



***SOUTH WHITEHALL TOWNSHIP***

**FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION,  
AND SUPPLEMENTARY INFORMATION**

**Year Ended December 31, 2019**



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## INDEPENDENT AUDITOR'S REPORT

**Board of Commissioners  
South Whitehall Township  
Allentown, Pennsylvania**

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 a 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of South Whitehall Township, Lehigh County, Pennsylvania, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules for the general fund, fire tax fund, and state highway aid fund and the pension and other postemployment benefit information on pages 68 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The fiduciary fund combining financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The fiduciary fund combining 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 fiduciary fund combining financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

*Herbein + Company, Inc.*

**Reading, Pennsylvania  
August 18, 2021**

**SOUTH WHITEHALL TOWNSHIP**

**STATEMENT OF NET POSITION**

**December 31, 2019**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash	\$ 16,624,916	\$ 7,074,871	\$ 23,699,787
Restricted cash - escrow	1,318,886	12,190	1,331,076
Accounts receivable, net	338,863	750,124	1,088,987
Taxes receivable, net	540,167	-	540,167
Internal balances	28,542	(28,542)	-
Intergovernmental receivables	154,350	27,020	181,370
Prepaid expenses	322,763	983	323,746
Capital assets not being depreciated	5,229,125	408,342	5,637,467
Capital assets, net of accumulated depreciation	14,810,867	16,792,530	31,603,397
<b>TOTAL ASSETS</b>	<b>39,368,479</b>	<b>25,037,518</b>	<b>64,405,997</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources for pension	4,051,678	577,773	4,629,451
Deferred outflows of resources for other postemployment benefits	25,109	-	25,109
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>4,076,787</b>	<b>577,773</b>	<b>4,654,560</b>
<b>LIABILITIES</b>			
Accounts payable	618,151	554,199	1,172,350
Accrued payroll	504,750	39,533	544,283
Accrued interest	13,872	12,915	26,787
Escrow payable	1,318,886	12,190	1,331,076
Noncurrent liabilities due within one year	247,567	147,075	394,642
Noncurrent liabilities:			
Notes payable	11,160,848	1,379,869	12,540,717
Capital leases	63,908	-	63,908
Compensated absences	82,490	-	82,490
Net pension liability	9,951,858	1,083,239	11,035,097
Other postemployment benefit liability	228,804	-	228,804
<b>TOTAL LIABILITIES</b>	<b>24,191,134</b>	<b>3,229,020</b>	<b>27,420,154</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources for pension	3,239,329	693,178	3,932,507
Deferred inflows of resources for other postemployment benefits	18,453	-	18,453
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>3,257,782</b>	<b>693,178</b>	<b>3,950,960</b>
<b>NET POSITION</b>			
Net investment in capital assets	12,094,877	15,673,928	27,768,805
Restricted	6,303,659	-	6,303,659
Unrestricted (deficit)	(2,402,186)	6,019,165	3,616,979
<b>TOTAL NET POSITION</b>	<b>\$ 15,996,350</b>	<b>\$ 21,693,093</b>	<b>\$ 37,689,443</b>

See accompanying notes.

**SOUTH WHITEHALL TOWNSHIP**

**STATEMENT OF ACTIVITIES**

**Year Ended December 31, 2019**

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
<b>Primary Government</b>							
<b>Governmental Activities:</b>							
General government	\$ 6,444,007	\$ 1,455,835	\$ 698,316	\$ -	\$ (4,289,856)	\$ -	\$ (4,289,856)
Public safety:							
Police	6,111,545	510,332	79,028	-	(5,522,185)	-	(5,522,185)
Fire	1,094,135	-	144,713	-	(949,422)	-	(949,422)
Emergency medical services	53,676	-	-	-	(53,676)	-	(53,676)
Public works	4,088,807	122,445	748,103	-	(3,218,259)	-	(3,218,259)
Culture and recreation	336,669	103,499	-	685,959	452,789	-	452,789
Community development	626,704	66,490	-	-	(560,214)	-	(560,214)
Debt service - interest	114,191	-	-	-	(114,191)	-	(114,191)
Unallocated depreciation expense	1,559,437	-	-	-	(1,559,437)	-	(1,559,437)
<b>Total Governmental Activities</b>	<u>20,429,171</u>	<u>2,258,601</u>	<u>1,670,160</u>	<u>685,959</u>	<u>(15,814,451)</u>	<u>-</u>	<u>(15,814,451)</u>
<b>Business-Type Activities:</b>							
Water system	3,159,219	4,071,735	-	-	-	912,516	912,516
Wastewater/sewage treatment and collection	2,499,325	3,383,185	-	-	-	883,860	883,860
Solid waste collection and disposal	2,190,142	2,006,179	211,692	-	-	27,729	27,729
<b>Total Business-Type Activities</b>	<u>7,848,686</u>	<u>9,461,099</u>	<u>211,692</u>	<u>-</u>	<u>-</u>	<u>1,824,105</u>	<u>1,824,105</u>
<b>Total Primary Government</b>	<u>\$ 28,277,857</u>	<u>\$ 11,719,700</u>	<u>\$ 1,881,852</u>	<u>\$ 685,959</u>	<u>(15,814,451)</u>	<u>1,824,105</u>	<u>(13,990,346)</u>
<b>General Revenues:</b>							
Taxes:							
Property taxes					7,707,646	-	7,707,646
Earned income taxes					3,588,318	-	3,588,318
Business privilege taxes					2,409,632	-	2,409,632
Amusement taxes					1,793,247	-	1,793,247
Other taxes					1,571,287	-	1,571,287
Investment earnings					72,199	26,634	98,833
Miscellaneous income					11,418	-	11,418
<b>Total General Revenues</b>					<u>17,153,747</u>	<u>26,634</u>	<u>17,180,381</u>
<b>Change in Net Position</b>					1,339,296	1,850,739	3,190,035
<b>Net Position - Beginning</b>					<u>14,657,054</u>	<u>19,842,354</u>	<u>34,499,408</u>
<b>Net Position - Ending</b>					<u>\$ 15,996,350</u>	<u>\$ 21,693,093</u>	<u>\$ 37,689,443</u>

See accompanying notes.

**SOUTH WHITEHALL TOWNSHIP**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**December 31, 2019**

	General	Fire Tax	State Highway Aid	Capital Projects	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 6,460,280	\$ 902,686	\$ 222,198	\$ 9,039,752	\$ 16,624,916
Restricted cash - escrow	1,318,886	-	-	-	1,318,886
Interfund receivables	68,762	-	-	-	68,762
Accounts receivable	586,341	1,075	-	-	587,416
Taxes receivable	499,301	42,514	-	-	541,815
Intergovernmental receivables	71,381	-	-	82,969	154,350
Prepaid expenses	317,804	4,959	-	-	322,763
<b>TOTAL ASSETS</b>	<b>\$ 9,322,755</b>	<b>\$ 951,234</b>	<b>\$ 222,198</b>	<b>\$ 9,122,721</b>	<b>\$ 19,618,908</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Interfund payables	\$ 38,444	\$ 1,776	\$ -	\$ -	\$ 40,220
Accounts payable	170,692	185,012	36,414	226,033	618,151
Accrued payroll and withholdings	504,750	-	-	-	504,750
Escrow payable	1,318,886	-	-	-	1,318,886
<b>TOTAL LIABILITIES</b>	<b>2,032,772</b>	<b>186,788</b>	<b>36,414</b>	<b>226,033</b>	<b>2,482,007</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	71,291	11,092	-	-	82,383
Unavailable revenue - other	405,285	-	-	-	405,285
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>476,576</b>	<b>11,092</b>	<b>-</b>	<b>-</b>	<b>487,668</b>
<b>FUND BALANCES</b>					
Nonspendable	317,804	4,959	-	-	322,763
Restricted for:					
Fire protection	-	748,395	-	-	748,395
Highways and streets	-	-	185,784	-	185,784
Capital projects	-	-	-	8,896,688	8,896,688
Assigned for:					
Emergency medical services	100	-	-	-	100
2020 budget appropriations	810,764	-	-	-	810,764
Unassigned	5,684,739	-	-	-	5,684,739
<b>TOTAL FUND BALANCES</b>	<b>6,813,407</b>	<b>753,354</b>	<b>185,784</b>	<b>8,896,688</b>	<b>16,649,233</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 9,322,755</b>	<b>\$ 951,234</b>	<b>\$ 222,198</b>	<b>\$ 9,122,721</b>	<b>\$ 19,618,908</b>

See accompanying notes.

**SOUTH WHITEHALL TOWNSHIP**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
GOVERNMENT-WIDE STATEMENT OF NET POSITION**

**December 31, 2019**

**Amounts reported for governmental activities in the statement of net position are different because:**

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>		\$ 16,649,233
Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The cost of the assets is \$47,007,924 and the accumulated depreciation is \$26,967,932.		20,039,992
Property taxes and other receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore, are reported as unavailable revenue in the funds.		487,668
Establish allowance for doubtful accounts - property taxes receivable (\$1,648) and other receivables (\$248,553).		(250,201)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Notes payable	\$ (11,371,773)	
Capital lease liability	(100,550)	
Accrued interest	(13,872)	
Long-term portion of compensated absences	<u>(82,490)</u>	(11,568,685)
The net pension liability and related deferred outflows and inflows of resources for pensions are not reflected on the fund financial statements.		(9,139,509)
The other postemployment benefit liability and related deferred outflows and inflows of resources for other post employment benefit liabilities are not reflected on the fund financial statements.		<u>(222,148)</u>
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>		<u><u>\$ 15,996,350</u></u>



**SOUTH WHITEHALL TOWNSHIP**

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

**Year Ended December 31, 2019**

	General	Fire Tax	State Highway Aid	Capital Projects	Total Governmental Funds
<b>REVENUES</b>					
Real estate taxes	\$ 6,572,924	\$ 1,081,926	\$ -	\$ -	\$ 7,654,850
Earned income taxes	3,588,318	-	-	-	3,588,318
Business privilege taxes	2,409,632	-	-	-	2,409,632
Amusement/admission taxes	1,793,247	-	-	-	1,793,247
Other taxes	1,571,287	-	-	-	1,571,287
Licenses, permits, and fines	535,919	-	-	-	535,919
Interest and rent	65,978	2,455	1,518	2,248	72,199
Intergovernmental	922,057	-	748,103	685,959	2,356,119
Charges for services	1,592,518	-	-	66,479	1,658,997
Other	447,912	-	-	-	447,912
<b>TOTAL REVENUES</b>	<b>19,499,792</b>	<b>1,084,381</b>	<b>749,621</b>	<b>754,686</b>	<b>22,088,480</b>
<b>EXPENDITURES</b>					
Current:					
General government	6,643,188	-	-	602,776	7,245,964
Public safety:					
Police	5,810,890	-	-	137,399	5,948,289
Fire	254,573	839,562	-	-	1,094,135
Other	53,676	-	-	-	53,676
Public works	3,407,870	-	1,045,069	1,698,140	6,151,079
Culture and recreation	292,182	-	-	1,055,556	1,347,738
Community development	586,736	-	-	-	586,736
Debt service - principal	372,019	-	-	-	372,019
Debt service - interest	78,100	-	-	39,620	117,720
<b>TOTAL EXPENDITURES</b>	<b>17,499,234</b>	<b>839,562</b>	<b>1,045,069</b>	<b>3,533,491</b>	<b>22,917,356</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>2,000,558</b>	<b>244,819</b>	<b>(295,448)</b>	<b>(2,778,805)</b>	<b>(828,876)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	40,752	-	-	-	40,752
Proceeds from issuance of long-term debt	-	-	-	9,000,000	9,000,000
Proceeds from issuance of capital leases	-	-	100,550	-	100,550
Transfers in	-	-	-	2,100,000	2,100,000
Transfers out	(2,100,000)	-	-	-	(2,100,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(2,059,248)</b>	<b>-</b>	<b>100,550</b>	<b>11,100,000</b>	<b>9,141,302</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(58,690)</b>	<b>244,819</b>	<b>(194,898)</b>	<b>8,321,195</b>	<b>8,312,426</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>6,872,097</b>	<b>508,535</b>	<b>380,682</b>	<b>575,493</b>	<b>8,336,807</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 6,813,407</b>	<b>\$ 753,354</b>	<b>\$ 185,784</b>	<b>\$ 8,896,688</b>	<b>\$ 16,649,233</b>

See accompanying notes.

**SOUTH WHITEHALL TOWNSHIP**

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

**Year Ended December 31, 2019**

**Amounts reported for governmental activities in the statement of activities are different because:**

<b>NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>		<b>\$ 8,312,426</b>
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital outlays	\$ 4,055,581	
Less: depreciation expense	<u>(1,559,437)</u>	2,496,144
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		75,729
<p>Issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.</p>		
Issuance of notes payable	(9,000,000)	
Issuance of capital lease	(100,550)	
Payment of note principal	<u>372,019</u>	(8,728,531)
<p>Interest expense incurred on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources.</p>		
		3,529
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. The difference in the amount incurred and the amount paid of these activities is:</p>		
Compensated absences	9,521	
Net pension liability and related deferred outflows and inflows	(824,618)	
Other postemployment benefit liability and related deferred outflows and inflows	<u>(4,904)</u>	<u>(820,001)</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b><u><u>\$ 1,339,296</u></u></b>

**SOUTH WHITEHALL TOWNSHIP**

**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**

**December 31, 2019**

	Water	Sewer	Refuse	Total
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 2,225,481	\$ 4,290,174	\$ 559,216	\$ 7,074,871
Restricted cash - escrow	12,190	-	-	12,190
Accounts receivable, net	386,051	206,673	157,400	750,124
Interfund receivables	-	260,000	488	260,488
Intergovernmental receivables	20,625	6,395	-	27,020
Prepaid expenses	869	114	-	983
<b>TOTAL CURRENT ASSETS</b>	<b>2,645,216</b>	<b>4,763,356</b>	<b>717,104</b>	<b>8,125,676</b>
<b>NONCURRENT ASSETS</b>				
Capital assets not being depreciated	280,168	128,174	-	408,342
Capital assets, net of accumulated depreciation	9,068,399	7,710,881	13,250	16,792,530
<b>TOTAL NONCURRENT ASSETS</b>	<b>9,348,567</b>	<b>7,839,055</b>	<b>13,250</b>	<b>17,200,872</b>
<b>TOTAL ASSETS</b>	<b>11,993,783</b>	<b>12,602,411</b>	<b>730,354</b>	<b>25,326,548</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources for pension	227,915	211,153	138,705	577,773
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Interfund payables	265,243	23,787	-	289,030
Accounts payable	251,797	299,622	2,780	554,199
Accrued payroll	16,444	21,231	1,858	39,533
Accrued interest	12,915	-	-	12,915
Escrow payable	12,190	-	-	12,190
Current portion of long-term debt	147,075	-	-	147,075
<b>TOTAL CURRENT LIABILITIES</b>	<b>705,664</b>	<b>344,640</b>	<b>4,638</b>	<b>1,054,942</b>
<b>NONCURRENT LIABILITIES</b>				
Long-term debt	1,379,869	-	-	1,379,869
Net pension liability	366,969	472,686	243,584	1,083,239
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>1,746,838</b>	<b>472,686</b>	<b>243,584</b>	<b>2,463,108</b>
<b>TOTAL LIABILITIES</b>	<b>2,452,502</b>	<b>817,326</b>	<b>248,222</b>	<b>3,518,050</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources for pension	291,808	223,658	177,712	693,178
<b>NET POSITION</b>				
Net investment in capital assets	7,821,623	7,839,055	13,250	15,673,928
Unrestricted	1,655,765	3,933,525	429,875	6,019,165
<b>TOTAL NET POSITION</b>	<b>\$ 9,477,388</b>	<b>\$ 11,772,580</b>	<b>\$ 443,125</b>	<b>\$ 21,693,093</b>

See accompanying notes.

**SOUTH WHITEHALL TOWNSHIP**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS**

**Year Ended December 31, 2019**

	Water Fund	Sewer Fund	Refuse Fund	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 3,599,424	\$ 2,625,990	\$ 1,992,500	\$ 8,217,914
Intergovernmental revenue	87,398	67,326	-	154,724
Other	14,278	1,817	13,679	29,774
<b>TOTAL OPERATING REVENUES</b>	<b>3,701,100</b>	<b>2,695,133</b>	<b>2,006,179</b>	<b>8,402,412</b>
<b>OPERATING EXPENSES</b>				
Bad debt expense	(13,257)	(28,546)	(10,827)	(52,630)
Contracted Services	1,073,884	1,068,887	1,852,466	3,995,237
Depreciation	564,234	324,675	1,750	890,659
Insurance	41,544	1,557	-	43,101
Office expenses	20,577	21,857	18,566	61,000
Other	148,661	58,447	8,535	215,643
Personnel	744,322	971,432	288,808	2,004,562
Professional services	151,295	50,394	30,844	232,533
Repairs and maintenance	231,676	24,775	-	256,451
Transportation expense	-	393	-	393
Utilities	129,346	5,454	-	134,800
<b>TOTAL OPERATING EXPENSES</b>	<b>3,092,282</b>	<b>2,499,325</b>	<b>2,190,142</b>	<b>7,781,749</b>
<b>OPERATING INCOME (LOSS)</b>	<b>608,818</b>	<b>195,808</b>	<b>(183,963)</b>	<b>620,663</b>
<b>NONOPERATING REVENUE (EXPENSES)</b>				
Grant revenue	-	-	211,692	211,692
Tapping fees	368,098	683,768	-	1,051,866
Capacity reservation fees	2,537	4,284	-	6,821
Interest income	9,442	14,826	2,366	26,634
Interest expense	(66,937)	-	-	(66,937)
<b>TOTAL NONOPERATING REVENUE (EXPENSES)</b>	<b>313,140</b>	<b>702,878</b>	<b>214,058</b>	<b>1,230,076</b>
<b>CHANGE IN NET POSITION</b>	<b>921,958</b>	<b>898,686</b>	<b>30,095</b>	<b>1,850,739</b>
<b>NET POSITION - BEGINNING OF YEAR</b>	<b>8,555,430</b>	<b>10,873,894</b>	<b>413,030</b>	<b>19,842,354</b>
<b>NET POSITION - END OF YEAR</b>	<b>\$ 9,477,388</b>	<b>\$ 11,772,580</b>	<b>\$ 443,125</b>	<b>\$ 21,693,093</b>

See accompanying notes.

**SOUTH WHITEHALL TOWNSHIP**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**

**Year Ended December 31, 2019**

	Water Fund	Sewer Fund	Refuse Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 3,740,098	\$ 2,764,336	\$ 2,070,561	\$ 8,574,995
Payments to suppliers for goods and services	(1,917,744)	(1,253,721)	(1,919,764)	(5,091,229)
Payments to employees for services	(768,174)	(955,060)	(301,161)	(2,024,395)
	<u>1,054,180</u>	<u>555,555</u>	<u>(150,364)</u>	<u>1,459,371</u>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>				
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Grant revenue received	-	-	211,692	211,692
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Tapping fees	368,098	683,768	-	1,051,866
Capacity reservation fees	2,537	4,284	-	6,821
Acquisition of capital assets	(1,324,586)	(1,283,334)	(15,000)	(2,622,920)
Repayment of long-term debt	(138,056)	-	-	(138,056)
Interest on long-term debt	(71,355)	-	-	(71,355)
	<u>(1,163,362)</u>	<u>(595,282)</u>	<u>(15,000)</u>	<u>(1,773,644)</u>
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	9,442	14,826	2,366	26,634
	<u>9,442</u>	<u>14,826</u>	<u>2,366</u>	<u>26,634</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(99,740)	(24,901)	48,694	(75,947)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>2,337,411</u>	<u>4,315,075</u>	<u>510,522</u>	<u>7,163,008</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 2,237,671</u>	<u>\$ 4,290,174</u>	<u>\$ 559,216</u>	<u>\$ 7,087,061</u>

See accompanying notes.

**SOUTH WHITEHALL TOWNSHIP**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - CONTINUED**

**Year Ended December 31, 2019**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Refuse Fund</u>	<u>Total</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 608,818	\$ 195,808	\$ (183,963)	\$ 620,663
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	564,234	324,675	1,750	890,659
Change in allowance	71,313	(409,252)	30,798	(307,141)
Change in assets, deferred outflows of resources, and liabilities:				
Accounts receivable	(107,679)	419,202	22,757	334,280
Due from other governments	(425)	59,253	-	58,828
Interfund balances	(28,444)	-	-	(28,444)
Prepaid expenses	(737)	(114)	-	(851)
Deferred outflows of resources for pensions	64,768	83,427	42,991	191,186
Accounts payable	(30,051)	(50,389)	(9,353)	(89,793)
Accrued payroll	3,076	4,472	(2,657)	4,891
Escrow payable	1,003	-	-	1,003
Net pension liability	(230,591)	(234,728)	(195,837)	(661,156)
Deferred inflows of resources for pensions	138,895	163,201	143,150	445,246
	<u>\$ 1,054,180</u>	<u>\$ 555,555</u>	<u>\$ (150,364)</u>	<u>\$ 1,459,371</u>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>				
The components of cash and cash equivalents are as follows:				
Cash	\$ 2,225,481	\$ 4,290,174	\$ 559,216	\$ 7,074,871
Restricted cash	12,190	-	-	12,190
	<u>\$ 2,237,671</u>	<u>\$ 4,290,174</u>	<u>\$ 559,216</u>	<u>\$ 7,087,061</u>
Cash and cash equivalents				

See accompanying notes.

**SOUTH WHITEHALL TOWNSHIP**

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS - TRUST FUNDS**

**December 31, 2019**

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	<u>Pension Trust Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 37,623,625
Contributions receivable	260,841
Prepaid benefits	<u>5,223</u>
	<b>TOTAL ASSETS</b>
	<u>37,889,689</u>
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b>	<u><u>\$ 37,889,689</u></u>

**SOUTH WHITEHALL TOWNSHIP**

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS - TRUST FUNDS**

**Year Ended December 31, 2019**

	<u>Pension Trust Funds</u>
<b>ADDITIONS</b>	
Contributions:	
Employer (including state aid)	\$ 2,724,222
Employees	201,529
Investment income:	
Interest and dividends	1,301,518
Net appreciation in fair value of investments	<u>5,087,229</u>
<b>TOTAL ADDITIONS</b>	<b>9,314,498</b>
 <b>DEDUCTIONS</b>	
Benefits, including tax withheld	3,894,260
Administrative expenses	<u>82,907</u>
<b>TOTAL DEDUCTIONS</b>	<b><u>3,977,167</u></b>
<b>CHANGE IN NET POSITION</b>	<b>5,337,331</b>
 <b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS - BEGINNING OF YEAR</b>	 <b><u>32,552,358</u></b>
 <b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS - END OF YEAR</b>	 <b><u>\$ 37,889,689</u></b>



## **SOUTH WHITEHALL TOWNSHIP**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

South Whitehall Township (the "Township"), located in Lehigh County, Pennsylvania, was established in 1810 and became a first class township in 1966. The Township is governed by an elected five-member board of commissioners. The Township provides all municipal services to its residents. Those services include public safety (police, fire, and emergency medical services), highways and streets, water, sewer, sanitation, economic development, cultural and recreational, public improvements, planning and zoning, and general administrative services.

The major accounting principles and practices followed by the Township are presented below to assist the reader in evaluating the financial statements and the accompanying notes.

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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The financial statements of South Whitehall Township, Lehigh County, Pennsylvania, have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting principles are as follows:

##### **A. 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.

The Township used guidance contained in generally accepted accounting principles to evaluate the possible inclusion of related entities (authorities, boards, councils, fiduciary activities, 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 legally separate entities 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 a legally separate entity 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 legally separate entity 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. The decision to include a potential component unit in the reporting entity was made based upon the above criteria.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**A. Reporting Entity - continued**

Based on the foregoing criteria, the reporting entity has been defined to include all criteria for which the Township is financially accountable or for which there is another significant relationship. The component unit discussed below is included in the Township's reporting entity as a blended component unit because, despite being legally separate from the primary government (Township), it is so intertwined with the primary government that it is, in substance, the same as the primary government. Separately published audit reports of the component unit are available for public inspection in the Township's finance office.

South Whitehall Township Authority - The South Whitehall Township Authority, an entity legally separate from the Township, is governed by a five-member board appointed by the South Whitehall Township Board of Commissioners. The Authority's function is to develop, maintain, and operate the sewage and water transportation systems to the residents of South Whitehall Township.

On May 3, 2017, the Board of Commissioners of South Whitehall Township passed Ordinance No. 1021 to direct the South Whitehall Township Authority to take all steps necessary to effectuate its dissolution. The Authority's certificate of termination was signed on September 18, 2017. All assets, property interests, regulatory permits, contractual rights and obligations, ownership, operation, maintenance, and control of the water and sewer system which services the Township will be transferred to South Whitehall Township. Effective September 18, 2017, the Township Board of Commissioners assumed all oversight and management of the Authority.

**B. Basis of Presentation - Government-Wide Financial Statements**

Government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting entity, except for its fiduciary activities. All fiduciary activities are reported only in the fund financial statements. The government-wide statements include separate columns for the governmental and business-type activities of the primary government, as well as its discretely presented component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**B. Basis of Presentation - Government-Wide Financial Statements - continued**

The statement of activities demonstrates the degree to which the direct expenses of a given function to 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) grants and contributions that are restricted to meet the operational or capital requirements of a function. Taxes, including those dedicated for specific purposes, 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 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 and enterprise funds are aggregated and reported as one column on the fund financial statements.

**The Township Reports the Following Major 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 revenues and other sources of revenue 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.

**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 has the following major special revenue funds:

*Fire Tax Fund* - This fund is used to account for the receipts generated from the 0.47 mill assessment received from Township residents for the purpose of providing fire protection support throughout the Township.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**C. Basis of Presentation - Fund Financial Statements - continued**

**The Township Reports the Following Major Governmental Funds - continued:**

*State Highway Aid Fund* - This fund is used to account for the proceeds from the State Motor License Fund. Under the act of June 1, 1956, P.L. 1944, No. 145, this fund must be kept separate from all other funds and no other funds shall be commingled with this fund. Disbursements are legally restricted to disbursements for highway purposes in accordance with Department of Transportation regulations.

*Capital Projects Fund*: This fund is established to account for financial resources to be used for the acquisition or construction of major capital equipment or facilities (other than those financed by proprietary funds).

**The Township Reports the Following Major Enterprise Funds:**

*Water Fund*: This fund was established to account for the user charges and operating expenses of providing water services to Township residents. It includes the activity of the South Whitehall Township Authority, a blended component unit of the Township, as well as the Township water fund, used to hold the net pension liability.

*Sewer Fund*: This fund was established to account for the user charges and operating expenses of providing sewer services to Township residents. It includes the activity of the South Whitehall Township Authority, a blended component unit of the Township, as well as the Township sewer fund, used to hold the net pension liability.

*Refuse Fund*: This fund is established to account for the user charges and operating expenses of providing trash and recycling collection services to Township residents.

These funds are maintained to account for activities that are financed and operated in a manner similar to private business, with the intent that the costs (expenses, including depreciation) of providing goods or services on a continuing basis be financed or recovered, primarily through user charges.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**C. Basis of Presentation - Fund Financial Statements - continued**

**Additionally, the Township Reports the Following Fund Types:**

***Pension Trust Funds:*** The Township's fiduciary funds are pension trust funds. Trust funds are used to account for assets held by the Township under a trust agreement for individuals, private organization, or other governments and therefore, are not available to support the Township's own programs. The principal revenue source for these funds is employer and employee contributions. The Township's trust funds include the South Whitehall Township Police Pension Plan Fund, the South Whitehall Township Public Works Union Employees' Pension Plan Fund, the South Whitehall Township Office Personnel Pension Plan Fund, the South Whitehall Township Thrift Savings Plan Fund, and the South Whitehall Township Non-Uniformed Employees' Defined Contribution Pension Plan Fund.

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 (i.e., the governmental funds) 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.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**D. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received by the Township.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**D. Measurement Focus and Basis of Accounting - continued**

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 water fund, sewer fund, and refuse fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The pension trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

**E. Financial Position**

**1. Cash and Cash Equivalents**

The Township's reporting entity considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents. Exceptions include the five pension funds which classify cash as cash equivalents in order to appropriately report investment activity.

**2. Restricted Developer's Escrow Account**

The restricted developer's escrow account represents cash received by the Township from developers to cover the Township's cost of reviewing and approving development plans and as security deposits to ensure the related developments are completed in accordance with the approved plans.

**3. Investments**

For funds other than Pension Trust Funds, Pennsylvania First Class Township Code allows the Township to invest in obligations of the United States of America, the Commonwealth of Pennsylvania, or any agency or instrumentality of either, which are secured by the full faith and credit of such entity. The law also allows for the Township to invest in certificates of deposit of banks, savings and loan associations, and savings banks both within and outside the Commonwealth of Pennsylvania provided such amounts are insured by the FDIC or other like insurance and that deposits in excess of such insurance are collateralized by the depository.

The Township may also invest in shares of registered investment companies, provided that investments of such companies are in authorized investments as noted above.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**E. Financial Position - continued**

**3. Investments - continued**

The law provides that the Township's Pension Trust Funds may be invested in any form or type of investment or financial instrument when determined by the Township to be prudent. See Note 9 for further discussion of the Township's investment policy related to the Pension Trust Funds.

Investments for all funds, except the Pension Trust Funds, 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*. Investments of the Pension Trust Funds are stated at fair value, in accordance with the provisions of Statement 67 of the Governmental Accounting Standards Board.

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.

Investments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near-term and that such changes could materially affect the amounts reported in the statement of net position.

**4. 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 statements as "internal balances."

**5. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The costs of prepaid items are recorded as an expenditure/expense when consumed rather than when purchased.



**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**E. Financial Position - continued**

**6. Capital Assets, Depreciation, and Amortization**

The Township's capital assets with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective financial statements. The Township reports infrastructure assets in the governmental activities based on their historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. Donated capital assets are recorded at the estimated fair value at the date of its donation.

The Township generally capitalizes assets with a cost of \$5,000 or more (\$1 threshold for land and \$25,000 threshold for infrastructure) as purchase and construction outlays occur. Assets purchased or constructed with long-term debt may be capitalized regardless of the threshold established. Interest incurred during the construction phase of the business-type activities is included in the capitalized value of the assets constructed. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Construction in progress is stated at cost and consists primarily of costs incurred on construction projects. No provision for depreciation is made on construction in progress until the assets are completed and placed into service. Capital assets, including those of the component unit, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives for depreciable assets are as follows:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	15 - 50
Infrastructure	8 - 50
Equipment and vehicles	5 - 20
Furniture and fixtures	3 - 8

**7. Valuation of Long-Lived Assets**

Long-lived assets to be held and used are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In general, any long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. The Township periodically evaluates the recoverability of its long-lived assets, including real estate and improvements and deferred costs, using objective methodologies. Such methodologies include evaluations based on cash flows generated by the underlying assets or other determinants of fair value. None of the Township's long-lived assets were considered to be impaired as of December 31, 2019.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**E. Financial Position - continued**

**8. Unearned Revenues**

Revenues that are received but not earned are reported as unearned revenues in the government-wide, governmental, and proprietary fund financial statements. Unearned revenues arise when resources are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Township has legal claim to the resources, the liability for unearned revenue is removed from the respective financial statements and revenue is recognized.

**9. Compensated Absences**

Township policies permit employees to accumulate earned but unused paid time off and vacation days based on contractual agreements. Payments for paid time off and vacation days are expensed as paid in the governmental fund statements. Accumulated paid time off and vacation leave that is expected to be liquidated with expendable available financial resources and that has matured is reported as an expenditure and a fund liability in the governmental fund that will pay it. Accumulated paid time off and vacation leave that is not expected to be liquidated with expendable available financial resources and that has not matured is reported as a long-term liability in the proprietary funds and the government-wide financial statements and is expensed as incurred.

**10. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activity columns in the statement of net position. This same treatment also applies to proprietary fund financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Other bond issuance costs are expensed at the time the debt is issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and original issue discounts or premiums are reported as other financing sources and uses. Issuance costs and underwriter's discount, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**E. Financial Position - continued**

**11. Pension**

The Township administers three single employer defined benefit pension plans covering all full-time police officers, full-time public works union employees, and office personnel employees: the South Whitehall Township Police Pension Plan, the South Whitehall Township Public Works Union Employees' Plan, and the South Whitehall Township Office Personnel Pension Plan. The Township also administers two single employer defined contribution benefit pension plans: the South Whitehall Township Thrift Savings Plan and the South Whitehall Township Non-Uniformed Employees' Pension Plan.

Financial information of the pension plans (Plans) is presented on the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans. Employer contributions to the Plans are recognized when due as required by applicable law. Investments of the Plans are reported at fair value.

**12. Other Postemployment Benefits (OPEB)**

The Township's other postemployment benefit plan is accounted for under the provisions of GASB Statement No. 75, which establishes standards for the measurement, recognition, and display of other postemployment benefit expense and related liabilities, deferred outflows and inflows of resources related to other postemployment benefits, certain required supplementary information, and note disclosures.

The Township sponsors a single-employer defined benefit OPEB plan for eligible police retirees (the South Whitehall Township Police Postretirement Medical Plan). For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. The Township OPEB plan is unfunded.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**E. Financial Position - continued**

**13. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Township has two types of items that qualify for reporting in this category, which are deferred outflows of resources for pension and deferred outflows of resources for other postemployment benefits, which are reported on the government-wide statement of net position, as well as the proprietary fund statements.

Deferred outflows of resources for pension relate to the Township's net pension liability and pension expense and arise from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, or changes in the internal allocation of the net pension liability among funds. These amounts are deferred and amortized over either a closed five-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow.

Deferred outflows of resources for other postemployment benefits relate to the Township's other postemployment benefit liability and other postemployment benefits expense and arise from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, or changes in the internal allocation of the other postemployment benefit liability among funds. These amounts are deferred and amortized over either a closed five-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow.

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

The first item, unavailable revenue, arises only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue primarily from property taxes and other fee receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**E. Financial Position - continued**

**13. Deferred Outflows/Inflows of Resources - continued**

Deferred inflows of resources for pension relate to the Township's net pension liability and pension expense and arise from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, or changes in the internal allocation of the net pension liability among funds. These amounts are deferred and amortized over either a closed five-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow.

Deferred inflows of resources for other postemployment benefits relate to the Township's other postemployment benefit liability and other postemployment benefits expense and arise from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, or changes in the internal allocation of the other postemployment benefit liability among funds. These amounts are deferred and amortized over either a closed five-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow.

**14. Net Position**

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The net investment in capital assets component of net position is comprised of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. In addition, any deferred outflows of resources and/or deferred inflows of resources related to such capital assets or liabilities associated with the capital assets should also be added to or deducted from the overall net investment in capital assets. The restricted component of net position is used when there are limitations imposed on their use either through the enabling legislation adopted by a higher governmental authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining component of net position is unrestricted.

The Township applies restricted resources first when an expense is incurred for purposes for which both the restricted and unrestricted components of net position are available.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**E. Financial Position - continued**

**15. Fund Balance Policies and Flow Assumptions**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The restricted fund balance represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties. The Township has restrictions through enabling legislation as described in the governmental funds balance sheet and Note 14.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The board of commissioners is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board of Commissioners may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Additionally, the Board of Commissioners has authorized the Township Manager to assign fund balance to a specific purpose. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**F. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. The actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economy, financial markets, and the geographical area of the Township. It is unknown how long these conditions will last and what the complete financial effect will be to the Township. Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted as a result of these conditions.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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**Budgetary Data**

In accordance with the First Class Township Code, the Township Manager submits to the Board of Commissioners, with whom the legal level of budgetary control resides, a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them for the upcoming year. Expenditures for the budget may not legally exceed appropriations and prior year fund balance reserves.

The proposed budget is made available for public inspection. Not less than 20 days after advertising for public input, the budget is legally enacted for all governmental funds through passage of an ordinance. All modifications, transfers, and amendments must be approved by the Board of Commissioners. The board of Commissioners may authorize supplemental appropriations during the year and must approve all over expenditures of appropriations or transfers of appropriated amounts. Appropriations, encumbrances, and unexpended grant appropriations lapse at the end of each fiscal year.

**Deficit Fund Balance or Net Position of Individual Funds**

For the year ended December 31, 2019, no individual funds had a deficit fund balance or net position.

**Excess of Expenditures Over Appropriations**

No individual governmental fund required to have a legally adopted budget had an excess of expenditures over appropriations.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 3 - CASH AND INVESTMENTS**

The Township is permitted to invest in the following types of investments as defined in the Commonwealth of Pennsylvania First 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.

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.

The deposit and investment policy of the Township adheres to state statutes. There were no deposits or investment transactions during the year that were in violation of either state statutes or the policy of the Township.

Cash and investments in the financial statements at December 31, 2019, are summarized as follows:

	Primary Government	Blended Component Unit	Total
Petty cash	\$ 1,825	\$ 175	\$ 2,000
Demand deposit accounts	17,500,364	6,515,480	24,015,844
Restricted deposits	1,318,886	12,190	1,331,076
Investments	37,305,568	-	37,305,568
			\$ 62,654,488

Classification per the statement of net position and fiduciary fund statements:

Cash and investments	\$ 23,699,787
Restricted cash - escrow	1,331,076
Cash and investments - pension funds	37,623,625
	\$ 62,654,488



**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 3 - CASH AND INVESTMENTS - CONTINUED**

**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 does not have a policy for custodial credit risk. As of December 31, 2019, the carrying amount of the Township's deposits was \$25,346,920 and the bank balance was \$26,248,616. Of the balance, \$1,000,000 was covered by federal depository insurance and \$25,148,616 was exposed to custodial credit risk but covered by the collateralization requirements in accordance with Act 72 of the 1971 Session of the Pennsylvania General Assembly.

**Investments**

**Pension Trust Funds**

As of December 31, 2019, the Township had the following investments in its pension trust funds:

Investment Type	Fair Market Value	Fair Value Level
Investments measured at fair value:		
Mutual Funds:		
Diversified Emerging Markets	\$ 685,351	1
Foreign	3,089,339	1
Intermediate-Core Plus Bond	7,057,002	1
Large Blend/Growth/Value	6,246,816	1
Mid-Cap Blend/Growth/Value	3,075,134	1
Multisector Bond	2,652,021	1
Other	299,156	1
Short-Term Bond	824,482	1
Small Blend/Growth/Value	2,073,076	1
World Large Stock	682,918	1
Exchange Traded Products:		
Commodities Broad Basket	138,143	1
Diversified Emerging Markets	145,554	1
Foreign	332,074	1
Intermediate Government	214,406	1
Intermediate Term Bond	1,296,684	1
International Bond	200,751	1
Large Blend/Growth/Value	5,715,898	1
Mid-Cap Blend/Growth/Value	1,494,723	1
Real Estate	133,373	1
Small Blend/Value	948,667	1
Total investments measured at fair value	<u>\$ 37,305,568</u>	

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 3 - CASH AND INVESTMENTS - CONTINUED**

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**Investments - continued**

**Interest Rate Risk**

The Township does 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 risk that an issuer or other counterparty to an investment will not fulfill its obligation is called credit risk. The Township does not have an investment policy that would limit its investment choices to certain credit ratings. Investments held in mutual funds are not subject to credit risk.

**Concentration of Credit Risk**

The Township places no limit on the amount the Township may invest in any one issuer. The investments are not applicable to concentration of credit risk.

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. There are no funds exposed to custodial credit risk.

**NOTE 4 - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND UNAVAILABLE REVENUE**

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**Governmental Fund Receivables, Uncollectible Accounts, and Unavailable Revenue**

*Accounts Receivable*

Receivables in the General Fund and Fire Tax Fund consist of amounts due for services provided, including reimbursement of legal and engineering fees incurred by the Township, payment for inspections and permits, and other fees. See Note 5 for a summary of intergovernmental receivables.

The Township's receivables, other than taxes receivable, at December 31, 2019, are as follows:

	Gross Accounts Receivable	Allowance for Uncollectible Receivables	Net Estimated to be Collectible	Revenue Recognized	Unavailable Revenue
Accounts receivable	\$ 587,416	\$ 248,553	\$ 338,863	\$ 182,131	\$ 405,285

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 4 - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND UNAVAILABLE REVENUE - CONTINUED**

**Governmental Fund Receivables, Uncollectible Accounts, and Unavailable Revenue - continued**

*Taxes Receivable*

Real estate taxes are based on assessed valuations provided by Lehigh County (County) and are levied on January 1 and billed March 1. The 2019 assessed value of real property totaled \$2,321,643,800 and taxes were levied at 3.31975 mills; 2.84975 mills for general purposes and 0.47 mills for fire protection. These taxes are billed and collected by the elected tax collector. Taxes paid through April 30 are given a 2% discount. Amounts paid after June 30 are assessed a 10% penalty. Any uncollected balances as of January 15 in the year following the billings are sent to the delinquent tax collector to be liened. Current tax collections for the year ended December 31, 2019 were 99% of the tax levy.

The Township's taxes at December 31, 2019, are as follows:

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible	Tax Revenue Recognized	Unavailable Revenue
Real estate taxes	\$ 304,088	\$ 1,648	\$ 302,440	\$ 221,705	\$ 82,383
Earned income and local services taxes	174,764	-	174,764	174,764	-
Transfer taxes	60,919	-	60,919	60,919	-
Business privilege taxes	2,044	-	2,044	2,044	-
<b>Total</b>	<b><u>\$ 541,815</u></b>	<b><u>\$ 1,648</u></b>	<b><u>\$ 540,167</u></b>	<b><u>\$ 459,432</u></b>	<b><u>\$ 82,383</u></b>

**Business-Type Activities Receivables, Uncollectible Accounts, and Unavailable Revenue**

Accounts receivable balance represents amounts due from customers for water, sewer, and refuse services that have been provided as of December 31, 2019. An allowance for uncollectible accounts is estimated using aging and collection reports.

Accounts receivable includes the following amounts at December 31, 2019:

	Gross Receivable	Allowance	Net Receivable
Water charges	\$ 659,600	\$ (273,549)	\$ 386,051
Sewer charges	1,000,074	(793,401)	206,673
Refuse charges	339,965	(182,565)	157,400
	<b><u>\$ 1,999,639</u></b>	<b><u>\$ (1,249,515)</u></b>	<b><u>\$ 750,124</u></b>

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 5 - INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables consist of the following at December 31, 2019:

	Governmental Activities		Business-Type Activities	
	General Fund	Capital Projects Fund	Water Fund	Sewer Fund
Parkland School District	\$ 60,887	\$ -	\$ -	\$ -
Lehigh County District Court	10,494	-	-	-
Commonwealth of Pennsylvania - Department of Conservation and Natural Resources	-	82,969	-	-
Other - municipal charges for services	-	-	20,625	6,395
	<u>\$ 71,381</u>	<u>\$ 82,969</u>	<u>\$ 20,625</u>	<u>\$ 6,395</u>

**NOTE 6 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS**

Interfund receivables/payables are as follows at December 31, 2019:

	Interfund Receivables	Interfund Payables
Governmental Activities:		
General	\$ 68,762	\$ 38,444
Fire Tax	-	1,776
Business-Type Activities:		
Water	-	265,243
Sewer	260,000	23,787
Refuse	488	-
	<u>\$ 329,250</u>	<u>\$ 329,250</u>

Interfund receivables and payables are a result of timing differences between when a cost is incurred and when it is paid or the result of interfund charges not yet reimbursed. Accounts are satisfied as resources become available, which may not be within one year.

**SOUTH WHITEHALL TOWNSHIP**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 6 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS - CONTINUED**

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The Township had transfers in and out for the following amounts during the year ended December 31, 2019:

	Transfers In	Transfers Out
Governmental Activities:		
General	\$ -	\$ 2,100,000
Capital projects	2,100,000	-
	\$ 2,100,000	\$ 2,100,000

Transfers and payments within the reporting entity are for the purpose of providing resources for current and future capital needs.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity and balances for the year ended December 31, 2019, were as follows:

	Beginning Balance	Increase	Decrease/ Reclassifications	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated:				
Land	\$ 4,691,516	\$ 5,000	\$ -	\$ 4,696,516
Construction in progress	373,093	1,460,879	(1,301,363)	532,609
	<u>5,064,609</u>	<u>1,465,879</u>	<u>(1,301,363)</u>	<u>5,229,125</u>
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<b>5,064,609</b>	<b>1,465,879</b>	<b>(1,301,363)</b>	<b>5,229,125</b>
Capital assets being depreciated:				
Land improvements	-	16,620	1,336,827	1,353,447
Building and improvements	4,629,078	-	(35,464)	4,593,614
Infrastructure	14,877,152	1,713,155	-	16,590,307
Equipment and vehicles	17,973,261	859,927	-	18,833,188
Furniture and fixtures	408,243	-	-	408,243
	<u>37,887,734</u>	<u>2,589,702</u>	<u>1,301,363</u>	<u>41,778,799</u>
Totals at historical cost	37,887,734	2,589,702	1,301,363	41,778,799
Less accumulated depreciation for:				
Land improvements	-	9,963	394	10,357
Building and improvements	2,967,269	93,624	(394)	3,060,499
Infrastructure	8,523,612	5,705	-	8,529,317
Equipment and vehicles	13,560,801	867,622	-	14,428,423
Furniture and fixtures	356,813	582,523	-	939,336
	<u>25,408,495</u>	<u>1,559,437</u>	<u>-</u>	<u>26,967,932</u>
Total accumulated depreciation	25,408,495	1,559,437	-	26,967,932
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET</b>	<b>12,479,239</b>	<b>1,030,265</b>	<b>1,301,363</b>	<b>14,810,867</b>
<b>GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET</b>	<b><u>\$ 17,543,848</u></b>	<b><u>\$ 2,496,144</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 20,039,992</u></b>

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 7 - CAPITAL ASSETS - CONTINUED**

	Beginning Balance	Increase	Decrease/ Reclassifications	Ending Balance
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not being depreciated:				
Land	\$ 408,342	\$ -	\$ -	\$ 408,342
Construction in progress	27,690	473,992	(501,682)	-
	<u>436,032</u>	<u>473,992</u>	<u>(501,682)</u>	<u>408,342</u>
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	436,032	473,992	(501,682)	408,342
Capital assets being depreciated:				
Building and building improvements	462,963	7,402	17,620	487,985
Infrastructure	35,108,408	1,857,553	484,062	37,450,023
Equipment and vehicles	1,425,990	283,973	-	1,709,963
	<u>36,997,361</u>	<u>2,148,928</u>	<u>501,682</u>	<u>39,647,971</u>
Totals at historical cost	36,997,361	2,148,928	501,682	39,647,971
Less accumulated depreciation for:				
Building and building improvements	85,873	47,335	-	133,208
Infrastructure	21,193,253	710,709	-	21,903,962
Equipment and vehicles	685,656	132,615	-	818,271
	<u>21,964,782</u>	<u>890,659</u>	<u>-</u>	<u>22,855,441</u>
Total accumulated depreciation	21,964,782	890,659	-	22,855,441
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET</b>	<u>15,032,579</u>	<u>1,258,269</u>	<u>501,682</u>	<u>16,792,530</u>
<b>BUSINESS-TYPE ACTIVITIES, CAPITAL ASSETS, NET</b>	<u>\$ 15,468,611</u>	<u>\$ 1,732,261</u>	<u>\$ -</u>	<u>\$ 17,200,872</u>

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 7 - CAPITAL ASSETS - CONTINUED**

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

Governmental Activities	Business-type Activities
Unallocated	
\$ 1,559,437	Water system
	\$ 564,234
	Sewer system
	324,675
	Refuse
	1,750
	\$ 890,659

**NOTE 8 - LONG-TERM LIABILITIES**

**Governmental Activities**

The Township’s notes payable outstanding is secured by the pledge and full faith, credit and taxing power of the Township. Notes payable are as follows at December 31, 2019:

General Obligation Note - Series of 2014:

The Township is liable for a general obligation note dated March 16, 2014, for a principal amount of up to \$3,000,000. As of December 31, 2016, the entire balance has been drawn on the note. Principal maturities occur on October 15, 2015, through the year 2034. Interest is payable semi-annually on April 15 and October 15 at a fixed rate of 2.31% through April 15, 2024, at which time the rate shall be reset to 100% of the 30 Day London Inter-Bank Offering Rate (LIBOR) plus 175 basis points through maturity, except that at no time shall the interest rate exceed 5.5%. The proceeds of this issuance were used to fund capital purchases, as well as pay debt issuance costs.

\$ 1,697,717

General Obligation Note - Series of 2018

The Township is liable for a general obligation note dated September 25, 2018, for a principal amount of \$2,400,000, \$735,000 of which is allocated to governmental activities. Principal maturities occur on October 15, 2019 through the year 2028. Interest is paid semi-annually on April 15 and October 15 at a fixed rate of 4.06% through October 15, 2023, at which time the rate shall be reset to 75% of the Wall Street Journal Prime Rate, except that at no time shall the interest rate be less than 3.75% or exceed 5.25%. The proceeds of this issuance were used to fund capital purchases as well as pay debt issuance costs.

674,056



**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 8 - LONG-TERM LIABILITIES - CONTINUED**

**Governmental Activities - continued**

General Obligation Note - Series of 2019

The Township is liable for a general obligation note dated December 30, 2019, for a principal amount of \$9,000,000. Principal maturity occurs on December 1, 2021. Interest is paid semi-annually on June 1 and December 1 at a fixed rate of 3.5%. The proceeds of this issuance will be used for a campus renovation project and to pay debt issuance costs.

9,000,000

Total Notes Payable      \$ 11,371,773

The future annual payments required under the notes are as follows for the years ending December 31:

	<u>General Obligation Note Series of 2014</u>	<u>General Obligation Note Series of 2018</u>	<u>General Obligation Note Series of 2019</u>	<u>Total Principal</u>	<u>Interest *</u>
2020	\$ 146,000	\$ 64,925	\$ -	\$ 210,925	\$ 347,990
2021	149,000	67,681	9,000,000	9,216,681	375,576
2022	152,000	70,744	-	222,744	54,386
2023	156,000	73,500	-	229,500	48,003
2024	141,000	71,663	-	212,663	45,733
2025 - 2029	701,000	325,543	-	1,026,543	148,350
2030 - 2031	252,717	-	-	252,717	11,952
Total	<u>\$ 1,697,717</u>	<u>\$ 674,056</u>	<u>\$ 9,000,000</u>	<u>\$ 11,371,773</u>	<u>\$ 1,031,990</u>

\*Interest is calculated at effective rates during the variable period of 3.46% for GON 2014 and 3.57% for GON 2018 at December 31, 2019.

**SOUTH WHITEHALL TOWNSHIP**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 8 - LONG-TERM LIABILITIES - CONTINUED**

**Business-Type Activities**

Notes payable are as follows at December 31, 2019:

General Obligation Note - Series of 2018

The Township is liable for a general obligation note dated September 25, 2018 for a principal amount of \$2,400,000, \$1,665,000 of which is allocated to business-type activities. Principal maturities occur on October 15, 2019 through the year 2028. Interest is paid semi-annually on April 15 and October 15 at a fixed rate of 4.06% through October 15, 2023, at which time the rate shall be reset to 75% of the Wall Street Journal Prime Rate, except that at no time shall the interest rate be less than 3.75% or exceed 5.25%. The proceeds of this issuance were used to refinance Water Revenue Note Series of 2014, fund capital purchases, and pay debt issuance costs.

\$ 1,526,944

The future annual payments required under General Obligation Note - Series of 2018 are as follows for the years ending December 31:

	Principal	Interest*
2020	\$ 147,075	\$ 61,994
2021	153,319	56,023
2022	160,256	49,798
2023	166,500	43,292
2024	162,337	32,055
2025 - 2028	737,457	67,324
Total	\$ 1,526,944	\$ 310,486

\*Interest is calculated at stated rates during the variable period which was 3.57% at December 31, 2019.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 8 - LONG-TERM LIABILITIES - CONTINUED**

The following is a summary of governmental long-term liability activity for the year ended December 31, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Notes payable	\$ 2,743,792	\$ 9,000,000	\$ 372,019	\$ 11,371,773	\$ 210,925
Other liabilities:					
Capital leases	-	100,550	-	100,550	36,642
Compensated absences	92,011	-	9,521	82,490	-
Net pension liability	13,748,854	-	3,796,996	9,951,858	-
OPEB liability	236,037	13,167	20,400	228,804	-
	<u>\$ 16,820,694</u>	<u>\$ 9,113,717</u>	<u>\$ 4,198,936</u>	<u>\$ 21,735,475</u>	<u>\$ 247,567</u>

The following is a summary of business-type long-term liability activity for the year ended December 31, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-Type Activities</b>					
Notes payable	\$ 1,665,000	\$ -	\$ 138,056	\$ 1,526,944	\$ 147,075
Net pension liability	1,744,395	-	661,156	1,083,239	-
	<u>\$ 3,409,395</u>	<u>\$ -</u>	<u>\$ 799,212</u>	<u>\$ 2,610,183</u>	<u>\$ 147,075</u>

Payments on notes payable are made by the general and water funds. The compensated absence liabilities will be liquidated by the general fund. The capital lease liability will be liquidated by the state highway aid fund. The net pension and other postemployment benefit liabilities will be liquidated through future payments from the general fund, water fund, sewer fund, and refuse fund.

**Event of Default**

In the event of default, any unpaid principal and interest accrued become due and payable immediately. The capital lease event of default would allow for the repossession of the related equipment.

**SOUTH WHITEHALL TOWNSHIP**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 8 - LONG-TERM LIABILITIES - CONTINUED**

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**Capital Leases**

In May of 2019, the Township entered into a lease-purchase agreement for the purchase of a street sweeper truck in the principal amount of \$100,550. The Township will receive title to the vehicle at the conclusion of the lease. The vehicle is included in fixed assets. The lease bears interest at a rate of 4.50% with annual principal and interest payments of \$36,642 required on May 20, 2020 through 2022. The payments will be funded by the state highway aid fund. The principal balance of leases outstanding at December 31, 2019 is \$100,550.

The lease requirements to maturity are as follows at December 31:

2020	\$	36,642
2021		36,642
2022		36,642
Less: Amount representing interest		<u>(9,376)</u>
Total	\$	<u>100,550</u>

The book value of the asset as of December 31, 2019 was \$100,550.

**NOTE 9 - PENSION PLANS**

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The Township administers three single employer defined benefit pension plans: the South Whitehall Township Police Pension Plan, the South Whitehall Township Public Works Union Employees' Pension Plan, and the South Whitehall Township Office Personnel Pension Plan. The Township also administers two defined contribution plans: the South Whitehall Township Thrift Savings Plan and the South Whitehall Township Non-Uniformed Employees Defined Contribution Pension Plan. The Plans are included in the financial statements of the Township and do not issue a separate financial statement. Plan provisions are established by Township Ordinance with the authority for municipal contribution required by the Commonwealth of Pennsylvania Act 205 of 1984 (the Act).

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 9 - PENSION PLANS - CONTINUED**

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**Single Employer Defined Benefit Pension Plans**

**Plan Descriptions**

Membership of each defined-benefit plan consisted of the following at December 31, 2019:

	Police Pension Plan	Public Works Union Employees' Pension Plan	Office Personnel Pension Plan
Active plan members	40	20	11
Retired members	31	26	31
Vested former members	<u>3</u>	<u>9</u>	<u>11</u>
Total plan members	<u><u>74</u></u>	<u><u>55</u></u>	<u><u>53</u></u>

At December 31, 2019, there were no individual investments that constituted more than 5% of the Plan net position available for benefits that were required to be reported. The Plans did not have any investment transactions with related parties during the year.

***Benefits Provided - South Whitehall Township Police Pension Plan***

*Eligibility:* All full-time members of the police force join the Plan on the December 31 following the date of employment. Members are fully vested after 12 years of service.

*Retirement Benefit* - Members who have reached age 50 and completed 25 years of service are eligible for normal retirement. The monthly pension benefit is equal to 50% of average monthly pay. Average monthly pay is based upon the last 36 months of employment and includes overtime (effective January 1, 2000). A service increment provides an additional \$100 per year of service over 25 years, with a maximum increment of \$400. If a participant continues working after normal retirement date, their pension does not start until their actual retirement date.

*Disability Benefit* - If an active member is disabled in the line of duty, they are eligible for a disability pension. The disability pension is equal to 50% of the member's monthly salary at the time of disability.

*Death Benefit* - If a member is eligible for retirement at the time of death, a monthly death benefit is payable to his or her surviving spouse or eligible child (dependent under the age of 18), equal to 50% of the monthly benefit the member would have been receiving had they been retired at the time of death.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 9 - PENSION PLANS - CONTINUED**

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**Single Employer Defined Benefit Pension Plans - continued**

**Plan Descriptions - continued**

***Benefits Provided - South Whitehall Township Public Works Union Employees' Pension Plan***

*Eligibility* - Any individual employed by the Township on a regular, full-time basis as a member of the public works union is eligible to participate in the plan on his or her 91<sup>st</sup> day of employment. Members are fully vested after 7 years of service.

*Retirement Benefit* - Members who have reached age 65 and completed 7 years of service are eligible for normal retirement. A participant is eligible for early retirement when the participant's attained age and years of vesting service, when added together, equals or exceeds 80. The retirement benefit is equal to 2% of final average monthly compensation times years of service. Final average monthly compensation is based upon the last 36 months of employment. If a participant continues working after normal retirement date, their pension does not start until their actual retirement date. A participant who terminates prior to age 55 with 25 years of service may retire at age 55 with an actuarially reduced benefit.

*Disability Benefit* - If a participant is eligible to receive Social Security disability benefits, he or she is eligible for a disability pension. The disability pension is equal to the actuarial equivalent of the benefit based on the normal retirement formula.

*Death Benefit* - If a participant (including vested former members) is vested, a death benefit is payable to his or her surviving spouse in an amount equal to 100% of the qualified survivor benefit.

***Benefits Provided - South Whitehall Township Office Personnel Pension Plan***

*Eligibility* - Any nonunion individual hired prior to January 1, 2015 and employed by the Township on a regular, full-time basis is eligible to participate on his or her 91<sup>st</sup> day of employment. Members are fully vested after 7 years of service.

*Retirement Benefit* - Members who have reached age 65 and completed 7 years of service are eligible for normal retirement. A participant is eligible for early retirement when the participant's attained age and years of vesting service, when added together, equal or exceeds 80. The retirement benefit is equal to 2% of final average monthly compensation times years of service. Final average monthly compensation is based upon the last 36 months of employment. If a participant continues working after normal retirement date, their pension does not start until their actual retirement date. A participant who terminates prior to age 55 with 25 years of service may retire at age 55 with an actuarially reduced benefit.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 9 - PENSION PLANS - CONTINUED**

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**Single Employer Defined Benefit Pension Plans - continued**

**Plan Descriptions - continued**

***Benefits Provided - South Whitehall Township Office Personnel Pension Plan - continued***

*Disability Benefit* - If a participant is eligible to receive Social Security disability benefits, he or she is eligible for a disability pension. The disability pension is equal to the actuarial equivalent of the benefit based on the normal retirement formula.

*Death Benefit* - If a participant (including vested former members) is vested, a death benefit is payable to his or her surviving spouse in an amount equal to 100% of the qualified survivor benefit.

**Contributions**

PA Act 205 of 1984 requires that annual contributions be based upon the calculation of the Minimum Municipal Obligation (MMO). The MMO calculation is based upon the biennial actuarial valuation. The January 1, 2017 valuation was used in the calculation of the Township's 2019 MMO.

Employees are not required to contribute under the Act; such contributions are subject to collective bargaining and Township ordinances.

*South Whitehall Township Police Pension Plan:* If an actuarial study shows the Plan to have sufficient assets to fund plan benefits, member contributions are suspended. Effective January 1, 2019, members contribute 2% of compensation. Effective January 1, 2021 the rate is 2.25%. Member contributions are credited with 7% interest.

*South Whitehall Township Public Works Union Employees' Pension Plan:* Members contribute 1% of pay. Member contributions are credited with 7% interest.

*South Whitehall Township Office Personnel Pension Plan:* Member contributions are currently suspended. Member contributions are credited with 7% interest.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 9 - PENSION PLANS - CONTINUED**

**Single Employer Defined Benefit Pension Plans - continued**

**Contributions - continued**

The Commonwealth of Pennsylvania allocates certain funds to assist in pension funding. Any financial requirement established by the MMO which exceeds the Commonwealth allocation, must be funded by the Township (and could include employee contributions). Payments made to the Plans were sufficient to meet the MMOs in 2019, except for the public works pension fund where the MMO was underpaid as a result of a calculation error. The following table reflects contribution information for 2019:

	Police	Public Works	Office	Total
MMO	\$ 1,037,781	\$ 404,504	\$ 803,614	\$ 2,245,899
Contributions:				
Township	\$ 733,340	\$ 450,077	\$ 574,051	\$ 1,757,468
Allocation of state aid	304,441	118,664	235,746	658,851
Total	1,037,781	568,741	809,797	2,416,319
Employee	74,258	16,227	-	90,485
Total contributions	\$ 1,112,039	\$ 584,968	\$ 809,797	\$ 2,506,804
Covered payroll	\$ 2,748,891	\$ 1,303,969	\$ 833,379	\$ 4,886,239
Employee contributions as a percent of covered payroll	2.70%	1.24%	0.00%	1.85%

Administrative costs, including investment, custodial trustee, and actuarial services, are charged to the appropriate plan and funded from investment earnings.



**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 9 - PENSION PLANS - CONTINUED**

**Single Employer Defined Benefit Pension Plans - continued**

**Deferred Retirement Option Program (DROP)**

*South Whitehall Township Police Pension Plan*

Effective January 1, 2016, a member who is eligible for normal retirement may elect the DROP for 3 years. Officers in the DROP have their retirement benefit calculated as of the date of entry into the DROP and accrue no further benefit under the plan. The retirement benefit is paid from the plan and deposited into an account established for the officer, which will be paid in full upon retirement. The Township remains the fiduciary for these funds until full retirement of the officers. At December 31, 2019, the balance of DROP accounts for the Police Pension Plan held by the Township is included in the total cash and investments reported for the police pension plan.

**Net Pension Liability**

The components of the net pension liability of the defined benefit pension plans at December 31, 2019, were as follows:

	<u>Police Pension Plan</u>	<u>Public Works Union Employees' Pension Plan</u>	<u>Office Personnel Pension Plan</u>	<u>Total</u>
Total pension liability	\$ 19,180,016	\$ 12,118,979	\$ 12,959,774	\$ 44,258,769
Plan fiduciary net position	<u>(14,416,220)</u>	<u>(9,222,619)</u>	<u>(9,584,833)</u>	<u>(33,223,672)</u>
Net pension liability	<u>\$ 4,763,796</u>	<u>\$ 2,896,360</u>	<u>\$ 3,374,941</u>	<u>\$ 11,035,097</u>
Plan fiduciary net position as a percentage of total pension liability	<u>75.16%</u>	<u>76.10%</u>	<u>73.96%</u>	<u>75.07%</u>

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 9 - PENSION PLANS - CONTINUED**

**Single Employer Defined Benefit Pension Plans - continued**

**Net Pension Liability - continued**

Changes in the Net Pension Liability

The changes in the net pension liability of the Township for the year ended December 31, 2019, were as follows:

	Increases/Decreases		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2018	\$ 43,591,518	\$ 28,098,269	\$ 15,493,249
Changes for the year:			
Service cost	707,422	-	707,422
Interest	3,325,208	-	3,325,208
Differences between expected and actual experience	(912,199)	-	(912,199)
Changes of assumptions	527,364	-	527,364
Contributions - employer	-	2,416,319	(2,416,319)
Contributions - employee	-	90,485	(90,485)
Net investment income	-	5,671,007	(5,671,007)
Benefit payments, including refunds	(2,980,544)	(2,980,544)	-
Administrative expenses	-	(71,864)	71,864
Net changes	667,251	5,125,403	(4,458,152)
Balances at December 31, 2019	\$ 44,258,769	\$ 33,223,672	\$ 11,035,097
Plan fiduciary net position as a percentage of the total pension liability			75.07%

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 9 - PENSION PLANS - CONTINUED**

**Single Employer Defined Benefit Pension Plans - continued**

**Net Pension Liability - continued**

*Actuarial Assumptions* - The total pension liability was determined by an actuarial valuation performed on January 1, 2019, and rolled forward to December 31, 2019, using the following actuarial assumptions, applied to all periods in the measurement:

	Police Pension Plan	Public Works Union Employees' Pension Plan	Office Personnel Pension Plan
<i>Actuarial Assumptions:</i>			
Investment rate of return	7.88%	7.88%	7.88%
Projected salary increases	5.00%	5.00%	5.00%
Inflation rate	3.00%	3.00%	3.00%
Mortality	IRS 2017 Static Combined Table for small plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non- annuitants projected 15 years using scale AA to reflect mortality improvement.	IRS 2017 Static Combined Table for small plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non- annuitants projected 15 years using scale AA to reflect mortality improvement.	IRS 2017 Static Combined Table for small plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non- annuitants projected 15 years using scale AA to reflect mortality improvement.

*Investment Policy* - 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.

*Long-Term Expected Rate of Return* - The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 9 - PENSION PLANS - CONTINUED**

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**Single Employer Defined Benefit Pension Plans - continued**

**Net Pension Liability - continued**

The following was the asset allocation policy and best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2019:

*South Whitehall Township Police Pension Plan:*

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	67.00%	5.50% - 7.50%
Fixed Income	20.00%	1.00% - 3.00%
Cash	13.00%	0.00% - 1.00%
	100.00%	

*South Whitehall Township Public Works Union Employees' Pension Plan:*

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	64.00%	5.50% - 7.50%
Fixed Income	17.00%	1.00% - 3.00%
Cash	19.00%	0.00% - 1.00%
	100.00%	

*South Whitehall Township Office Personnel Pension Plan:*

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	64.00%	5.50% - 7.50%
Fixed Income	19.00%	1.00% - 3.00%
Cash	17.00%	0.00% - 1.00%
	100.00%	

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 9 - PENSION PLANS - CONTINUED**

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**Single Employer Defined Benefit Pension Plans - continued**

**Net Pension Liability - continued**

*Rate of Return* - The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2019, the annual money-weighted rate of return on the Police Pension Plan, Public Works Union Employees' Pension Plan, and Office Personnel Pension Plan, net of investment expenses, was 21.07%, 20.74%, and 21.18%, respectively.

*Discount Rate* - The discount rate used to measure the total pension liability for each of the defined benefit pension plans was 7.88%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the Township's contributions will be made based on the yearly Minimum Municipal Obligation calculation. Based on those assumptions, the Plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* - The following presents the net pension liability of the Plans calculated using the discount rates described previously, as well as what the Plans' net pension liabilities would be if they were calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current rates:

	1% Decrease (6.88%)	Current Discount Rate (7.88%)	1% Increase (8.88%)
	<u>          </u>	<u>          </u>	<u>          </u>
Police Pension Plan	\$ 6,950,433	\$ 4,763,796	\$ 2,921,799
Public Works Union Employees' Pension Plan	\$ 4,140,870	\$ 2,896,360	\$ 1,828,684
Office Personnel Pension Plan	\$ 4,675,242	\$ 3,374,941	\$ 2,254,022

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 9 - PENSION PLANS - CONTINUED**

**Single Employer Defined Benefit Pension Plans - continued**

**Net Pension Liability - continued**

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2019, the Township recognized pension expense of \$3,216,030 (\$3,240,754 - governmental activities; (\$24,724) - business-type activities). At December 31, 2019, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Police Pension Plan</u>	<u>Public Works Union Employees' Pension Plan</u>	<u>Office Personnel Pension Plan</u>	<u>Total</u>
<u>Deferred Outflows of Resources:</u>				
Difference between expected and actual experience	\$ 92,375	\$ 22,500	\$ 181,334	\$ 296,209
Changes of assumptions	493,957	355,141	269,045	1,118,143
Internal change in proportion	-	256,115	-	256,115
Difference between projected and actual earnings on pension plan investments	1,321,276	790,506	847,202	2,958,984
Total	<u>\$ 1,907,608</u>	<u>\$ 1,424,262</u>	<u>\$ 1,297,581</u>	<u>\$ 4,629,451</u>
<u>Deferred Inflows of Resources:</u>				
Internal change in proportion	\$ -	\$ 256,115	\$ -	\$ 256,115
Difference between expected and actual experience	513,468	432,244	2,572	948,284
Difference between projected and actual earnings on pension plan investments	1,200,648	736,374	791,086	2,728,108
Total	<u>\$ 1,714,116</u>	<u>\$ 1,424,733</u>	<u>\$ 793,658</u>	<u>\$ 3,932,507</u>

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 9 - PENSION PLANS - CONTINUED**

**Single Employer Defined Benefit Pension Plans - continued**

**Net Pension Liability - continued**

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for the years ending December 31 as follows:

	2020	\$ 713,061		
	2021	422,578		
	2022	338,779		
	2023	(625,927)		
	2024	(37,887)		
	Thereafter	<u>(113,660)</u>		
	Total	<u>\$ 696,944</u>		

**Pension Trust Fund Financial Information**

*Plan Net Position*

	<u>Police Employee Pension Fund</u>	<u>Public Works Union Employees' Pension Fund</u>	<u>Office Personnel Pension Fund</u>	<u>Total Defined Benefit Pension Trust Funds</u>
<b>ASSETS</b>				
Cash and investments	\$ 14,416,220	\$ 9,058,382	\$ 9,579,610	\$ 33,054,212
Contributions receivable	-	164,237	-	164,237
Prepaid benefits	-	-	5,223	5,223
	<u>14,416,220</u>	<u>9,222,619</u>	<u>9,584,833</u>	<u>33,223,672</u>
<b>TOTAL ASSETS</b>				
	<u>14,416,220</u>	<u>9,222,619</u>	<u>9,584,833</u>	<u>33,223,672</u>
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b>	<u>\$ 14,416,220</u>	<u>\$ 9,222,619</u>	<u>\$ 9,584,833</u>	<u>\$ 33,223,672</u>

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 9 - PENSION PLANS - CONTINUED**

**Single Employer Defined Benefit Pension Plans - continued**

**Pension Trust Fund Financial Information - continued**

*Changes in Plan Net Position*

	Police Employee Pension Fund	Public Works Union Employees' Pension Fund	Office Personnel Pension Fund	Total Defined Benefit Pension Trust Funds
<b>ADDITIONS</b>				
Contributions:				
Employer (including state aid)	\$ 1,037,781	\$ 568,741	\$ 809,797	\$ 2,416,319
Employee	74,258	16,227	-	90,485
Investment income:				
Interest and dividends	510,833	317,491	336,166	1,164,490
Net appreciation in fair value of investments	1,982,429	1,216,922	1,307,167	4,506,518
<b>TOTAL ADDITIONS</b>	3,605,301	2,119,381	2,453,130	8,177,812
<b>DEDUCTIONS</b>				
Benefits, including tax withheld	1,593,039	415,242	972,264	2,980,545
Administrative expenses	31,489	19,719	20,656	71,864
<b>TOTAL DEDUCTIONS</b>	1,624,528	434,961	992,920	3,052,409
<b>CHANGE IN NET POSITION</b>	1,980,773	1,684,420	1,460,210	5,125,403
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR</b>				
	12,435,447	7,538,199	8,124,623	28,098,269
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR</b>	\$ 14,416,220	\$ 9,222,619	\$ 9,584,833	\$ 33,223,672



**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 9 - PENSION PLANS - CONTINUED**

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**Single Employer Defined Contribution Pension Plans**

The Township administers two single employer defined contribution pension plans:

South Whitehall Township Thrift Savings Plan

The Township maintains a defined contribution employee thrift savings plan, which covers substantially all full-time employees of the Township. Employee contributions are fully vested. The Township makes matching contributions of 100 - 200% of all employee contributions up to a maximum of \$1,000. Employee contributions are voluntary. During the year ended December 31, 2019, the Township contributed \$211,299 to the plan.

South Whitehall Township Non-Uniformed Employees' Defined Contribution Pension Plan

Any non-union employees scheduled to work more than 1,500 hours annually and who became employed on or after January 1, 2015 are eligible to participate in the plan. Eligible employees can begin participating in the plan on the date of employment. Employees are 0% vested until reaching 7 years of service, at which time they become 100% vested. Employees do not contribution to the plan.

The Township contributes 6% of members' compensation annually. A member's full account is payable upon retirement at age 65. If a member continues working after his or her normal retirement date, he or she will remain in the Plan as an active member. The member's account will become payable upon actual retirement from active employment. If a member dies while an active member of the Plan, his or her account will be payable to the designated beneficiary or beneficiaries. During the year ended December 31, 2019, the Township contributed \$60,330 to the plan, which related to the 2018 year. Contributions related to the year ended December 31, 2019 were paid in 2020.

**SOUTH WHITEHALL TOWNSHIP**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS**

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**Employee Defined Benefit Other Postemployment Benefits Plan**

***General Information About the OPEB Plan***

Plan Description

The Township sponsors a single-employer defined benefit healthcare plan (the Retiree Health Plan). The plan provides medical benefits for eligible police officer retirees. Benefit provisions are established through negotiation with the Township and the union representing the Township's police employees.

Benefits Provided

For police officers retiring on or after January 1, 2006 after attainment of age 50 with 25 years of service, the Township will contribute \$200 per month towards health insurance until the retired officer reaches Medicare age. The retired officer is responsible for finding his or her own coverage and for any remaining premium. In the event that the retired officer dies while receiving benefits, the benefits cease.

Employees Covered by Benefit Terms

At January 1, 2018, the date of the most recent actuary valuation, the following employees were covered by the benefit terms:

	<u>Police</u>
Active participants	36
Vested former participants	-
Retired participants	<u>7</u>
Total	<u><u>43</u></u>

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

*General Information About the OPEB Plan - continued*

Actuarial Assumptions and Other Inputs

The total OPEB liability as of January 1, 2019, was determined by rolling forward the Township's total OPEB liability as of January 1, 2018 to January 1, 2019, using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method - Entry Age Normal.
- Salary increases - annual salary increases are assumed to be 5.0%
- Discount rate - 3.64% - based on the Standards & Poor's Municipal Bond 20 Year High Grade Rate Index at 1/1/19.
- Mortality rates - IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non-annuitants projected 15 years using Scale AA to reflect mortality improvement.
- Participation rates - 75% of employees are assumed to elect coverage.

The actuarial assumptions were selected using input from the Township based on actual experience.

***Changes in Total OPEB Liability***

	<u>Total OPEB Liability</u>
Balance at January 1, 2018	\$ 236,037
Changes for the year:	
Service cost	13,594
Interest	7,539
Differences between expected and actual experience	-
Changes of assumptions or other inputs	(7,966)
Benefit payments	(20,400)
Net changes	<u>(7,233)</u>
Balance at January 1, 2019	<u>\$ 228,804</u>

Changes of assumptions or other inputs reflect the following changes: (1) the discount rate changed from 3.16% to 3.64%.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

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**Employee Defined Benefit Other Postemployment Benefits Plan - continued**

***Changes in Total OPEB Liability - continued***

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower (2.64%) or one-percentage point higher (4.64%) than the current discount rate:

	1% Decrease (2.64%)	Current Discount Rate (3.64%)	1% Increase (4.64%)
Total OPEB Liability	\$ 245,789	\$ 228,804	\$ 213,251

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one-percentage point lower or one-percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$ 228,804	\$ 228,804	\$ 228,804

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

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**Employee Defined Benefit Other Postemployment Benefits Plan - continued**

***OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB***

For the year ended December 31, 2019, the Township recognized OPEB expense of \$20,441. At December 31, 2019, the Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 9,572	\$ 7,397
Differences between expected and actual experience	-	11,056
Benefit payments made subsequent to the measurement date	15,537	-
	\$ 25,109	\$ 18,453

The \$15,537 reported as deferred outflows of resources related to OPEB liabilities resulting from benefit payments made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending December 31:

2020	\$ (692)
2021	(692)
2022	(692)
2023	(692)
2024	(692)
Thereafter	(5,421)
Total	\$ (8,881)

## SOUTH WHITEHALL TOWNSHIP

### NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

#### NOTE 11 - RISK MANAGEMENT

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In the normal course of business, the Township is subject to various contingent liabilities arising from litigation. The Township does not anticipate future losses resulting from these transactions to be material to the Township's financial statements.

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 major programs. For insured programs, there were no significant reductions in insurance coverages of the 2019 year. Settlement amounts have not exceeded insurance coverage for the current year or the 3 prior years. The Township has no unfunded liability.

#### NOTE 12 - COMMITMENTS AND CONTINGENCIES

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##### Grant Programs

The Township participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Township is potentially liable for an expenditure which may be disallowed pursuant to the terms of these grant programs. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. Township officials do not expect any significant adjustments as a result of these examinations.

##### Concentration of Labor

The Township has in effect two labor agreements. The collective bargaining agreement with Teamsters Local 773 was renewed in 2017 and was effective through December 31, 2020. A new agreement was negotiated in 2021. The South Whitehall Township Police's labor agreement is effective through December 31, 2019. A tentative agreement was reached to extend the contract through December 31, 2021.

##### Intermunicipal Agreements

On October 1, 1997, South Whitehall Township entered into an agreement with the City of Allentown for the purchase of water. On the same day, this agreement was assigned to the South Whitehall Township Authority. Under Addendum #2 to the agreement, dated January 1, 2004, the Authority agrees to purchase a minimum of 850,000 gallons of water per day average per year from the City. Rates for purchase are determined as a percentage of current rates to City customers. Expenses under this agreement were \$1,073,884 for the year ended December 31, 2019.

On December 29, 1981, the Authority (through the South Whitehall Township) entered into an agreement with the City of Allentown for the transportation, treatment, and disposal of sewage collected by the South Whitehall Township Authority. The Authority pays the City of Allentown for sewer treatment charges, sewage transportation charges, and debt service charges on a quarterly basis. Final calculations are determined after year-end, with an adjustment billing in the following year. Expenses under this agreement were \$1,068,887 for the year ended December 31, 2019.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 12 - COMMITMENTS AND CONTINGENCIES - CONTINUED**

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**Commitments - Refuse Contract**

In April of 2016, the Township entered into an agreement with a contractor to provide collection, disposal and recycling services for residential municipal solid waste and recyclables generated within the Township over the period of January 1, 2017 through December 31, 2019. Expenses under this agreement were \$1,852,466 for the year ended December 31, 2019.

In November of 2019, a contract was signed with a different contractor to provide collection, disposal and recycling services for residential municipal solid waste and recyclables generated within the Township for a 3 year period beginning on January 1, 2020. Payments over the 3-year period will total approximately \$7,205,000 under the contract.

**Commitments - Bid Awards and Construction Contracts**

The Authority awards bids and contracts for capital projects and expenses. Outstanding commitments, including bids awarded subsequent to year end for capital projects and assets include:

<u>Project</u>	<u>Contracts/Bids Awarded</u>
Jordan Creek Greenway	\$ 120,440
Township Campus Renovation	8,797,800
Covered Bridge Concrete Project	103,384
Covered Bridge Park Equipment	407,096
Fire Truck	<u>627,837</u>
Total	<u>\$ 10,056,557</u>

The above commitments will be satisfied by existing and future funds in the general, capital projects, and state highway aid funds, as well as grant funding and debt issuances as required.

**Commitments - Operating Lease Agreement**

In December 2019, the Township entered into an operating lease agreement for office space as part of the campus renovation project. The lease term is February 1, 2020 through April 30, 2021 with monthly rentals of \$13,450 due. In March of 2020 an addendum was signed reducing the monthly rent payments to \$13,379. Total payments to be made under the original term of the lease are \$200,678. Payments will be made from the general fund.

After the initial term of the lease, the lease is self-renewing on a month to month basis until 60 days notice of termination is given by either party. Monthly rental under the renewal period of the lease is 115% of the last full month's rent prior to such renewal period.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 13 - FUND BALANCE**

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**Primary Government**

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, 2019 were as follows:

**General Fund:** The general fund has nonspendable fund balance of \$317,804 related to prepaid insurance, assigned funds of \$810,864 which consist of \$100 assigned for emergency medical services and \$810,764 assigned for 2020 appropriations, and an unassigned fund balance of \$5,684,739.

**Fire Tax Fund:** The fire tax fund has nonspendable fund balance of \$4,959 related to prepaid insurance and restricted funds of \$748,395, consisting of unspent real estate taxes assessed for fire protection services.

**State Highway Aid Fund:** The state highway aid fund has restricted funds of \$185,784, consisting of unspent highway state aid funds restricted by state law.

**Capital Projects Fund:** The capital projects fund has restricted funds of \$8,896,688 of debt proceeds to be used for future capital purchases.

The Township has established and will maintain reservations of fund balance in accordance with GASB 54. This policy applies to the Township's General Fund and all governmental funds. Fund balance is composed of nonspendable, restricted, committed, assigned, and unassigned amounts.

Fund balance information is used to identify the available resources to repay long-term debt, reduce property taxes, add new governmental programs, expand existing programs, or enhance the financial position of the Township in accordance with policies established by the board of commissioners.

**NOTE 14 - NEW ACCOUNTING STANDARDS**

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The Governmental Accounting Standards Board (GASB) has issued the following standards which have not yet been implemented:

- Statement No. 84, *Fiduciary Activities* - This statement establishes criteria for identifying fiduciary activities and describes four types of fiduciary funds, as well as provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. This statement is effective for the Township's fiscal year ended December 31, 2020.



## SOUTH WHITEHALL TOWNSHIP

### NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

#### NOTE 14 - NEW ACCOUNTING STANDARDS - CONTINUED

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- Statement No. 87, *Leases* - This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement is effective for the Township's fiscal year ending December 31, 2022.
- Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* - This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Under this statement, interest cost incurred before the end of a construction period must be recognized as an expense in the period in which the costs are incurred for financial statements prepared using the economic resources measurement focus. This statement is effective for the Township's fiscal year ending December 31, 2021.
- Statement No. 91, *Conduit Debt Obligations* - This statement clarifies the existing definition of a conduit debt obligations; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial report of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This statement is effective for the Township's fiscal year ending December 31, 2022.
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* - As used in this statement, a public-private and public-public partnership arrangement (PPP) is an arrangement in which a government contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset, for a period of time in an exchange or exchange-like transaction. This statement requires that PPPs that meet the definition of a lease apply the guidance in Statement No. 87 if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of a service concession arrangement. The statement also provides accounting and financial reporting requirements for all other PPPs. The statement also defines and provides guidance for accounting and financial reporting for availability payment arrangements (APAs). This statement is effective for the Township's fiscal year ending December 31, 2023.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

**NOTE 14 - NEW ACCOUNTING STANDARDS - CONTINUED**

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- Statement No. 96, *Subscription-Based IT Arrangements* - This statement establishes guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. This statement is effective for the Township's fiscal year ending December 31, 2023.

The Township has not yet completed the analysis necessary to determine the actual financial statement impact of these new pronouncements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SOUTH WHITEHALL TOWNSHIP**

**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**

**Year Ended December 31, 2019**

	Original Budget	Final Budget	Actual	Variance
<b>REVENUES</b>				
Real estate taxes	\$ 7,065,827	\$ 7,065,827	\$ 6,572,924	\$ (492,903)
Earned income taxes	3,210,833	3,210,833	3,588,318	377,485
Business privilege taxes	2,163,000	2,163,000	2,409,632	246,632
Amusement/admission taxes	1,625,000	1,625,000	1,793,247	168,247
Other taxes	1,250,000	1,250,000	1,571,287	321,287
Licenses, permits, and fines	487,330	487,330	535,919	48,589
Interest and rent	100,210	100,210	65,978	(34,232)
Intergovernmental	629,108	629,108	922,057	292,949
Charges for services	1,434,901	1,434,901	1,592,518	157,617
Other	12,000	12,000	447,912	435,912
<b>TOTAL REVENUES</b>	<b>17,978,209</b>	<b>17,978,209</b>	<b>19,499,792</b>	<b>1,521,583</b>
<b>EXPENDITURES</b>				
General government	7,287,946	7,486,452	6,643,188	843,264
Public safety:				
Police	6,225,352	6,261,642	5,810,890	450,752
Fire	95,674	95,674	254,573	(158,899)
Other	67,530	67,530	53,676	13,854
Public works	3,740,531	3,780,916	3,407,870	373,046
Culture and recreation	266,000	324,603	292,182	32,421
Community development	642,607	642,607	586,736	55,871
Debt service - principal	-	-	372,019	(372,019)
Debt service - interest	145,283	145,283	78,100	67,183
<b>TOTAL EXPENDITURES</b>	<b>18,470,923</b>	<b>18,804,707</b>	<b>17,499,234</b>	<b>1,305,473</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(492,714)</b>	<b>(826,498)</b>	<b>2,000,558</b>	<b>2,827,056</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	15,000	15,000	40,752	25,752
Transfers out	-	-	(2,100,000)	(2,100,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>15,000</b>	<b>15,000</b>	<b>(2,059,248)</b>	<b>(2,074,248)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (477,714)</b>	<b>\$ (811,498)</b>	<b>(58,690)</b>	<b>\$ 752,808</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<b>6,872,097</b>	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 6,813,407</b>	

See notes to required supplementary information.

**SOUTH WHITEHALL TOWNSHIP**

**BUDGETARY COMPARISON SCHEDULE FOR THE FIRE TAX FUND**

**Year Ended December 31, 2019**

	Original Budget	Final Budget	Actual	Variance
<b>REVENUES</b>				
Real estate taxes	\$ 1,251,010	\$ 1,251,010	\$ 1,081,926	\$ (169,084)
Interest and rent	-	-	2,455	2,455
<b>TOTAL REVENUES</b>	1,251,010	1,251,010	1,084,381	(166,629)
<b>EXPENDITURES</b>				
Public safety - fire	1,549,054	1,549,054	839,562	709,492
<b>TOTAL EXPENDITURES</b>	1,549,054	1,549,054	839,562	709,492
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (298,044)</u>	<u>\$ (298,044)</u>	244,819	<u>\$ 542,863</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			508,535	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 753,354</u>	

**SOUTH WHITEHALL TOWNSHIP**

**BUDGETARY COMPARISON SCHEDULE FOR THE STATE HIGHWAY AID FUND**

**Year Ended December 31, 2019**

	Original Budget	Final Budget	Actual	Variance
<b>REVENUES</b>				
Interest and rent	\$ -	\$ -	\$ 1,518	\$ 1,518
Intergovernmental	729,418	729,418	748,103	18,685
<b>TOTAL REVENUES</b>	729,418	729,418	749,621	20,203
<b>EXPENDITURES</b>				
Public works	1,083,077	1,111,714	1,045,069	66,645
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(353,659)	(382,296)	(295,448)	86,848
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from issuance of capital leases	-	-	100,550	100,550
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (353,659)</u>	<u>\$ (382,296)</u>	(194,898)	<u>\$ 187,398</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			380,682	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 185,784</u>	

SOUTH WHITEHALL TOWNSHIP

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS -  
POLICE PENSION PLAN

LAST TEN FISCAL YEARS

	2019	2018	2017	2016
Total Pension Liability:				
Service cost	\$ 475,003	\$ 410,978	\$ 391,408	\$ 367,683
Interest	1,442,678	1,431,012	1,383,965	1,277,769
Differences between expected and actual experience	(577,652)	-	161,657	-
Changes of assumptions	236,670	-	496,272	-
Benefit payments, including refunds of employee contributions	(1,593,038)	(999,660)	(1,118,525)	(1,055,423)
Net change in total pension liability	(16,339)	842,330	1,314,777	590,029
Total pension liability, beginning	19,196,355	18,354,025	17,039,248	16,449,219
Total pension liability, ending	<u>\$ 19,180,016</u>	<u>\$ 19,196,355</u>	<u>\$ 18,354,025</u>	<u>\$ 17,039,248</u>
Plan Fiduciary Net Position:				
Contributions - employer	\$ 1,037,781	\$ 840,360	\$ 859,899	\$ 875,856
Contributions - employee	74,258	46,873	43,825	23,373
Net investment income	2,493,261	(896,934)	983,478	340,935
Benefit payments, including refunds of employee contributions	(1,593,038)	(999,660)	(1,118,525)	(1,055,423)
Administrative expenses	(31,489)	(10,265)	(11,225)	(16,075)
Net change in plan fiduciary net position	1,980,773	(1,019,626)	757,452	168,666
Plan fiduciary net position, beginning	12,435,447	13,455,073	12,697,621	12,528,955
Plan fiduciary net position, ending	<u>\$ 14,416,220</u>	<u>\$ 12,435,447</u>	<u>\$ 13,455,073</u>	<u>\$ 12,697,621</u>
<b>Net Pension Liability</b>	<u>\$ 4,763,796</u>	<u>\$ 6,760,908</u>	<u>\$ 4,898,952</u>	<u>\$ 4,341,627</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<u>75.16%</u>	<u>64.78%</u>	<u>73.31%</u>	<u>74.52%</u>
<b>Covered Employee Payroll</b>	<u>\$ 3,748,891</u>	<u>\$ 3,306,211</u>	<u>\$ 2,818,708</u>	<u>\$ 2,814,122</u>
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<u>127.07%</u>	<u>204.49%</u>	<u>173.80%</u>	<u>154.28%</u>

Note:

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

SOUTH WHITEHALL TOWNSHIP

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS -  
PUBLIC WORKS UNION EMPLOYEES' PENSION PLAN**

**LAST TEN FISCAL YEARS**

	2019	2018	2017	2016
<b>Total Pension Liability:</b>				
Service cost	\$ 100,483	\$ 152,453	\$ 145,193	\$ 150,341
Interest	900,386	899,406	845,387	753,803
Differences between expected and actual experience	(576,326)	-	45,000	-
Changes of assumptions	141,833	-	497,535	-
Benefit payments, including refunds of employee contributions	(415,242)	(348,264)	(296,948)	(296,510)
<b>Net change in total pension liability</b>	<b>151,134</b>	<b>703,595</b>	<b>1,236,167</b>	<b>607,634</b>
Total pension liability, beginning	11,967,845	11,264,250	10,028,083	9,420,449
<b>Total pension liability, ending</b>	<b>\$ 12,118,979</b>	<b>\$ 11,967,845</b>	<b>\$ 11,264,250</b>	<b>\$ 10,028,083</b>
<b>Plan Fiduciary Net Position:</b>				
Contributions - employer	\$ 568,741	\$ 406,560	\$ 431,313	\$ 433,934
Contributions - employee	16,227	16,358	17,601	18,041
Net investment income	1,534,413	(533,228)	583,396	149,621
Benefit payments, including refunds of employee contributions	(415,242)	(348,264)	(296,948)	(296,510)
Administrative expenses	(19,719)	(6,775)	(9,150)	(11,650)
<b>Net change in plan fiduciary net position</b>	<b>1,684,420</b>	<b>(465,349)</b>	<b>726,212</b>	<b>293,436</b>
Plan fiduciary net position, beginning	7,538,199	8,003,548	7,277,336	6,983,900
<b>Plan fiduciary net position, ending</b>	<b>\$ 9,222,619</b>	<b>\$ 7,538,199</b>	<b>\$ 8,003,548</b>	<b>\$ 7,277,336</b>
<b>Net Pension Liability</b>	<b>\$ 2,896,360</b>	<b>\$ 4,429,646</b>	<b>\$ 3,260,702</b>	<b>\$ 2,750,747</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>76.10%</b>	<b>62.99%</b>	<b>71.05%</b>	<b>72.57%</b>
<b>Covered Employee Payroll</b>	<b>\$ 1,303,969</b>	<b>\$ 1,586,857</b>	<b>\$ 1,798,943</b>	<b>\$ 1,781,978</b>
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<b>222.12%</b>	<b>279.15%</b>	<b>181.26%</b>	<b>154.36%</b>

Note:

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



SOUTH WHITEHALL TOWNSHIP

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS -  
OFFICE PERSONNEL PENSION PLAN

LAST TEN FISCAL YEARS

	2019	2018	2017	2016
<b>Total Pension Liability:</b>				
Service cost	\$ 131,936	\$ 145,940	\$ 139,324	\$ 180,889
Interest	982,144	951,774	931,808	882,700
Differences between expected and actual experience	241,779	-	(6,430)	-
Changes of assumptions	148,861	-	393,499	-
Benefit payments, including refunds of employee contributions	(972,264)	(843,273)	(813,404)	(776,741)
 Net change in total pension liability	 532,456	 254,441	 644,797	 286,848
Total pension liability, beginning	12,427,318	12,172,877	11,528,080	11,241,232
 Total pension liability, ending	 <u>\$ 12,959,774</u>	 <u>\$ 12,427,318</u>	 <u>\$ 12,172,877</u>	 <u>\$ 11,528,080</u>
 <b>Plan Fiduciary Net Position:</b>				
Contributions - employer	\$ 809,797	\$ 665,787	\$ 722,111	\$ 745,839
Net investment income	1,643,333	(577,983)	658,115	263,883
Benefit payments, including refunds of employee contributions	(972,264)	(843,273)	(813,755)	(776,741)
Administrative expenses	(20,656)	(6,275)	(8,824)	(13,400)
 Net change in plan fiduciary net position	 1,460,210	 (761,744)	 557,647	 219,581
Plan fiduciary net position, beginning	8,124,623	8,886,367	8,328,720	8,109,139
 Plan fiduciary net position, ending	 <u>\$ 9,584,833</u>	 <u>\$ 8,124,623</u>	 <u>\$ 8,886,367</u>	 <u>\$ 8,328,720</u>
 <b>Net Pension Liability</b>	 <u>\$ 3,374,941</u>	 <u>\$ 4,302,695</u>	 <u>\$ 3,286,510</u>	 <u>\$ 3,199,360</u>
 <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	 <u>73.96%</u>	 <u>65.38%</u>	 <u>73.00%</u>	 <u>72.25%</u>
 <b>Covered Employee Payroll</b>	 <u>\$ 833,379</u>	 <u>\$ 1,172,873</u>	 <u>\$ 1,206,762</u>	 <u>\$ 1,386,068</u>
 <b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	 <u>404.97%</u>	 <u>366.85%</u>	 <u>272.34%</u>	 <u>230.82%</u>

Note:

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

SOUTH WHITEHALL TOWNSHIP

SCHEDULE OF TOWNSHIP CONTRIBUTIONS AND INVESTMENT RETURNS

LAST TEN FISCAL YEARS

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Police Pension Plan</b>										
<u>Schedule of Township Contributions</u>										
Actuarial determined contributions	\$ 1,037,781	\$ 840,360	\$ 837,979	\$ 875,856	\$ 966,966	\$ 715,489	\$ 712,818	\$ 569,967	\$ 529,157	\$ 313,311
Contributions in relation to the actuarially determined contribution	<u>1,037,781</u>	<u>840,360</u>	<u>859,899</u>	<u>875,856</u>	<u>966,994</u>	<u>747,815</u>	<u>712,818</u>	<u>569,967</u>	<u>529,157</u>	<u>313,311</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21,920)</u>	<u>\$ -</u>	<u>\$ (28)</u>	<u>\$ (32,326)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,748,891	\$ 3,306,211	\$ 2,818,708	\$ 2,814,122	\$ 2,835,238	\$ 2,752,440				
Contribution as a percentage of covered payroll	27.68%	25.42%	30.50%	31.12%	34.11%	27.17%				
<u>Investment Returns</u>										
Annual money-weighted rate of return, net investment expense	21.07%	(6.58%)	8.31%	3.15%	(4.35%)	4.84%				
<b>Public Works Union Employees' Pension Plan</b>										
<u>Schedule of Township Contributions</u>										
Actuarial determined contributions	\$ 568,741	\$ 406,560	\$ 431,296	\$ 433,934	\$ 456,874	\$ 432,878	\$ 432,580	\$ 334,286	\$ 330,891	\$ 246,918
Contributions in relation to the actuarially determined contribution	<u>404,504</u>	<u>406,560</u>	<u>431,313</u>	<u>433,934</u>	<u>456,902</u>	<u>452,470</u>	<u>432,580</u>	<u>334,286</u>	<u>330,891</u>	<u>246,918</u>
Contribution deficiency (excess)	<u>\$ 164,237</u>	<u>\$ -</u>	<u>\$ (17)</u>	<u>\$ -</u>	<u>\$ (28)</u>	<u>\$ (19,592)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,303,969	\$ 1,586,857	\$ 1,798,943	\$ 1,781,978	\$ 1,777,401	\$ 1,790,358				
Contribution as a percentage of covered payroll	31.02%	25.62%	23.98%	24.35%	25.71%	25.27%				
<u>Investment Returns</u>										
Annual money-weighted rate of return, net investment expense	20.74%	(6.49%)	8.42%	2.58%	(5.83%)	3.71%				
<b>Office Personnel Pension Plan</b>										
<u>Schedule of Township Contributions</u>										
Actuarial determined contributions	\$ 803,614	\$ 665,787	\$ 704,611	\$ 745,839	\$ 782,792	\$ 606,253	\$ 578,467	\$ 461,415	\$ 443,925	\$ 431,080
Contributions in relation to the actuarially determined contribution	<u>809,797</u>	<u>665,787</u>	<u>722,111</u>	<u>745,839</u>	<u>782,820</u>	<u>619,478</u>	<u>578,467</u>	<u>461,415</u>	<u>443,925</u>	<u>431,080</u>
Contribution deficiency (excess)	<u>\$ (6,183)</u>	<u>\$ -</u>	<u>\$ (17,500)</u>	<u>\$ -</u>	<u>\$ (28)</u>	<u>\$ (13,225)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 833,379	\$ 1,172,873	\$ 1,206,762	\$ 1,386,068	\$ 1,659,343	\$ 1,803,986				
Contribution as a percentage of covered payroll	97.17%	56.77%	59.84%	53.81%	47.18%	34.34%				
<u>Investment Returns</u>										
Annual money-weighted rate of return, net investment expense	21.18%	(6.48)	8.51%	3.74%	(3.71%)	4.69%				

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years available is shown.

See notes to required supplementary information.

**SOUTH WHITEHALL TOWNSHIP**

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**

**LAST TEN FISCAL YEARS**

	<u>2019</u>	<u>2018</u>
Total OPEB Liability:		
Service cost	\$ 13,594	\$ 11,952
Interest	7,539	8,809
Differences between expected and actual experience	-	(12,898)
Changes of assumptions	(7,966)	11,168
Benefit payments	<u>(20,400)</u>	<u>(18,489)</u>
Net change in total OPEB liability	(7,233)	542
Total OPEB liability, beginning	<u>236,037</u>	<u>235,495</u>
Total OPEB liability, ending	<u>\$ 228,804</u>	<u>\$ 236,037</u>
Covered employee payroll	<u>\$ 2,993,649</u>	<u>\$ 2,993,649</u>
Total OPEB liability as a percentage of covered employee payroll	7.64%	7.88%

**NOTES TO SCHEDULE**

*Change to Benefit Terms*

None.

*Changes of Assumptions*

Significant changes in assumptions for the January 1, 2019 measurement date are as follows:

- The discount rate changed from 3.16% to 3.64%.
- Update to average remaining service lives for active or inactive employees.

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

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**December 31, 2019**

**NOTE 1 - BUDGETARY COMPARISON SCHEDULE**

The budgetary comparison schedules for the general fund and state highway aid fund are prepared using the modified accrual basis of accounting which is the same basis used to report actual expenditures.

**NOTE 2 - PENSION SCHEDULES**

The information presented in the required supplementary schedules related to the pension funds was determined as part of the actuarial valuations. Methods and assumptions used to determine contribution rates for the plans are as follows:

	<u>Police Pension Plan</u>	<u>Public Works Union Employees' Pension Plan</u>	<u>Office Personnel Pension Plan</u>
Actuarial valuation date	01/01/17	01/01/17	01/01/17
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level dollar, closed	Level dollar, closed
Remaining amortization period	8 years	8 years	5 years
Asset valuation method	Smoothed value with a corridor of 80% to 120% of market value	Smoothed value with a corridor of 80% to 120% of market value	Smoothed value with a corridor of 80% to 120% of market value
Actuarial assumptions:			
Investment rate of return	8.00%	8.00%	8.00%
Projected salary increases	5%	5%	5%
Inflation rate	3%	3%	3%
Mortality table	IRS 2017 Static combined table for small plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non- annuitants projected 15 years using scale AA to reflect mortality improvement.	IRS 2017 Static combined table for small plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non- annuitants projected 15 years using scale AA to reflect mortality improvement.	IRS 2017 Static combined table for small plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non- annuitants projected 15 years using scale AA to reflect mortality improvement.

Change in Actuarial Assumptions

The remaining amortization period is adjusted each valuation based on the average remaining service life of plan members.

**SUPPLEMENTARY INFORMATION**

**SOUTH WHITEHALL TOWNSHIP**

**COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS - TRUST FUNDS**

**December 31, 2019**

	Police Employee Pension Fund	Public Works Union Employee Pension Fund	Office Personnel Pension Fund	Thrift Savings Fund	Defined Contribution Plan	Total Pension Trust Funds
<b>ASSETS</b>						
Cash and investments	\$ 14,416,220	\$ 9,058,382	\$ 9,579,610	\$ 4,437,880	\$ 131,533	\$ 37,623,625
Contributions receivable	-	164,237	-	-	96,604	260,841
Prepaid benefits	-	-	5,223	-	-	5,223
<b>TOTAL ASSETS</b>	<u>14,416,220</u>	<u>9,222,619</u>	<u>9,584,833</u>	<u>4,437,880</u>	<u>228,137</u>	<u>37,889,689</u>
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b>	<u>\$ 14,416,220</u>	<u>\$ 9,222,619</u>	<u>\$ 9,584,833</u>	<u>\$ 4,437,880</u>	<u>\$ 228,137</u>	<u>\$ 37,889,689</u>

**SOUTH WHITEHALL TOWNSHIP**

**COMBINING STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS - TRUST FUNDS**

**Year Ended December 31, 2019**

	Police Employee Pension Fund	Public Works Union Employee Pension Fund	Office Personnel Pension Fund	Thrift Savings Fund	Defined Contribution Plan	Total Pension Trust Funds
<b>ADDITIONS</b>						
Contributions:						
Employer (including state aid)	\$ 1,037,781	\$ 568,741	\$ 809,797	\$ 211,299	\$ 96,604	\$ 2,724,222
Employees	74,258	16,227	-	111,044	-	201,529
Investment income:						
Interest and dividends	510,833	317,491	336,166	137,028	-	1,301,518
Net appreciation in fair value of investments	1,982,429	1,216,922	1,307,167	562,348	18,363	5,087,229
<b>TOTAL ADDITIONS</b>	<b>3,605,301</b>	<b>2,119,381</b>	<b>2,453,130</b>	<b>1,021,719</b>	<b>114,967</b>	<b>9,314,498</b>
<b>DEDUCTIONS</b>						
Benefits, including tax withheld	1,593,039	415,242	972,264	909,298	4,417	3,894,260
Administrative expenses	31,489	19,719	20,656	11,043	-	82,907
<b>TOTAL DEDUCTIONS</b>	<b>1,624,528</b>	<b>434,961</b>	<b>992,920</b>	<b>920,341</b>	<b>4,417</b>	<b>3,977,167</b>
<b>CHANGE IN NET POSITION</b>	<b>1,980,773</b>	<b>1,684,420</b>	<b>1,460,210</b>	<b>101,378</b>	<b>110,550</b>	<b>5,337,331</b>
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS - BEGINNING OF YEAR</b>						
	12,435,447	7,538,199	8,124,623	4,336,502	117,587	32,552,358
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS - END OF YEAR</b>						
	<u>\$ 14,416,220</u>	<u>\$ 9,222,619</u>	<u>\$ 9,584,833</u>	<u>\$ 4,437,880</u>	<u>\$ 228,137</u>	<u>\$ 37,889,689</u>