payments, including tax withheld	1,320,862
Administrative expenses	<u>97,253</u>
TOTAL DEDUCTIONS	<u>1,418,115</u>
CHANGE IN NET POSITION	(1,230,546)
TOTAL NET POSITION - BEGINNING OF YEAR	<u>22,970,983</u>
TOTAL NET POSITION - END OF YEAR	<u><u>\$ 21,740,437</u></u>

TOWNSHIP OF SPRING

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

The Township of Spring (the "Township"), Berks County, Pennsylvania, is a second class township created in 1850. The Township is governed by five (5) elected supervisors in accordance with laws of the Commonwealth of Pennsylvania. The supervisors must be residents and registered voters who are elected every two years, on a staggered basis, for a four-year term. The supervisors have the power to establish policies to be carried out by the Township. The supervisors appoint a manager who is responsible for the execution of all actions of the supervisors and manages the Township.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As described further in Note 1D., these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

A. Financial Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Township (the primary government) and its component units, if applicable.

The Township used guidance contained in generally accepted accounting principles to evaluate the possible inclusion of related entities (authorities, townships, etc.) within its reporting entity. Accounting principles generally accepted in the United States of America require that the reporting entity consists of the primary government and organizations for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management's professional judgment that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that organization should be included as a component unit if the nature and significance of their relationship with the primary government or other component units are such that the exclusion from the financial reporting entity would render the financial reporting entity's financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units.

Based on the foregoing criteria, the Township has determined it has no component units.

TOWNSHIP OF SPRING

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the reporting government as a whole within the limitations of the modified cash basis of accounting. They include all funds of the reporting entity except for fiduciary funds which are reported only in the fund financial statements. The government-wide statements include separate columns and distinguish between the governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, and other nonexchange receipts. Business-type activities are financed, in whole or part, by fees charged to external parties for goods or services.

The statement of activities demonstrates the level to which the direct expenses of a given function of the Township are offset by the program revenues related to that function. Direct expenses are those that are directly related to and clearly identified with a function. Program revenues include 1) charges to customers or others who purchase, use, or directly benefit from services or goods provided by a given function, or 2) taxes and grants and contributions that are restricted to meet the operational or capital requirements of a function. Taxes and other items not includable in program revenues are reported as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are the transfers between governmental funds and business-type and fiduciary funds. Elimination of these contributions would distort the direct costs and program revenues reported for the various functions concerned.

C. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Township Reports the Following Governmental Funds:

General Fund - This fund is established to account for resources devoted to financing the general services that the Township performs for its citizens. General tax receipts and other sources of receipts used to finance the fundamental operations of the Township are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established and is a major fund.

TOWNSHIP OF SPRING

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

The Township Reports the Following Governmental Funds - continued:

Special Revenue Funds - These funds are established to account for the cash receipts of specific sources other than expendable trusts or major capital projects that are legally restricted to disbursements for specified purposes.

The Township's major special revenue funds are:

- Fire Protection Fund - This fund is used to account for the proceeds from the real estate assessment of 1.35 mills for assisting with fire related public safety expenses.
- Refuse Fund - This fund is used to account for the annual per capita assessments levied upon all adult residents of the Township for the removal and disposal of refuse and recycling materials and for the expenditures incurred by the Township to provide this service.
- Transportation Impact Fund - This fund is used to account for the collection of transportation impact assessments from new developments, which adversely affect the transportation facilities within the Township.

The Township's other major governmental fund is:

Capital Fund - This fund is used to account for the financial resources set aside by the Township to be used for the acquisition or construction of capital items.

The Township's nonmajor governmental funds are:

Special Revenue

- Fire Hydrant Tax Fund - This fund is used to account for the annual .06 mills received from properties benefiting from fire protection service and for the expenditures incurred by the Township to provide fire hydrants and water supply for fire protection.
- Liquid Fuels Fund - This fund is used to account for the proceeds from the State Motor License Fund. Under the act of June 1, 1956, P.O. 1944, No. 145, this fund must be kept separate from all other funds and no other funds shall be commingled with this fund. Expenditures are legally restricted to expenditures for highway purposes in accordance with Department of Transportation regulations.

TOWNSHIP OF SPRING

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

The Township Reports the Following Governmental Funds - continued:

The Township's nonmajor governmental funds are - continued:

- Street Lighting Tax Fund - This fund is used to account for the annual front-foot assessment received from properties benefiting from public street lighting and for the expenditures incurred by the Township to provide this service.
- Transportation Improvement District Fund - This fund is used to account for the collection of transportation improvement assessments from new developments that adversely affect the transportation infrastructure within the Township.

Capital Projects

- Capital Escrow Fund - This fund is used to account for the financial resources maintained for future capital needs of the Township.
- Park Capital Outlay Fund - This fund is used to account for the fees received from developers and used by the Township to acquire, improve, and/or maintain public open space areas.

Debt Service

- Sinking Fund - This fund is used for the purpose of accumulating resources for the payment of interest and principal of long-term debt.

The Township has the Following Major Enterprise Fund:

Enterprise Funds - These funds are used to account for business-like activities provided to the general public. Activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The Township's major enterprise fund is the following:

- Sewer Fund - This fund is used to account for the operation of the sewer collection system which is operated as a public utility and not included as a regular function in the general fund.

TOWNSHIP OF SPRING

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

Additionally, the Township Reports the Following Fund Types:

Fiduciary Funds - The Township's fiduciary funds are trust funds and agency funds. Trust funds are used to account for assets held by the Township under a trust agreement for individuals, private organizations, or other governments and, therefore, are not available to support the Township's own programs. The Township's trust funds include:

- *Spring Township Police Pension Fund* - This fund was established to provide pension benefits to Township police employees.
- *Spring Township Firefighters Pension Fund* - This fund was established to provide pension benefits to Township full-time firefighter employees.
- *Spring Township Nonuniformed Pension Fund* - This fund was established to provide pension benefits to Township employees.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Township's agency funds include monies that are held in escrow for other parties for specific uses within the Township's boundaries.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as interfund receivables and payables. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

TOWNSHIP OF SPRING

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

1. Measurement Focus

In the government-wide statement of net position and statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting.

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- The proprietary fund utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.
- The fiduciary funds utilize an economic resources measurement focus within the limitations of the modified cash basis of accounting. All assets and liabilities (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

TOWNSHIP OF SPRING

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Measurement Focus and Basis of Accounting - continued

2. Basis of Accounting

The financial statements are presented in accordance with a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, interfund receivables and payables, and payroll taxes withheld.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not arise from cash transactions or events are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value, except investments which are reported at fair value.

If the Township utilized accounting principles generally accepted in the United States of America, the fund financial statements for governmental funds would use the modified accrual basis of accounting, and the fund financial statements for proprietary and fiduciary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented in accordance with the accrual basis of accounting.

E. Financial Position

1. Investments

Investments are valued at fair value in accordance with Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, except for investments in external investment pools, which are valued at amortized costs if required criteria are met as outlined in Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*.

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

TOWNSHIP OF SPRING

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

2. Interfund Transactions

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "interfund receivables/payables." Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statement as "internal balances."

3. Capital Assets

In the government-wide and fund financial statements, capital assets arising from cash transactions are recorded as capital outlay expenditures (expenses) upon acquisition. Infrastructure assets consisting of certain improvements, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are recorded as expenditures in the fund types expending the funds. Proceeds from the sale of capital assets are reported as other financing sources in the fund financial statements and as a charge for service in the Statement of Activities.

4. Long-Term Debt

Debt proceeds are reported as other financing sources in the fund financial statements and as general revenues in the government-wide financial statements. Payment of principal and interest is reported as expenditures (expenses).

5. Net Position/Fund Balance Classifications

Government-Wide Statements, Proprietary Funds, and Fiduciary Funds

Net position is classified and displayed in two components:

Restricted - This component 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 - This component represents net positions of the Township, which are not restricted for any project or other purpose.

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

TOWNSHIP OF SPRING

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

5. Net Position/Fund Balance Classifications - continued

Governmental Fund Financial Statements

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers.

Committed - Amounts that can be used only for a specific purpose determined by a formal action (resolution) of the Township supervisors, the government's highest level of decision-making authority. The formal action to commit fund balance to a specific purpose must occur prior to the end of the reporting period, but the amount which will be subject to the constraint may be determined in the subsequent period. Committed funds may only be changed or lifted by the same formal action taken to commit them.

Assigned - Amounts that the Township supervisors intend to use for a specific purpose. Assignments of fund balance are made by the Township supervisors.

Unassigned - Amounts that are not included within any other classification noted. Unassigned amounts are the portion of fund balance not obligated or specifically designated and is available for any purpose.

Fund Balance Policies

Spending Policy

The Township does not have a formal fund balance policy regarding the use of restricted resources; therefore, the default policy from the government accounting standards will be used. Any disbursement incurred for a purpose in which restricted and unrestricted fund balance amounts are available are satisfied through restricted fund balance amounts before unrestricted fund balance amounts. When an expenditure is incurred for a purpose in which unrestricted fund balance amounts are available under committed, assigned, or unassigned fund balances, the fund balance is consumed as follows: committed, assigned, and unassigned.

TOWNSHIP OF SPRING

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

5. Net Position/Fund Balance Classifications - continued

Fund Balance Policies - continued

Minimum Fund Balance Policy

The Township has no formal minimum fund balance policies or any formal stabilization arrangements in place.

F. Revenues, Expenditures, and Expenses

1. Program Revenues

In the statement of activities, revenues that are derived directly from each activity or from parties outside the Township's taxpayers are reported as program receipts. The Township has the following program receipts in each activity:

General Government - Charges for services include receipts for licenses, franchise fees, fines, and permits. Operating grants include revenues for general government expenditures.

Public Safety - Charges for services include receipts for fines and permits, fire hydrant assessments, as well as payments for fire protection management. Operating grants include foreign fire insurance tax distribution from the Commonwealth of Pennsylvania.

Public Works: Sanitation - Charges for services include fees charged for refuse and recycling collection fees. Operating grants include recycling grants from the Commonwealth of Pennsylvania.

Public Works: Highways and Streets - Charges for services include street light assessments and road encroachment fees. Operating grants include proceeds from the State Motor License Fund through the Commonwealth of Pennsylvania.

Culture and Recreation - Charges for services include registration fees from the Township's playground program and park rentals. Operating grants include revenues from special events and contributions.

Debt - Includes federal receipts for interest reimbursement on the Township's Build America Bonds.

The Township also receives general municipal pension system state aid from the Commonwealth of Pennsylvania. This aid is all allocated to the various categories under operating grants based on where corresponding pension expense is incurred.

TOWNSHIP OF SPRING

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Revenues, Expenditures, and Expenses - continued

1. Program Revenues - continued

All other governmental revenues are reported as general revenue. All taxes are classified as general revenues even if restricted for a specific purpose.

2. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer fund are charges to customers for wastewater treatment. Operating expenses for all the sewer fund include personnel, maintenance, operations, contracted services, professional fees, materials and supplies, capital outlay, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

3. Property Taxes

Property taxes are levied on March 1, and are payable on or before June 30. The tax levy ordinance for the 2018 calendar year levied taxes on March 1, 2018, at 3.95 mills (2.60 mills for general operating purposes and 1.35 mills for fire protection). Taxes paid prior to April 30 are payable at a 2% discount, and taxes paid after June 30 are assessed at a 10% penalty. Taxes not paid as of January 15 are considered delinquent and are turned over to the Berks County Tax Claim Bureau for collection. The taxes are levied based on assessed values on property. Assessed values are an approximation of market value. All taxable real property was assessed at \$1,589,273,000.

4. Compensated Absences

Compensated absences for vacation and sick leave are recorded when paid.

5. Other Postemployment Benefits

The Township provides certain benefits for its retired employees. The cost of such benefit is charged to expense as the premiums are paid.

G. Use of Estimates

The preparation of the financial statements in accordance with the modified cash basis of accounting used by the Township requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWNSHIP OF SPRING

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data

The Township adopts an annual operating budget, which can be amended by the supervisors throughout the year. Formal budgetary accounting is employed as a management control for all funds of the Township. Legal budgets are adopted for the general, fire protection, refuse, and transportation impact major governmental funds. For each of the funds for which a formal budget is adopted, the same basis of accounting is used to reflect actual revenues and expenditures recognized on the cash basis. For this reason, no reconciliation will be needed between budgeted and actual amounts.

The Township follows the procedures outlined below in establishing the budgetary data reflected in the financial statements:

1. Prior to December 1, the Director of Financial Services submits to the Township supervisors a proposed operating budget for the fiscal year commencing the following January. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted at the Township meeting to obtain taxpayer comments.
3. Prior to January 1, the budget is legally enacted through passage of an ordinance.

Excess of Expenditures Over Appropriations

For the year ended December 31, 2018, the fire protection fund has excess expenditures over appropriations of \$85,529. The Township used fund balance to fund the excess expenditures. For the year ended December 31, 2018, expenditures did not exceed appropriations in an other major governmental fund in which a budget was adopted.

NOTE 3 - CASH AND INVESTMENTS

The Township is permitted to invest in the following types of investments as defined in the Commonwealth of Pennsylvania Second Class Township Code:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

TOWNSHIP OF SPRING

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Deposits in savings accounts, time deposits, or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and for any amounts above the insured maximum, provided that approved collateral as provided by law, therefore, shall be pledged by the depository.

Pennsylvania Act 10 of 2016 became effective May 25, 2016, and expanded the permitted investment types to include commercial paper, bankers' acceptances, negotiable certificates of deposit, and insured bank deposit reciprocals as long as certain safeguards related to credit quality and maturity are met.

Cash and investments in the financial statements at December 31, 2018, are summarized as follows:

Deposits	\$ 19,411,157
Investments - pension funds	<u>21,740,437</u>
	<u>\$ 41,151,594</u>

Cash

Custodial Credit Risk - Deposit

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Township has a deposit policy for custodial risk that requires depository institutions to pledge securities as collateral for deposits that exceed depository insurance. As of December 31, 2018, the carrying amount of the Township's deposits was \$19,411,157 and the bank balance was \$19,678,155. Of the balance, \$405,356 was covered by federal depository insurance and \$19,272,799 was exposed to custodial credit risk but covered by collateralization requirements in accordance with Act 72 of the 1971 Session of the Pennsylvania General Assembly.

Investments

Pension Trust Fund

The pension trust funds' investments are held separately from those of other Township funds. Assets in the pension trust funds are stated at fair value. Any premiums or discounts are recognized as a gain or loss upon disposition. The Township maintains investment policies that summarize the investment philosophy of the Township and establishes investment guidelines and performance objectives for the Police, Firefighters and Nonuniformed Pension Plans.

TOWNSHIP OF SPRING

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Investments - continued

Pension Trust Fund - continued

As of December 31, 2018, the Township had the following investments in its pension trust funds:

<u>Investment Type</u>	<u>Fair Market Value</u>	<u>Level</u>
Pooled Investment (Mutual Funds):		
Domestic Equity	\$ 11,704,313	2
Fixed Income	7,246,793	2
International	2,222,498	2
Short-term Fixed Income	<u>566,833</u>	2
Total Pension Investments	<u><u>\$ 21,740,437</u></u>	

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

An investment company holds the Township's pooled investments in diversified and balanced portfolios consisting of mutual funds. These investments are valued based on the quoted market prices for shares held. The fair value of the Township's investments has been established utilizing the net asset value of the units allocated to the Township.

Interest Rate Risk

The Township does not have a formal investment policy that limits maturities in certain investments as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Township does not have an investment policy that would limit its investment choices to certain credit rating. The Township's investments in pension funds held in mutual funds are not rated.

Concentration of Credit Risk

The Township places no limit on the amount the Township may invest in any one issuer. The Township's fiduciary investments are investments in mutual funds and excluded from this risk.

TOWNSHIP OF SPRING

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Custodial Credit Risk

For an investment, custodial credit risk is the risk that in the event of the failure of the bank or counterparty the pension trust funds will not be able to recover the value of their investments or collateral securities that are in the possession of an outside entity. The Township does not hold any investments subject to custodial credit risk.

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

Interfund receivables and payables are summarized as follows at December 31, 2018:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Funds		
Major Funds:		
General fund	\$ 40,523	\$ 42,657
Fire Protection	67,363	-
Refuse	356	-
Transportation Impact	-	161
Nonmajor Funds:		
Fire Hydrant Tax	8	-
Liquid Fuels	-	18
Street Lighting Tax	29	-
Park Capital Outlay	160	-
Enterprise Funds		
Sewer	-	65,603
	<u>\$ 108,439</u>	<u>\$ 108,439</u>

Interfund receivables and payables exist as a result of the time lag between the dates when goods and services are provided and payments between funds are made. All balances outstanding will be paid within one year.

TOWNSHIP OF SPRING

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS - CONTINUED

Interfund transfers are as follows at December 31, 2018:

	Transfers In	Transfers Out
Governmental Funds		
Major Funds:		
General fund	\$ 696,500	\$ 1,380,968
Fire Protection	10,000	160,250
Refuse	-	286,000
Capital	1,308,750	-
Nonmajor Funds:		
Park Capital Outlay	-	195,000
Sinking	1,320,715	-
Enterprise Funds		
Sewer	-	1,313,747
	<u>\$ 3,335,965</u>	<u>\$ 3,335,965</u>

Transfers were made for current and future capital needs, to satisfy debt service requirements, and to cover indirect costs.

NOTE 5 - LONG-TERM DEBT

General Obligation Bonds, Series of 2010 (Business-Type Activities)

On December 8, 2010, the Township issued \$15,120,000 in General Obligation Bonds (Federally Taxable-Issuer Subsidy Build America Bonds) to fund sewer capital projects located within the Township. Principal payments are due annually on November 15th of each year, while interest is due semi-annually on May 15th and November 15th of each year. Final payment of the outstanding principal and accrued interest is due on November 15, 2039. The Bond bears interest at rates ranging from 4.25% to 6.05%.

General Obligation Bonds, Series of 2012 (Governmental Activities)

On March 15, 2012, the Township issued \$6,475,000 in General Obligation Bonds (Federally Taxable-Issuer Subsidy Build America Bonds) to fund certain capital projects located within the Township. Principal payments are due annually on November 15th of each year, while interest is due semi-annually on May 15th and November 15th of each year. Final payment of the outstanding principal and accrued interest is due on November 15, 2023. The Bond bears interest at rates ranging from 1.00% to 2.00%.

TOWNSHIP OF SPRING

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 5 - LONG-TERM DEBT - CONTINUED

County of Berks Radio Loans

During 2012, the Township entered into interest-free promissory notes with the County of Berks, Pennsylvania, for public safety system hardware and accessory hardware on behalf of Spring Township Police Department and Spring Township Fire Department. Annual payments of \$55,094 were made beginning June 1, 2013, through 2019. The annual payments consist of \$34,779 for Spring Township Police Department hardware, \$18,452 for Spring Township Fire Department hardware, and \$1,863 for Spring Township Fire Department AFG hardware.

Principal maturities on the long-term debt are as follows:

	GOB Series of 2010	GOB Series of 2012	County of Berks Radio Loans	Total Principal	Total Interest
2019	\$ 5,000	\$ 660,000	\$ 55,094	\$ 720,094	\$ 941,320
2020	5,000	675,000	-	680,000	931,207
2021	5,000	685,000	-	690,000	917,495
2022	5,000	700,000	-	705,000	903,545
2023	5,000	715,000	-	720,000	889,295
2024-2028	4,005,000	-	-	4,005,000	3,974,975
2029-2033	4,790,000	-	-	4,790,000	2,766,980
2034-2038	5,800,000	-	-	5,800,000	1,217,197
2039	465,000	-	-	465,000	28,132
	<u>\$ 15,085,000</u>	<u>\$ 3,435,000</u>	<u>\$ 55,094</u>	<u>\$ 18,575,094</u>	<u>\$ 12,570,146</u>

The following is a summary of the Township's long-term debt transactions for the year ended December 31, 2018:

	Balance 1/1/2018	Additions	Payments	Balance 12/31/2018
General Obligation Bonds, Series of 2010	\$ 15,090,000	\$ -	\$ 5,000	\$ 15,085,000
General Obligation Bonds, Series of 2012	4,090,000	-	655,000	3,435,000
County of Berks Radio Loans	110,188	-	55,094	55,094
	<u>\$ 19,290,188</u>	<u>\$ -</u>	<u>\$ 715,094</u>	<u>\$ 18,575,094</u>

Funds to satisfy the outstanding liabilities will be provided by future tax revenues, other general revenues, and federal bond subsidies with payments made by the Sinking Fund. Total interest expense paid during the year was \$949,720. Total federal bond subsidies received in 2018 were \$287,768.

TOWNSHIP OF SPRING

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 5 - LONG-TERM DEBT - CONTINUED

The Township issued GOB series of 2019 on June 27, 2019. The issuance refunded the GOB series of 2010 and savings amounted to approximately \$1.7 million.

NOTE 6 - CAPITAL LEASES

The Township leases vehicles under capital lease agreements. The Township is financing the acquisition of the assets through the leases. The leases contain interest rates from 2.7% to 3.4%. Principal and interest paid under these agreements amounted to \$170,545 and \$12,487, respectively, for the year ended December 31, 2018.

The following is a summary of the Township's capital lease transactions for the year ended December 31, 2018:

<u>Balance</u> <u>01/01/2018</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/2018</u>
\$ 578,778	\$ -	\$ 170,545	\$ 408,233

Future minimum lease payments, including principal and interest, under existing lease agreements at December 31, 2018, are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 161,976	\$ 11,804	\$ 173,780
2020	107,684	7,469	115,153
2021	110,842	4,311	115,153
2022	27,731	1,058	28,789
	<u>\$ 408,233</u>	<u>\$ 24,642</u>	<u>\$ 432,875</u>

NOTE 7 - PENSION PLANS

The Township of Spring administers and contributes to the Spring Township Police Pension Plan, the Spring Township Firefighters Pension Plan, and the Spring Township Nonuniformed Pension Plan. All plans are single employer defined benefit pension plans administered by a trustee. The assets of the Plans are invested separately, and each Plan's assets may be used only for the payment of benefits to the members of each Plan, in accordance with the terms of that Plan.

TOWNSHIP OF SPRING

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 7 - PENSION PLANS - CONTINUED

Plan Descriptions

Police Pension Plan

The Spring Township Police Pension Plan is a single-employer defined benefit plan that covers all full-time members of the police force upon employment. The Spring Township Police Pension Plan provides for pension benefits, early or late optional retirement benefit provisions, disability, and death benefits to plan members and their beneficiaries. A member may retire after reaching age 50 and completion of 25 years of service. Benefits vest after 12 years of service. Employees who retire after reaching age 50 are entitled to monthly pension payments for the remainder of their lives equal to 50% of the average monthly pay based on the last 36 months of employment, plus \$20 per month for each year of service over 25 years with a maximum of \$100 per month. Payments continue after participant's death to the surviving spouse or eligible child. An annual cost of living adjustment is made to retirees with a maximum total cost-of-living increase of 30% and a maximum pension benefit of 75% of the salary used for computing retirement benefit. An active member who has met the eligibility requirements for normal retirement may elect to participate in the in-service retirement option plan (IROP) for a period of not more than 5 years.

If active, a monthly death benefit is paid to the spouse equal to 50% of the benefit the member would have been receiving had he/she been retired at the time of death.

A disabled employee is entitled to receive disability benefits as long as the disability continues. Disability pension to equal 65% of the average monthly compensation, but no less than 50% of the member's monthly salary at the time of disability.

Firefighters Pension Plan

The Spring Township Firefighters Pension Plan is a single-employer defined benefit plan that covers all full-time firefighters of the Township, who have not attained age 60 as of their date of employment, after completion of 6 consecutive months of employment. The Spring Township Firefighters Pension Plan provides for pension benefits, early or late optional retirement benefit provisions, disability, and death benefits to plan members and their beneficiaries. A member may retire after reaching age 60. Benefits begin to vest (20%) after 6 years of service with a member being 100% vested after 10 or more years of service. Firefighters who retire after reaching age 60 are entitled to monthly pension payments for the remainder of their lives equal to 1.75% of the average monthly pay based on the last 36 months of employment, multiplied by the number of years of benefit service. Payments cease upon the members death. An annual cost of living adjustment is made to retirees with a maximum total cost-of-living increase of 30%. The cost of living increase benefit is not available to members hired on or after January 1, 2015. The Plan was amended in 2015 to include the IROP provision.

If active, a monthly death benefit is paid to the spouse equal to 50% of the benefit the member would have been receiving had he/she been retired at the time of death.

TOWNSHIP OF SPRING

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 7 - PENSION PLANS - CONTINUED

Plan Descriptions - continued

Firefighters Pension Plan - continued

An active member who suffers a total and permanent disability is entitled to receive disability benefits. Disability pension is equal to the member's accrued pension at the date of disability.

Nonuniformed Pension Plan

The Spring Township Nonuniformed Pension Plan is a single-employer defined benefit plan that covers all full-time non-uniformed employees of the Township, who have not attained age 60 as of their date of employment, after completion of 6 consecutive months of employment. The Spring Township Nonuniformed Pension Plan provides for pension benefits, early or late optional retirement benefit provisions, disability, and death benefits to plan members and their beneficiaries. A member may retire after reaching age 60. Benefits begin to vest (20%) after 6 years of service with a member being 100% vested after 10 or more years of service. Employees who retire after reaching age 60 are entitled to monthly pension payments for the remainder of their lives equal to 1.75% of the average monthly pay based on the last 36 months of employment, multiplied by the number of years of benefit service. Payments cease upon the members death. An annual cost of living adjustment is made to retirees with a maximum total cost-of-living increase of 30%. The cost of living increase benefit is not available to members hired on or after January 1, 2015. The Plan was amended in 2015 to include the IROP provision.

If active, a monthly death benefit is paid to the spouse equal to 50% of the benefit the member would have been receiving had he/she been retired at the time of death.

An active member who suffers a total and permanent disability is entitled to receive disability benefits. Disability pension is equal to the member's accrued pension at the date of disability.

Pension Trust Funds

The three plans are considered part of the Township's financial reporting entity and are included in the Township's financial statements as Pension Trust Funds.

TOWNSHIP OF SPRING

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 7 - PENSION PLANS - CONTINUED

Funding Policy

The contribution requirements of plan members and the Township are established and may be amended by the Township supervisors. Police Pension Plan members are required to contribute 2.0% of compensation. Firefighters and Nonuniformed Pension Plan members are required to contribute 1.0%, 2.0%, or 5.0% of compensation based on IROP eligibility and COLA maximum elections. The contributions required of the Township under the defined benefit plans are based on actuarial valuation and are expressed as a percentage of annual covered payroll during the period for which the amount is determined. For the fiscal year ended December 31, 2018, the rate of Township contributions for the Police Pension Plan, Firefighters Pension Plan, and the Nonuniformed Pension Plan was 14.0%, 13.3%, and 11.9% of covered payroll, respectively. The total Township contributions to the Police Pension Plan for the years ended December 31, 2018, 2017, and 2016 were \$855,667, \$800,138, and \$747,669, respectively. The total Township contributions to the Firefighters Pension Plan for the years ended December 31, 2018, 2017, and 2016 were \$158,456, \$152,072, and \$132,528, respectively. The total Township contributions to the Firefighters Pension Plan for the years ended December 31, 2018, 2017, and 2016 were \$544,783, \$539,082, and \$479,147, respectively. These contributions are equal to the required contribution for each plan.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Township contributes to three single-employer defined benefit healthcare plans: Police Officers, Firefighters, and Non-Uniformed Employees. The Police Officers plan provides medical insurance, prescription drug coverage, dental, and vision expenses for the retiree only, until Medicare eligibility (normally age 65) provided the Police Officer has no other coverage available elsewhere. The provisions for the Non-Uniformed Employees and Firefighters plans provide medical insurance and prescription drug expenses for the retiree only, until Medicare eligibility (normally age 65) provided the retiree has no other coverage available elsewhere.

Benefit provisions for the Police Officers, Non-Uniformed Employees, and Firefighters are established and amended through negotiations between the Township and the respective union.

Funding Policy

Contribution requirements are negotiated between the Township and union representatives. For the Police Officer Plan, the Township pays 100% of the healthcare premiums in effect at retirement. Retirees pay for any subsequent increases in costs. Spouse coverage is available until the earlier of Medicare eligibility or retiree's death, as long as the retiree pays 100% of the cost of coverage. For the Non-Uniformed Employees and Firefighters plans, the Township pays 100% of the healthcare premiums in effect at retirement. Retirees pay for any subsequent increases in costs. Spouse coverage is available until the earlier of Medicare eligibility or retiree's death, as long as the retiree pays 100% of the cost of coverage.

For the fiscal year ended December 31, 2018, the Township contributed \$44,082 to the plan related to retirees.

TOWNSHIP OF SPRING

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 9 - DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, available to those employees who meet eligibility requirements set forth in the plan, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, disability, or unforeseeable emergency. The Township has no liability for losses under the plan arising from expense charges of any kind or from depreciation or shrinkage in the value of assets of the plan, but does have the duty of executing due care that would be required of an ordinary prudent investor.

NOTE 10 - FUND BALANCE/RESTATEMENT

Details of the Township's governmental fund balance reporting and policy can be found in Note 1, *Summary of Significant Accounting Policies*. Fund balance classifications for the year ended December 31, 2018, are as follows:

	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total</u>
<u>Major Governmental Funds</u>					
General	\$ -	\$ -	\$ -	\$ 6,436,105	\$ 6,436,105
Fire Protection	222,376	-	-	-	222,376
Refuse	616,388	-	-	-	616,388
Transportation Impact	1,455,610	-	-	-	1,455,610
Capital	-	-	3,235,929	-	3,235,929
<u>Nonmajor Governmental Funds</u>					
Fire Hydrant	157,739	-	-	-	157,739
Liquid Fuels	73,560	-	-	-	73,560
Street Lighting Tax	48,267	-	-	-	48,267
Transportation Improvement District	407,860	-	-	-	407,860
Capital Escrow	-	-	573,091	-	573,091
Park Capital Outlay	450,002	-	-	-	450,002
Sinking	110	-	-	-	110
Total	<u>\$ 3,431,912</u>	<u>\$ -</u>	<u>\$ 3,809,020</u>	<u>\$ 6,436,105</u>	<u>\$ 13,677,037</u>

General Fund: The general fund has unassigned fund balance of \$6,436,105.

Fire Protection Fund: The fire protection fund has restricted funds of \$222,376 consisting primarily of unspent real estate tax millage assessed for public safety - fire.

TOWNSHIP OF SPRING

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 10 - FUND BALANCE/RESTATEMENT - CONTINUED

Refuse Fund: The refuse fund has restricted funds of \$616,388, consisting primarily of unspent refuse and recycling charges for public works - sanitation.

Transportation Impact Fund: The transportation impact fund has restricted funds of \$1,455,610, consisting primarily of unspent transportation impact fees for Township infrastructure impacted by construction.

Capital Fund: The capital fund has assigned funds of \$3,235,929 consisting primarily of transfers from other funds to be used for future capital purchases.

Nonmajor Governmental Funds

Fire Hydrant Tax Fund: The fire hydrant tax fund has restricted funds of \$157,739, consisting primarily of unspent special assessments.

Liquid Fuels Fund: The liquid fuels fund has restricted funds of \$73,560 consisting primarily of unspent state highway and grant funds restricted by law.

Street Lighting Tax Fund: The street lighting tax fund has restricted funds of \$48,267, consisting primarily of unspent special assessments for street lighting.

Transportation Improvement District Fund: The transportation improvement district fund has restricted funds of \$407,860, consisting primarily of unspent developer highways fees for transportation capital improvements.

Capital Escrow Fund: The escrow fund has assigned funds of \$573,901, consisting primarily of transfers from other funds for future capital needs.

Park Capital Outlay Fund: The park capital outlay fund has restricted funds of \$450,002 consisting primarily of unspent developer fees fund to be used for open space.

Sinking Fund: The sinking fund has a restricted fund balance of \$110 to be used for debt service.

Restatement of Net Position and Fund Balance

The Township's beginning net position in governmental activities and fund balance in total governmental funds was reduced by \$66,755 to report developer escrow deposits as an agency fund.

TOWNSHIP OF SPRING

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Various claims and lawsuits are pending against the Township. In the opinion of the Township's management and solicitor, the outcome of these claims and lawsuits will not have a material adverse effect on the accompanying financial statements.

NOTE 12 - INTERMUNICIPAL AGREEMENTS

On September 16, 2015, the Township entered into an agreement with the Borough of Wyomissing to provide administrative and operational management services for the Wyomissing Fire Department. On January 1, 2018, this agreement automatically renewed for a one-year term with the Borough paying the Township an annual sum of \$162,000 payable in monthly installments of \$13,500. Effective July 1, 2018, the Fire Commissioner resigned, and all duties of the Fire Commissioner were assumed by the Fire Chief and the Fire Code Official. As a result, the parties entered into a new agreement on January 8, 2019, retroactive to July 1, 2018, with revised payment terms. Under the new agreement the Borough's annual amount due for the year ended December 31, 2018, is \$121,500. This amount was paid in full during 2018. This agreement has been extended through December 31, 2019, and the Borough shall pay the Township \$120,000 annually, payable in monthly installments of \$10,000. The agreement shall automatically renew for one-year terms under the same terms unless either party notifies the other party at least 90 days prior to the expiration of the current term that the agreement is to terminate or that the terms are to be changed.

NOTE 13 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all areas for which the Township retains risk of loss. There were no reductions in insurance coverages for the 2018 year and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

SUPPLEMENTARY INFORMATION

TOWNSHIP OF SPRING
COMBINING BALANCE SHEET - MODIFIED CASH BASIS -
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2018

	Fire Hydrant Tax	Liquid Fuels	Street Lighting Tax	Transportation Improvement District	Capital Escrow	Park Capital Outlay	Sinking	Totals
ASSETS								
Cash	\$ 157,731	\$ 73,578	\$ 48,238	\$ 407,860	\$ 573,091	\$ 449,842	\$ 110	\$ 1,710,450
Interfund receivables	8	-	29	-	-	160	-	197
TOTAL ASSETS	<u>\$ 157,739</u>	<u>\$ 73,578</u>	<u>\$ 48,267</u>	<u>\$ 407,860</u>	<u>\$ 573,091</u>	<u>\$ 450,002</u>	<u>\$ 110</u>	<u>\$ 1,710,647</u>
LIABILITIES								
Interfund payables	\$ -	\$ 18	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18
FUND BALANCES								
Restricted	157,739	73,560	48,267	407,860	-	450,002	110	1,137,538
Assigned	-	-	-	-	573,091	-	-	573,091
TOTAL FUND BALANCES	<u>157,739</u>	<u>73,560</u>	<u>48,267</u>	<u>407,860</u>	<u>573,091</u>	<u>450,002</u>	<u>110</u>	<u>1,710,629</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 157,739</u>	<u>\$ 73,578</u>	<u>\$ 48,267</u>	<u>\$ 407,860</u>	<u>\$ 573,091</u>	<u>\$ 450,002</u>	<u>\$ 110</u>	<u>\$ 1,710,647</u>

TOWNSHIP OF SPRING

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2018

	Fire Hydrant Tax	Liquid Fuels	Street Lighting Tax	Transportation Improvement District	Capital Escrow	Park Capital Outlay	Sinking	Totals
REVENUES								
Interest and rent	\$ 3,275	\$ 14,406	\$ 2,188	\$ 7,697	\$ 10,877	\$ 11,931	\$ 182	\$ 50,556
Intergovernmental	-	905,276	-	-	-	-	287,768	1,193,044
Charges for services	-	-	-	-	-	-	-	-
Special assessments	82,784	-	337,619	-	-	-	-	420,403
Other	-	-	-	-	-	12,661	-	12,661
TOTAL REVENUES	86,059	919,682	339,807	7,697	10,877	24,592	287,950	1,676,664
EXPENDITURES								
General government	568	-	1,615	-	7,707	-	-	9,890
Public safety - fire, ambulance, and rescue	86,805	-	-	-	-	-	-	86,805
Public works - highways and streets	-	1,301,526	326,887	-	-	-	-	1,628,413
Debt service - principal	-	-	-	-	-	-	660,000	660,000
Debt service - interest, fiscal agent fees	-	-	-	-	-	-	949,720	949,720
Employer paid benefits, insurance, other	-	-	102	-	-	-	-	102
TOTAL EXPENDITURES	87,373	1,301,526	328,604	-	7,707	-	1,609,720	3,334,930
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,314)	(381,844)	11,203	7,697	3,170	24,592	(1,321,770)	(1,658,266)
OTHER FINANCING SOURCES (USES)								
Transfers in (out)	-	-	-	-	-	(195,000)	1,320,715	1,125,715
NET CHANGE IN FUND BALANCE	(1,314)	(381,844)	11,203	7,697	3,170	(170,408)	(1,055)	(532,551)
FUND BALANCES - BEGINNING OF YEAR (RESTATED)	159,053	455,404	37,064	400,163	569,921	620,410	1,165	2,243,180
FUND BALANCES - END OF YEAR	\$ 157,739	\$ 73,560	\$ 48,267	\$ 407,860	\$ 573,091	\$ 450,002	\$ 110	\$ 1,710,629

TOWNSHIP OF SPRING

COMBINING STATEMENT OF NET POSITION - MODIFIED CASH BASIS -
FIDUCIARY FUNDS

December 31, 2018

	Police Pension Fund	Firefighters Pension Fund	Nonuniformed Pension Fund	Total Pension Trust Funds
ASSETS				
Investments	<u>\$ 12,323,038</u>	<u>\$ 1,063,071</u>	<u>\$ 8,354,328</u>	<u>\$ 21,740,437</u>
NET POSITION				
Net position held in trust for pension benefits	<u><u>\$ 12,323,038</u></u>	<u><u>\$ 1,063,071</u></u>	<u><u>\$ 8,354,328</u></u>	<u><u>\$ 21,740,437</u></u>

TOWNSHIP OF SPRING

**COMBINING STATEMENT OF CHANGES IN NET POSITION -
MODIFIED CASH BASIS - FIDUCIARY FUNDS**

For the Year Ended December 31, 2018

	Police Pension Fund	Firefighters Pension Fund	Nonuniformed Pension Fund	Total Pension Trust Funds
ADDITIONS				
Contributions:				
Township and Commonwealth	\$ 855,667	\$ 158,456	\$ 544,783	\$ 1,558,906
Employee	30,559	25,117	43,095	98,771
Investment income (loss)	(830,854)	(82,084)	(557,170)	(1,470,108)
TOTAL ADDITIONS	55,372	101,489	30,708	187,569
DEDUCTIONS				
Benefit payments, including tax withheld	633,505	12,239	675,118	1,320,862
Administrative expenses	48,532	10,561	38,160	97,253
TOTAL DEDUCTIONS	682,037	22,800	713,278	1,418,115
CHANGE IN NET POSITION	(626,665)	78,689	(682,570)	(1,230,546)
TOTAL NET POSITION - BEGINNING OF YEAR	12,949,703	984,382	9,036,898	22,970,983
TOTAL NET POSITION - END OF YEAR	<u>\$ 12,323,038</u>	<u>\$ 1,063,071</u>	<u>\$ 8,354,328</u>	<u>\$ 21,740,437</u>

OTHER INFORMATION

TOWNSHIP OF SPRING

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND - MODIFIED CASH BASIS

(UNAUDITED)

For the Year Ended December 31, 2018

	*		
	Budget	Actual	Variance
REVENUES			
Real estate taxes	\$ 4,131,000	\$ 4,090,218	\$ (40,782)
Earned income taxes	4,030,000	4,172,063	142,063
Other taxes	2,380,000	2,447,514	67,514
Licenses, permits, and fines	809,500	866,441	56,941
Interest and rent	65,700	156,976	91,276
Intergovernmental	669,450	488,296	(181,154)
Charges for services	774,500	685,976	(88,524)
Other	50,500	116,032	65,532
TOTAL REVENUES	12,910,650	13,023,516	112,866
EXPENDITURES			
Current:			
General government	1,670,525	1,560,932	109,593
Public safety:			
Police	6,005,200	6,015,203	(10,003)
Fire, ambulance, and rescue	497,100	391,004	106,096
Other (planning, zoning, etc.)	775,900	767,029	8,871
Public works - highways and streets	2,118,300	2,162,579	(44,279)
Culture and recreation	1,483,800	1,306,115	177,685
Community development	4,000	3,150	850
Debt service - principal	-	34,779	(34,779)
Employer paid benefits, insurance, other	114,000	111,135	2,865
TOTAL EXPENDITURES	12,668,825	12,351,926	316,899
EXCESS OF REVENUES OVER EXPENDITURES	241,825	671,590	429,765
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	7,500	1,655	(5,845)
Transfers in (out)	(687,973)	(684,468)	3,505
TOTAL OTHER FINANCING SOURCES (USES)	(680,473)	(682,813)	(2,340)
NET CHANGE IN FUND BALANCE	\$ (438,648)	(11,223)	\$ 427,425
FUND BALANCE - BEGINNING OR YEAR		6,447,328	
FUND BALANCE - END OF YEAR		\$ 6,436,105	

* Original and Final Budget are the same.

TOWNSHIP OF SPRING

BUDGETARY COMPARISON SCHEDULE FOR THE FIRE PROTECTION FUND - MODIFIED CASH BASIS

(UNAUDITED)

For the Year Ended December 31, 2018

	*		
	Budget	Actual	Variance
REVENUES			
Real estate taxes	\$ 2,155,000	\$ 2,115,763	\$ (39,237)
Interest and rent	6,500	13,796	7,296
Intergovernmental	316,000	307,230	(8,770)
Charges for services	1,000	3,824	2,824
Other	33,500	70,621	37,121
	<u>2,512,000</u>	<u>2,511,234</u>	<u>(766)</u>
TOTAL REVENUES			
	2,512,000	2,511,234	(766)
EXPENDITURES			
Current:			
General government	9,750	5,841	3,909
Public safety:			
Fire, ambulance, and rescue	2,288,250	2,336,052	(47,802)
Debt service - principal	95,500	106,992	(11,492)
Debt service - interest	-	8,940	(8,940)
Employer paid benefits, insurance, other	500	21,704	(21,204)
	<u>2,394,000</u>	<u>2,479,529</u>	<u>(85,529)</u>
TOTAL EXPENDITURES			
	2,394,000	2,479,529	(85,529)
EXCESS OF REVENUES OVER EXPENDITURES	118,000	31,705	(86,295)
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	(150,250)	(150,250)	-
	<u>(150,250)</u>	<u>(150,250)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (32,250)</u>	<u>(118,545)</u>	<u>\$ (86,295)</u>
FUND BALANCE - BEGINNING OR YEAR		<u>340,921</u>	
FUND BALANCE - END OF YEAR		<u>\$ 222,376</u>	

* Original and Final Budget are the same.

TOWNSHIP OF SPRING

**POLICE, FIREFIGHTERS, AND NONUNIFORMED PENSION PLANS
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
(In Accordance with Act 205)**

(UNAUDITED)

SCHEDULES OF FUNDING PROGRESS*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)(b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
POLICE PENSION PLAN						
01/01/17	\$ 11,006,915	\$ 15,996,855	\$ 4,989,940	68.8%	\$ 2,785,682	179.1%
01/01/15	9,843,438	13,729,878	3,886,440	71.7%	2,637,032	147.4%
01/01/13	7,554,092	12,011,030	4,456,938	62.9%	2,569,550	173.5%
FIREFIGHTERS PENSION PLAN						
01/01/17	\$ 706,943	\$ 1,115,657	\$ 408,714	63.4%	\$ 1,051,198	38.9%
01/01/15	434,764	800,619	365,855	54.3%	897,201	40.8%
01/01/13	224,900	464,725	239,825	48.4%	595,147	40.3%
NONUNIFORMED PENSION PLAN						
01/01/17	\$ 7,935,079	\$ 10,838,629	\$ 2,903,550	73.2%	\$ 1,639,513	177.1%
01/01/15	7,792,019	10,191,852	2,399,833	76.5%	1,667,865	143.9%
01/01/13	5,943,597	9,088,589	3,144,992	65.4%	2,322,845	135.4%

SCHEDULES OF EMPLOYER CONTRIBUTIONS*

Fiscal Year	Annual Required Contribution	Percentage Contributed	Fiscal Year	Annual Required Contribution	Percentage Contributed
POLICE PENSION PLAN			NONUNIFORMED PENSION PLAN		
2018	\$ 855,667	100%	2018	\$ 544,783	100%
2017	800,138	100%	2017	539,082	100%
2016	747,669	100%	2016	479,147	100%
2015	718,403	100%	2015	476,795	100%
2014	650,855	100%	2014	477,786	100%
2013	648,030	100%	2013	491,080	100%
FIREFIGHTERS PENSION PLAN					
2018	\$ 158,456	100%			
2017	152,072	100%			
2016	132,528	100%			
2015	96,417	100%			
2014	60,097	100%			
2013	56,677	100%			

* Schedules prepared in accordance with actuarial valuations performed under PA Act 205. These valuations are utilized to determine funding requirements for the plans.

TOWNSHIP OF SPRING

**POLICE, FIREFIGHTERS, AND NONUNIFORMED PENSION PLANS
SCHEDULE OF NET PENSION LIABILITY AND RELATED RATIOS
(In Accordance with GASB 68)**

(UNAUDITED)

Measurement Date	Plan Fiduciary Net Position (a)	Total Pension Liability (TPL)(b)	Net Pension (NPL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	NPL as a Percentage of Covered Payroll ((b-a)/c)
POLICE PENSION PLAN						
12/31/17	\$ 13,001,994	\$ 17,030,720	\$ 4,028,726	76.3%	\$ 2,788,702	144.5%
12/31/16	11,006,915	15,525,410	4,518,495	70.9%	2,785,682	162.2%
12/31/15	10,065,441	14,638,125	4,572,684	68.8%	2,508,864	182.3%
FIREFIGHTERS PENSION PLAN						
12/31/17	\$ 985,853	\$ 1,343,961	\$ 358,108	73.4%	\$ 1,092,556	32.8%
12/31/16	706,943	1,180,765	473,822	59.9%	1,051,198	45.1%
12/31/15	534,860	800,619	265,759	66.8%	1,018,702	26.1%
NONUNIFORMED PENSION PLAN						
12/31/17	\$ 9,091,553	\$ 11,219,935	\$ 2,128,382	81.0%	\$ 1,738,838	122.4%
12/31/16	7,935,079	10,826,308	2,891,229	73.3%	1,639,513	176.3%
12/31/15	7,596,782	10,519,812	2,923,030	72.2%	1,506,154	194.1%

Schedules prepared in accordance with actuarial valuations performed in accordance with GASB 68. GASB 68 requires the liability of employers contributing to employees defined benefit pensions to be measured on the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to the employees past period of service, less the cost of the plan's fiduciary net position.

TOWNSHIP OF SPRING
OTHER POSTEMPLOYMENT BENEFITS PLAN
SCHEDULE OF FUNDING PROGRESS

(UNAUDITED)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)(b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
POLICE						
01/01/18	\$ -	\$ 1,910,148	\$ 1,910,148	0.0%	\$ 3,002,078	63.6%
01/01/15	-	1,312,120	1,312,120	0.0%	2,750,032	47.7%
01/01/12	-	1,410,358	1,410,358	0.0%	2,339,083	60.3%
FIREFIGHTERS						
01/01/18	\$ -	\$ 171,517	\$ 171,517	0.0%	\$ 1,092,556	15.7%
01/01/15	-	102,904	102,904	0.0%	897,201	11.5%
01/01/12	-	46,312	46,312	0.0%	434,351	10.7%
NONUNIFORMED						
01/01/18	\$ -	\$ 591,881	\$ 591,881	0.0%	\$ 2,157,911	27.4%
01/01/15	-	702,927	702,927	0.0%	1,972,684	35.6%
01/01/12	-	661,376	661,376	0.0%	2,250,234	29.4%

The 01/01/18 actuarial valuation was performed under GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaced the requirements for GASB 45. This statement established new standards for measuring the other postemployment benefits liabilities which resulted in changes to the actuarial valuation assumptions. The prior valuations were performed under GASB 45.