



***SOUTH WHITEHALL TOWNSHIP***

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

**Year Ended December 31, 2017**

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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, 2017, 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, 2017, 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 and state highway aid fund and the pension and other postemployment benefit information on pages 65 through 69 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, 2017**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash	\$ 5,740,236	\$ 5,589,809	\$ 11,330,045
Restricted cash - escrow	1,400,820	12,185	1,413,005
Accounts receivable, net	361,329	1,343,250	1,704,579
Taxes receivable, net	488,110	-	488,110
Internal balances	67,086	(67,086)	-
Intergovernmental receivables	94,208	25,795	120,003
Prepaid expenses	534,476	246	534,722
Note receivable	33,947	-	33,947
Capital assets not being depreciated	4,361,516	428,367	4,789,883
Capital assets, net of accumulated depreciation	13,135,065	14,309,180	27,444,245
<b>TOTAL ASSETS</b>	<b>26,216,793</b>	<b>21,641,746</b>	<b>47,858,539</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources for pension	3,178,929	548,959	3,727,888
<b>LIABILITIES</b>			
Accounts payable	366,853	632,501	999,354
Accrued payroll	198,777	27,472	226,249
Accrued interest	10,971	1,822	12,793
Unearned revenue	18,215	-	18,215
Escrow payable	1,400,820	12,185	1,413,005
Noncurrent liabilities due within one year	139,000	256,000	395,000
Noncurrent liabilities:			
Notes payable	2,143,715	1,140,000	3,283,715
Compensated absences	69,609	-	69,609
Net pension liability	9,852,184	1,593,980	11,446,164
Other postemployment benefit liability	23,064	-	23,064
<b>TOTAL LIABILITIES</b>	<b>14,223,208</b>	<b>3,663,960</b>	<b>17,887,168</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources for pension	5,144	-	5,144
<b>NET POSITION</b>			
Net investment in capital assets	15,213,866	13,341,547	28,555,413
Restricted	179,798	-	179,798
Unrestricted (deficit)	(226,294)	5,185,198	4,958,904
<b>TOTAL NET POSITION</b>	<b>\$ 15,167,370</b>	<b>\$ 18,526,745</b>	<b>\$ 33,694,115</b>

See accompanying notes.

## SOUTH WHITEHALL TOWNSHIP

## STATEMENT OF ACTIVITIES

Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>						
<b>Governmental activities:</b>						
General government	\$ 5,533,928	\$ 1,522,984	\$ 569,648	\$ (3,441,296)	\$ -	\$ (3,441,296)
Public safety:						
Police	5,361,716	401,869	80,664	(4,879,183)	-	(4,879,183)
Fire	569,977	-	148,618	(421,359)	-	(421,359)
Emergency medical services	99,379	-	-	(99,379)	-	(99,379)
Public works	3,377,523	18,797	934,443	(2,424,283)	-	(2,424,283)
Culture and recreation	354,052	74,205	-	(279,847)	-	(279,847)
Community development	958,153	149,378	-	(808,775)	-	(808,775)
Debt service - interest	58,115	-	-	(58,115)	-	(58,115)
Unallocated depreciation expense	1,415,950	-	-	(1,415,950)	-	(1,415,950)
<b>Total Governmental Activities</b>	<b>17,728,793</b>	<b>2,167,233</b>	<b>1,733,373</b>	<b>(13,828,187)</b>	<b>-</b>	<b>(13,828,187)</b>
<b>Business-Type Activities:</b>						
Water system	3,082,099	3,811,170	-	-	729,071	729,071
Wastewater/sewage treatment and collection	2,550,203	3,424,897	-	-	874,694	874,694
Solid waste collection and disposal	2,212,748	1,996,017	91,187	-	(125,544)	(125,544)
<b>Total Business-Type Activities</b>	<b>7,845,050</b>	<b>9,232,084</b>	<b>91,187</b>	<b>-</b>	<b>1,478,221</b>	<b>1,478,221</b>
<b>Total Primary Government</b>	<b>\$ 25,573,843</b>	<b>\$ 11,399,317</b>	<b>\$ 1,824,560</b>	<b>(13,828,187)</b>	<b>1,478,221</b>	<b>(12,349,966)</b>
<b>General Revenues:</b>						
Taxes:						
Property taxes				5,584,570	-	5,584,570
Earned income taxes				3,414,617	-	3,414,617
Business privilege taxes				2,253,815	-	2,253,815
Amusement taxes				1,683,677	-	1,683,677
Other taxes				1,396,217	-	1,396,217
Investment earnings				25,545	3,378	28,923
Gain on disposal of fixed assets				2,349	-	2,349
Miscellaneous income (expense)				7,253	-	7,253
<b>Transfers</b>				<b>119,569</b>	<b>(119,569)</b>	<b>-</b>
<b>Total General Revenues and Transfers</b>				<b>14,487,612</b>	<b>(116,191)</b>	<b>14,371,421</b>
<b>Change in Net Position</b>				<b>659,425</b>	<b>1,362,030</b>	<b>2,021,455</b>
<b>Net Position - Beginning</b>				<b>14,507,945</b>	<b>17,164,715</b>	<b>31,672,660</b>
<b>Net Position - Ending</b>				<b>\$ 15,167,370</b>	<b>\$ 18,526,745</b>	<b>\$ 33,694,115</b>

See accompanying notes.

**SOUTH WHITEHALL TOWNSHIP**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**December 31, 2017**

	General	State Highway Aid	Capital Projects	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 5,022,516	\$ 225,976	\$ 491,744	\$ 5,740,236
Restricted cash - escrow	1,400,820	-	-	1,400,820
Interfund receivables	67,574	-	-	67,574
Accounts receivable	545,378	-	-	545,378
Taxes receivable	488,591	-	-	488,591
Intergovernmental receivables	57,554	-	36,654	94,208
Prepaid expenses	534,476	-	-	534,476
Note receivable	-	-	33,947	33,947
<b>TOTAL ASSETS</b>	<b>\$ 8,116,909</b>	<b>\$ 225,976</b>	<b>\$ 562,345</b>	<b>\$ 8,905,230</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Interfund payables	\$ 488	\$ -	\$ -	\$ 488
Accounts payable	311,818	46,178	8,857	366,853
Accrued payroll	198,777	-	-	198,777
Unearned revenue	18,215	-	-	18,215
Escrow payable	1,400,820	-	-	1,400,820
<b>TOTAL LIABILITIES</b>	<b>1,930,118</b>	<b>46,178</b>	<b>8,857</b>	<b>1,985,153</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	24,053	-	-	24,053
Unavailable revenue - other fee receivables	296,058	-	-	296,058
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>320,111</b>	<b>-</b>	<b>-</b>	<b>320,111</b>
<b>FUND BALANCES</b>				
Nonspendable	534,476	-	-	534,476
Restricted for:				
Highways and streets	-	179,798	-	179,798
Assigned for:				
Emergency medical services	299,971	-	-	299,971
2018 budget appropriations	242,810	-	-	242,810
Capital projects	-	-	553,488	553,488
Unassigned	4,789,423	-	-	4,789,423
<b>TOTAL FUND BALANCES</b>	<b>5,866,680</b>	<b>179,798</b>	<b>553,488</b>	<b>6,599,966</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 8,116,909</b>	<b>\$ 225,976</b>	<b>\$ 562,345</b>	<b>\$ 8,905,230</b>

See accompanying notes.

**SOUTH WHITEHALL TOWNSHIP**

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

**December 31, 2017**

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

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>		\$ 6,599,966
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 \$41,408,949 and the accumulated depreciation is \$23,912,368.		17,496,581
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.		320,111
Establish allowance for doubtful accounts - property taxes receivable (\$481) and other receivables (\$184,049).		(184,530)
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	\$ (2,282,715)	
Accrued interest	(10,971)	
Long-term portion of compensated absences	<u>(69,609)</u>	(2,363,295)
The net pension liability and related deferred outflows and inflows of resources for pensions are not reflected on the fund financial statements.		(6,678,399)
The other postemployment benefit liability is not reflected on the fund financial statements.		<u>(23,064)</u>
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>		<b><u><u>\$ 15,167,370</u></u></b>



**SOUTH WHITEHALL TOWNSHIP**

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

**Year Ended December 31, 2017**

	General	State Highway Aid	Capital Projects	Total Governmental Funds
<b>REVENUES</b>				
Real estate taxes	\$ 5,583,408	\$ -	\$ -	\$ 5,583,408
Earned income taxes	3,414,617	-	-	3,414,617
Business privilege taxes	2,253,815	-	-	2,253,815
Amusement/admission taxes	1,683,677	-	-	1,683,677
Other taxes	1,396,217	-	-	1,396,217
Licenses, permits, and fines	554,970	-	-	554,970
Interest and rent	24,171	141	1,233	25,545
Intergovernmental	834,201	697,046	202,126	1,733,373
Charges for services	1,937,170	-	33,947	1,971,117
Other	186,178	22,290	-	208,468
	<b>17,868,424</b>	<b>719,477</b>	<b>237,306</b>	<b>18,825,207</b>
<b>EXPENDITURES</b>				
Current:				
General government	5,531,592	-	159,029	5,690,621
Public safety:				
Police	4,862,986	-	233,681	5,096,667
Fire	564,930	-	5,047	569,977
Emergency medical services	99,379	-	-	99,379
Public works	2,670,476	674,340	2,292,714	5,637,530
Culture and recreation	265,488	-	81,264	346,752
Community development	901,959	-	4,932	906,891
Debt service - principal	297,031	-	-	297,031
Debt service - interest	59,536	-	-	59,536
	<b>15,253,377</b>	<b>674,340</b>	<b>2,776,667</b>	<b>18,704,384</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	2,615,047	45,137	(2,539,361)	120,823
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	10,269	-	-	10,269
Transfers in	-	-	2,457,312	2,457,312
Transfers out	(2,337,743)	-	-	(2,337,743)
	<b>(2,327,474)</b>	<b>-</b>	<b>2,457,312</b>	<b>129,838</b>
<b>NET CHANGE IN FUND BALANCES</b>				
	287,573	45,137	(82,049)	250,661
<b>FUND BALANCES - BEGINNING OF YEAR</b>				
	5,579,107	134,661	635,537	6,349,305
<b>FUND BALANCES - END OF YEAR</b>				
	<u>\$ 5,866,680</u>	<u>\$ 179,798</u>	<u>\$ 553,488</u>	<u>\$ 6,599,966</u>

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, 2017**

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

<b>NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>	\$	250,661
<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	\$ 2,616,224	
Less: disposal of capital assets	(7,920)	
Less: depreciation expense	<u>(1,415,950)</u>	1,192,354
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		(357,692)
<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>		
Payment of note principal		297,031
<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>		
		1,421
<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	(13,264)	
Net pension liability and related deferred outflows and inflows	(705,710)	
Other postemployment benefit liability	<u>(5,376)</u>	<u>(724,350)</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>659,425</u></b>

**SOUTH WHITEHALL TOWNSHIP**

**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**

**December 31, 2017**

	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Total</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 1,709,896	\$ 3,305,469	\$ 574,444	\$ 5,589,809
Restricted cash - escrow	12,185	-	-	12,185
Accounts receivable, net	423,575	653,090	266,585	1,343,250
Interfund receivables	-	360,000	488	360,488
Intergovernmental receivables	20,385	5,410	-	25,795
Prepaid expenses	147	99	-	246
<b>TOTAL CURRENT ASSETS</b>	<u>2,166,188</u>	<u>4,324,068</u>	<u>841,517</u>	<u>7,331,773</u>
<b>NONCURRENT ASSETS</b>				
Capital assets not being depreciated	300,193	128,174	-	428,367
Capital assets, net of accumulated depreciation	<u>7,377,831</u>	<u>6,931,349</u>	<u>-</u>	<u>14,309,180</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>7,678,024</u>	<u>7,059,523</u>	<u>-</u>	<u>14,737,547</u>
<b>TOTAL ASSETS</b>	<u>9,844,212</u>	<u>11,383,591</u>	<u>841,517</u>	<u>22,069,320</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources for pension	<u>217,320</u>	<u>205,362</u>	<u>126,277</u>	<u>548,959</u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	195,632	412,767	24,102	632,501
Interfund payables	393,787	33,787	-	427,574
Accrued payroll	13,162	13,017	1,293	27,472
Accrued interest	1,822	-	-	1,822
Escrow payable	12,185	-	-	12,185
Current portion of long-term debt	<u>256,000</u>	<u>-</u>	<u>-</u>	<u>256,000</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>872,588</u>	<u>459,571</u>	<u>25,395</u>	<u>1,357,554</u>
<b>NONCURRENT LIABILITIES</b>				
Long-term debt	1,140,000	-	-	1,140,000
Net pension liability	<u>631,010</u>	<u>596,305</u>	<u>366,665</u>	<u>1,593,980</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>1,771,010</u>	<u>596,305</u>	<u>366,665</u>	<u>2,733,980</u>
<b>TOTAL LIABILITIES</b>	<u>2,643,598</u>	<u>1,055,876</u>	<u>392,060</u>	<u>4,091,534</u>
<b>NET POSITION</b>				
Net investment in capital assets	6,282,024	7,059,523	-	13,341,547
Unrestricted	<u>1,135,910</u>	<u>3,473,554</u>	<u>575,734</u>	<u>5,185,198</u>
<b>TOTAL NET POSITION</b>	<u>\$ 7,417,934</u>	<u>\$ 10,533,077</u>	<u>\$ 575,734</u>	<u>\$ 18,526,745</u>

See accompanying notes.

**SOUTH WHITEHALL TOWNSHIP**

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

**Year Ended December 31, 2017**

	Water Fund	Sewer Fund	Refuse Fund	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 3,020,882	\$ 2,432,037	\$ 1,987,011	\$ 7,439,930
Extra strength charges	-	32,534	-	32,534
Intergovernmental revenue	88,385	82,706	-	171,091
Other	7,084	2,591	9,006	18,681
<b>TOTAL OPERATING REVENUES</b>	<b>3,116,351</b>	<b>2,549,868</b>	<b>1,996,017</b>	<b>7,662,236</b>
<b>OPERATING EXPENSES</b>				
Bad debt expense	(34,571)	(4,899)	17,881	(21,589)
Contracted Services	936,090	827,677	1,818,266	3,582,033
Depreciation	444,648	397,909	-	842,557
Insurance	26,057	21,137	-	47,194
Office expenses	20,522	26,529	14,338	61,389
Other	138,979	78,622	9,667	227,268
Personnel	939,247	885,170	340,214	2,164,631
Professional services	153,736	72,448	12,382	238,566
Repairs and maintenance	215,763	217,664	-	433,427
Transportation expense	91,217	22,800	-	114,017
Utilities	125,759	5,146	-	130,905
<b>TOTAL OPERATING EXPENSES</b>	<b>3,057,447</b>	<b>2,550,203</b>	<b>2,212,748</b>	<b>7,820,398</b>
<b>OPERATING INCOME (LOSS)</b>	<b>58,904</b>	<b>(335)</b>	<b>(216,731)</b>	<b>(158,162)</b>
<b>NONOPERATING REVENUE (EXPENSES)</b>				
Grant revenue	-	-	91,187	91,187
Tapping fees	350,901	529,214	-	880,115
Grant of allocation fees	343,918	345,815	-	689,733
Interest income	1,730	1,586	62	3,378
Interest expense	(24,652)	-	-	(24,652)
<b>TOTAL NONOPERATING REVENUE (EXPENSES)</b>	<b>671,897</b>	<b>876,615</b>	<b>91,249</b>	<b>1,639,761</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>730,801</b>	<b>876,280</b>	<b>(125,482)</b>	<b>1,481,599</b>
<b>TRANSFERS OUT</b>	<b>-</b>	<b>-</b>	<b>(119,569)</b>	<b>(119,569)</b>
<b>CHANGE IN NET POSITION</b>	<b>730,801</b>	<b>876,280</b>	<b>(245,051)</b>	<b>1,362,030</b>
<b>NET POSITION - BEGINNING OF YEAR</b>	<b>6,687,133</b>	<b>9,656,797</b>	<b>820,785</b>	<b>17,164,715</b>
<b>NET POSITION - END OF YEAR</b>	<b>\$ 7,417,934</b>	<b>\$ 10,533,077</b>	<b>\$ 575,734</b>	<b>\$ 18,526,745</b>

See accompanying notes.

**SOUTH WHITEHALL TOWNSHIP**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**

**Year Ended December 31, 2017**

	Water Fund	Sewer Fund	Refuse Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 3,089,679	\$ 2,556,155	\$ 2,017,883	\$ 7,663,717
Payments to suppliers for goods and services	(1,746,556)	(1,019,296)	(1,839,613)	(4,605,465)
Payments to employees for services	(885,861)	(834,620)	(308,412)	(2,028,893)
	<u>457,262</u>	<u>702,239</u>	<u>(130,142)</u>	<u>1,029,359</u>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>				
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Tapping fees	350,901	529,214	-	880,115
Grant of allocation fees	343,918	345,815	-	689,733
Grant revenue received	-	-	91,187	91,187
Acquisition of capital assets	(39,774)	(191,440)	-	(231,214)
Interfund transfers	-	-	(119,569)	(119,569)
Repayment of long-term debt	(152,000)	-	-	(152,000)
Interest on long-term debt	(24,898)	-	-	(24,898)
	<u>478,147</u>	<u>683,589</u>	<u>(28,382)</u>	<u>1,133,354</u>
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	1,730	1,586	62	3,378
	<u>1,730</u>	<u>1,586</u>	<u>62</u>	<u>3,378</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	937,139	1,387,414	(158,462)	2,166,091
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>784,942</u>	<u>1,918,055</u>	<u>732,906</u>	<u>3,435,903</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 1,722,081</u>	<u>\$ 3,305,469</u>	<u>\$ 574,444</u>	<u>\$ 5,601,994</u>

See accompanying notes.

**SOUTH WHITEHALL TOWNSHIP**

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

**Year Ended December 31, 2017**

	Water Fund	Sewer Fund	Refuse Fund	Total
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 58,904	\$ (335)	\$ (216,731)	\$ (158,162)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	444,648	397,909	-	842,557
Change in allowance	24,380	(39,493)	17,952	2,839
Change in assets, deferred outflows of resources, and liabilities:				
Accounts receivable	(65,238)	33,159	21,866	(10,213)
Due from other governments	(20,385)	7,722	-	(12,663)
Interfund balances	(66,213)	133,787	(488)	67,086
Prepaid expenses	2,097	14	-	2,111
Deferred outflows of resources for pensions	(26,008)	(24,658)	(15,154)	(65,820)
Accounts payable	27,009	118,926	15,457	161,392
Accrued payroll	(1,128)	(1,132)	40	(2,220)
Escrow payable	(1,326)	-	-	(1,326)
Net pension liability	80,522	76,340	46,916	203,778
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>\$ 457,262</b>	<b>\$ 702,239</b>	<b>\$ (130,142)</b>	<b>\$ 1,029,359</b>
The components of cash and cash equivalents are as follows:				
Cash	\$ 1,709,896	\$ 3,305,469	\$ 574,444	\$ 5,589,809
Restricted cash	12,185	-	-	12,185
Cash and cash equivalents	<b>\$ 1,722,081</b>	<b>\$ 3,305,469</b>	<b>\$ 574,444</b>	<b>\$ 5,601,994</b>

See accompanying notes.

SOUTH WHITEHALL TOWNSHIP

STATEMENT OF NET POSITION - FIDUCIARY FUNDS - TRUST FUNDS

December 31, 2017

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	<u>Pension Trust Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 34,854,988
Contributions receivable	23,406
Prepaid benefits	<u>5,222</u>
	<b>TOTAL ASSETS</b>
	<u>34,883,616</u>
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b>	<u><u>\$ 34,883,616</u></u>

**SOUTH WHITEHALL TOWNSHIP**

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

**Year Ended December 31, 2017**

	<u>Pension Trust Funds</u>
<b>ADDITIONS</b>	
Contributions:	
Employer (including state aid)	\$ 2,241,489
Employees	163,806
Investment income:	
Interest and dividends	1,131,391
Net appreciation in fair value of investments	<u>1,411,390</u>
<b>TOTAL ADDITIONS</b>	<b>4,948,076</b>
<b>DEDUCTIONS</b>	
Benefits, including tax withheld	2,769,851
Administrative expenses	<u>120,012</u>
<b>TOTAL DEDUCTIONS</b>	<b><u>2,889,863</u></b>
<b>CHANGE IN NET POSITION</b>	<b>2,058,213</b>
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS - BEGINNING OF YEAR</b>	<u>32,825,403</u>
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS - END OF YEAR</b>	<u><u>\$ 34,883,616</u></u>



## **SOUTH WHITEHALL TOWNSHIP**

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

**December 31, 2017**

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, 2017**

**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, 2017**

**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.

**State Highway Aid Fund:** Special revenue 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. This special revenue 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).

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

**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 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.

**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.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

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

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

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.

**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.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

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

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

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.

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.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

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

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**E. Financial Position - continued**

**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.

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 11 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."

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

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

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**E. Financial Position - continued**

**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.

**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. The Township reports infrastructure assets in the governmental activities based on their historical cost. Proprietary capital assets are also reported in their respective financial statements. 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



**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

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

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**E. Financial Position - continued**

**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, 2017.

**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.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

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

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**E. Financial Position - continued**

**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 period issued. 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.

**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. 45, which establishes standards for the measurement, recognition, and display of other postemployment benefit expense and related liabilities, 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). The retiree health plan does not issue a publicly available financial report and the Township is implementing GASB Statement No. 45 prospectively.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

**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 one type of item that qualifies for reporting in this category, which is deferred outflows of resources for pension, which is 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.

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 two types of items that qualify for reporting this category, which are unavailable revenue and deferred pension 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. The second item, deferred inflows of resources for pension, relates to the Township's net pension liability and pension expense and arises from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual experience, or changes in the internal allocation of the 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 inflow.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

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

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**E. Financial Position - continued**

**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.

**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 15.

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.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

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

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**E. Financial Position - continued**

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

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.

**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.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

**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, 2017, 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.

**NOTE 3 - CASH AND INVESTMENTS**

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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.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

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

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, 2017, are summarized as follows:

	<u>Primary Government</u>	<u>Blended Component Unit</u>	<u>Total</u>
Petty cash	\$ 725	\$ 175	\$ 900
Demand deposit accounts	7,786,563	5,015,190	12,801,753
Restricted deposits	1,400,820	12,185	1,413,005
Investments	33,382,380	-	33,382,380
			<u>\$ 47,598,038</u>

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

Cash and investments	\$ 11,330,045
Restricted cash - escrow	1,413,005
Cash and investments - Pension Funds	34,854,988
	<u>\$ 47,598,038</u>

**Cash**

**Custodial Credit Risk - Deposit**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Township does not have a policy for custodial credit risk. As of December 31, 2017, the carrying amount of the Township's deposits was \$14,214,758 and the bank balance was \$15,746,813. Of the balance, \$1,035,380 was covered by federal depository insurance and \$14,711,433 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.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

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

**Investments**

**Pension Trust Funds**

As of December 31, 2017, 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	\$ 616,127	1
Foreign	1,515,584	1
Intermediate-Core Plus Bond	5,432,255	1
Large Blend/Growth/Value	6,101,615	1
Mid-Cap Blend/Growth/Value	2,800,351	1
Multisector Bond	1,670,985	1
Other	29,287	1
Short-Term Bond	601,456	1
Small Blend/Value	1,800,012	1
World Large Stock	603,064	1
Exchange Traded Products:		
Diversified Emerging Markets	136,123	1
Foreign	1,351,470	1
Intermediate Government	221,865	1
Intermediate Term Bond	3,492,681	1
International Bond	217,586	1
Large Blend/Growth/Value	4,029,684	1
Mid-Cap Blend/Growth/Value	1,236,287	1
Real Estate	133,432	1
Short-Term Bond	222,119	1
Small Blend/Value	1,170,397	1
Total investments measured at fair value	<u>\$ 33,382,380</u>	

**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.



**SOUTH WHITEHALL TOWNSHIP**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

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

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**Investments - continued**

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

*Accounts Receivable*

Receivables in the General 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, 2017, are as follows:

	Gross Accounts Receivable	Allowance for Uncollectible Receivables	Net Estimated to be Collectible	Revenue Recognized	Unavailable Revenue
Accounts receivable	<u>\$ 545,378</u>	<u>\$ 184,049</u>	<u>\$ 361,329</u>	<u>\$ 249,320</u>	<u>\$ 296,058</u>

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

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

**Government 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 2017 assessed value of real property totaled \$2,264,053,400 and taxes were levied at 2.49975 mills. 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, 2017 were 99% of the tax levy.

The Township's taxes at December 31, 2017, are as follows:

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible	Tax Revenue Recognized	Unavailable Revenue
Real estate taxes	\$ 100,734	\$ 481	\$ 100,253	\$ 76,681	\$ 24,053
Earned income and local services taxes	321,065	-	321,065	321,065	-
Transfer taxes	46,557	-	46,557	46,557	-
Business privilege taxes	20,235	-	20,235	20,235	-
<b>Total</b>	<b>\$ 488,591</b>	<b>\$ 481</b>	<b>\$ 488,110</b>	<b>\$ 464,538</b>	<b>\$ 24,053</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, 2017. An allowance for uncollectible accounts is estimated using aging and collection reports.

Accounts receivable includes the following amounts at December 31, 2017:

	Gross Receivable	Allowance	Net Receivable
Water charges	\$ 614,607	\$ (191,032)	\$ 423,575
Sewer charges	1,776,918	(1,123,828)	653,090
Refuse charges	496,748	(230,163)	266,585
	<b>\$ 2,888,273</b>	<b>\$ (1,545,023)</b>	<b>\$ 1,343,250</b>

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 5 - INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables consist of the following at December 31, 2017:

	Governmental Activities		Business-Type Activities	
	General Fund	Capital Projects Fund	Water Fund	Sewer Fund
Parkland School District	\$ 52,094	\$ -	\$ -	\$ -
Commonwealth of Pennsylvania - DUI Grant	5,460	-	-	-
Lehigh County Conservation District	-	36,654		
Other - municipal charges for services	-	-	20,385	5,410
	\$ 57,554	\$ 36,654	\$ 20,385	\$ 5,410

**NOTE 6 - NOTE RECEIVABLE**

In 2008, the Township entered into an agreement to perform work on a detention pond for a property within the Township, provided that the property owner (an organization) would reimburse the Township for costs of labor and materials under a note receivable. The estimated principal balance was \$100,000, with interest accruing at a fixed annual rate of 6%. Payments were due over a 10-year term. In 2011 the note was modified for a total principal amount of \$78,203, which reflected actual costs incurred. The interest rate was reduced to 4.5% and the note is payable over a 10-year term. The outstanding balance at December 31, 2017 of \$33,947 is reported as notes receivable on the governmental funds -balance sheet and statement of net position. In early 2018, the organization satisfied the note in full; therefore, no unavailable revenue is reported related to this note at December 31, 2017.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 7 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS**

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Interfund receivables/payables are as follows at December 31, 2017:

	Interfund Receivables	Interfund Payables
Governmental Activities:		
General	\$ 67,574	\$ 488
Business-Type Activities:		
Water	-	393,787
Sewer	360,000	33,787
Refuse	488	-
	\$ 428,062	\$ 428,062

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.

The Township had transfers in and out for the following amounts during the year ended December 31, 2017:

	Transfers In	Transfers Out
Governmental Activities:		
General	\$ -	\$ 2,337,743
Capital projects	2,457,312	-
Business-Type Activities:		
Refuse	-	119,569
	\$ 2,457,312	\$ 2,457,312

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, 2017**

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity and balances for the year ended December 31, 2017, were as follows:

	Beginning Balance	Increase	Decrease/ Reclassifications	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated:				
Land	\$ 4,361,516	\$ -	\$ -	\$ 4,361,516
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	4,361,516	-	-	4,361,516
Capital assets being depreciated:				
Building and improvements	4,546,619	31,720	-	4,578,339
Infrastructure	13,415,519	1,095,716	-	14,511,235
Equipment and vehicles	16,140,028	1,488,788	(79,200)	17,549,616
Furniture and fixtures	408,243	-	-	408,243
Totals at historical cost	34,510,409	2,616,224	(79,200)	37,047,433
Less accumulated depreciation for:				
Building and improvements	2,782,202	91,122	-	2,873,324
Infrastructure	7,270,778	647,297	-	7,918,075
Equipment and vehicles	12,173,834	668,134	(71,280)	12,770,688
Furniture and fixtures	340,884	9,397	-	350,281
Total accumulated depreciation	22,567,698	1,415,950	(71,280)	23,912,368
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET</b>	11,942,711	1,200,274	(7,920)	13,135,065
<b>GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET</b>	<u>\$ 16,304,227</u>	<u>\$ 1,200,274</u>	<u>\$ (7,920)</u>	<u>\$ 17,496,581</u>

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 8 - 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	-	20,025	-	20,025
	<u>408,342</u>	<u>20,025</u>	<u>-</u>	<u>428,367</u>
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	408,342	20,025	-	428,367
Capital assets being depreciated:				
Building and building improvements	162,007	-	-	162,007
Infrastructure	34,222,228	138,111	-	34,360,339
Equipment and vehicles	872,754	73,078	-	945,832
	<u>35,256,989</u>	<u>211,189</u>	<u>-</u>	<u>35,468,178</u>
Totals at historical cost	35,256,989	211,189	-	35,468,178
Less accumulated depreciation for:				
Building and building improvements	60,610	4,033	-	64,643
Infrastructure	19,695,698	795,396	-	20,491,094
Equipment and vehicles	560,133	43,128	-	603,261
	<u>20,316,441</u>	<u>842,557</u>	<u>-</u>	<u>21,158,998</u>
Total accumulated depreciation	20,316,441	842,557	-	21,158,998
	<u>14,940,548</u>	<u>(631,368)</u>	<u>-</u>	<u>14,309,180</u>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET</b>	14,940,548	(631,368)	-	14,309,180
<b>BUSINESS-TYPE ACTIVITIES, CAPITAL ASSETS, NET</b>				
	<u>\$ 15,348,890</u>	<u>\$ (611,343)</u>	<u>\$ -</u>	<u>\$ 14,737,547</u>

**SOUTH WHITEHALL TOWNSHIP**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 8 - CAPITAL ASSETS - CONTINUED**

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

Governmental Activities	Business-type Activities
Unallocated	\$ 444,648
<u>\$ 1,415,950</u>	<u>397,909</u>
	<u>\$ 842,557</u>

Subsequent to year end, on August 13, 2018, the Township purchased 18.865 acres of vacant land at Brickyard Road that will be used for recreational purposes. The property was purchased for \$330,000.

**NOTE 9 - SHORT-TERM BORROWINGS**

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The Authority has a \$1,000,000 line of credit for working capital purposes. Interest on the line of credit is at a variable rate based upon the Wall Street Journal Prime Rate. The interest rate at December 31, 2017 was 4.50%. There were no advances or repayments on the line of credit during 2017 and there was no outstanding balance on the line of credit as of December 31, 2017.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 10 - LONG-TERM LIABILITIES**

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**Governmental Activities**

The Township's note 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, 2017:

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.

\$ 2,282,715

The future annual payments required under General Obligation Note, Series of 2014 are as follows for the years ending December 31:

	<u>Principal</u>	<u>Interest*</u>
2018	\$ 139,000	\$ 41,534
2019	142,000	49,520
2020	146,000	46,240
2021	149,000	42,867
2022	152,000	39,425
2023 - 2027	699,000	187,374
2028 - 2032	801,000	91,095
2033 - 2034	54,715	1,813
Total	<u>\$ 2,282,715</u>	<u>\$ 499,868</u>

\* Interest is calculated at the effective rate as of December 31, 2017, of 3.31% during the variable period.



**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 10 - LONG-TERM LIABILITIES - CONTINUED**

**Business-Type Activities**

Notes payable are as follows at December 31, 2017:

<u>2005 Note Payable, Lehigh County</u> , issued in the original amount of \$400,000, payable in annual payments of \$20,000 without interest through 2027.	\$ 280,000
<u>Water Revenue Note, Series of 2014</u> , issued in the original principal amount of up to \$1,565,000. Principal maturities occur on December 1, 2015 through December 1, 2024. Interest is payable semi-annually on June 1 and December 1 at a fixed rate of 1.970% through and including November 30, 2019. Thereafter commencing December 1, 2019, interest accrues at a variable rate equal to 65% of the Wall Street Journal Prime Rate, provided that in no event shall the interest rate exceed 4.500%. The note is secured by a lien on water revenues. Proceeds were used to currently refund the Note Payable, Pennvest and fund various capital improvements.	1,116,000
	\$ 1,396,000

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

	Lehigh County Note Payable	Water Revenue Note, Series of 2014	Total Principal	Interest *
2018	\$ 100,000	\$ 156,000	\$ 256,000	\$ 21,112
2019	20,000	158,000	178,000	23,496
2020	20,000	149,000	169,000	23,458
2021	20,000	155,000	175,000	19,100
2022	20,000	160,000	180,000	14,567
2023 - 2027	100,000	338,000	438,000	14,918
Total	\$ 280,000	\$ 1,116,000	\$ 1,396,000	\$ 116,651

\* Interest is calculated at 1.97% through December 2019 and 2.93% thereafter, which is the calculated effective rate at December 31, 2017.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 10 - LONG-TERM LIABILITIES - CONTINUED**

The following is a summary of governmental long-term liability activity for the year ended December 31, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Notes payable	\$ 2,579,746	\$ -	\$ 297,031	\$ 2,282,715	\$ 139,000
Other liabilities:					
Compensated absences	56,345	13,264	-	69,609	-
Net pension liability	8,901,532	2,846,015	1,895,363	9,852,184	-
OPEB liability	17,688	23,865	18,489	23,064	-
	<u>\$ 11,555,311</u>	<u>\$ 2,883,144</u>	<u>\$ 2,210,883</u>	<u>\$ 12,227,572</u>	<u>\$ 139,000</u>

The following is a summary of business-type long-term liability activity for the year ended December 31, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-Type Activities</b>					
Notes payable	\$ 280,000	\$ -	\$ -	\$ 280,000	\$ 100,000
Water revenue notes	1,268,000	-	152,000	1,116,000	156,000
Net notes payable	1,548,000	-	152,000	1,396,000	256,000
Net pension liability	1,390,202	383,164	179,386	1,593,980	-
	<u>\$ 2,938,202</u>	<u>\$ 383,164</u>	<u>\$ 331,386</u>	<u>\$ 2,989,980</u>	<u>\$ 256,000</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 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. For the water revenue note payable, the financial institution may also enforce remedies of a trustee under the agreement.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 10 - LONG-TERM LIABILITIES - CONTINUED**

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**Subsequent Events**

Subsequent to year-end, in June of 2018 the Township entered into a settlement agreement with the County of Lehigh in which the outstanding balance on the 2005 Note Payable was forgiven, in exchange for the Township writing off several extra-strength charges that were due from the County.

*Debt Issuances*

On September 25, 2018, the Township issued General Obligation Note, Series of 2018 in the principal sum of \$2,400,000. Principal payments are due annually on October 15, 2019 through 2028. Interest is payable semi-annually on April 15 and October 15. The note bears interest at a fixed annual rate of 4.06% through October 15, 2023, and at 75% of the Wall Street Journal Prime Rate thereafter, except that at no time during the variable interest rate period shall the rate fall below 3.75% or exceed 5.25%. Proceeds from the note were used to pay off Water Revenue Note, Series of 2014 as a result of the dissolution of the South Whitehall Township Authority, fund capital projects, and pay the cost of note issuance.

On December 30, 2019, the Township issued General Obligation Note, Series of 2019 in the principal sum of \$9,000,000. Principal payment of the entire balance is due on December 1, 2021. Interest is payable semi-annually on June 1 and December 1 at a fixed annual rate of 3.5%. Proceeds from the note were used for the renovation of the Township campus.

*Capital Lease Issuances*

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 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.

**NOTE 11 - 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, 2017**

**NOTE 11 - PENSION PLANS - CONTINUED**

**Single Employer Defined Benefit Pension Plans**

**Plan Descriptions**

Membership of each defined-benefit plan consisted of the following at December 31, 2017:

	Police Pension Plan	Public Works Union Employees' Pension Plan	Office Personnel Pension Plan
Active plan members	36	28	16
DROP members	3	-	-
Retired members	27	19	27
Vested former members	1	8	11
Total plan members	67	55	54

At December 31, 2017, 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, 2017**

**NOTE 11 - 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, 2017**

**NOTE 11 - 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, 2015 valuation was used in the calculation of the Township's 2017 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, 2017, members contribute 1.5% of compensation. Effective January 1, 2019, the rate is 2%, and 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, 2017**

**NOTE 11 - 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 2017. The following table reflects contribution information for 2017:

	<u>Police</u>	<u>Public Works</u>	<u>Office</u>	<u>Total</u>
MMO	<u>\$ 837,979</u>	<u>\$ 431,296</u>	<u>\$ 704,611</u>	<u>\$ 1,973,886</u>
Contributions:				
Township	\$ 575,427	\$ 298,254	\$ 625,758	\$ 1,499,439
Allocation of state aid	<u>284,472</u>	<u>133,059</u>	<u>96,353</u>	<u>513,884</u>
Total	859,899	431,313	722,111	2,013,323
Employee	<u>43,825</u>	<u>17,601</u>	<u>-</u>	<u>61,426</u>
Total contributions	<u>\$ 903,724</u>	<u>\$ 448,914</u>	<u>\$ 722,111</u>	<u>\$ 2,074,749</u>
Covered payroll	<u>\$ 2,818,708</u>	<u>\$ 1,798,943</u>	<u>\$ 1,206,762</u>	<u>\$ 5,824,413</u>
Employee contributions as a percent of covered payroll	<u>1.55%</u>	<u>0.98%</u>	<u>0.00%</u>	<u>1.05%</u>

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, 2017**

**NOTE 11 - 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, 2017, 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, 2017, were as follows:

	Police Pension Plan	Public Works Union Employees' Pension Plan	Office Personnel Pension Plan	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total pension liability	\$ 18,354,025	\$ 11,264,250	\$ 12,172,877	\$ 41,791,152
Plan fiduciary net position	<u>(13,455,073)</u>	<u>(8,003,548)</u>	<u>(8,886,367)</u>	<u>(30,344,988)</u>
Net pension liability	<u>\$ 4,898,952</u>	<u>\$ 3,260,702</u>	<u>\$ 3,286,510</u>	<u>\$ 11,446,164</u>
Plan fiduciary net position as a percentage of total pension liability	<u>73.31%</u>	<u>71.05%</u>	<u>73.00%</u>	<u>72.61%</u>



**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 11 - 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, 2017, were as follows:

	Increases/Decreases		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2016	\$ 38,595,411	\$ 28,303,677	\$ 10,291,734
Changes for the year:			
Service cost	675,925	-	675,925
Interest	3,161,160	-	3,161,160
Differences between expected and actual experience	200,227	-	200,227
Changes of assumptions	1,387,306	-	1,387,306
Contributions - employer	-	2,013,323	(2,013,323)
Contributions - employee	-	61,426	(61,426)
Net investment income	-	2,224,989	(2,224,989)
Benefit payments, including refunds	(2,228,877)	(2,229,228)	351
Administrative expenses	-	(29,199)	29,199
Net changes	3,195,741	2,041,311	1,154,430
Balances at December 31, 2017	\$ 41,791,152	\$ 30,344,988	\$ 11,446,164
Plan fiduciary net position as a percentage of the total pension liability			72.61%

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 11 - 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, 2017, and rolled forward to December 31, 2017, 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	8.00%	8.00%	8.00%
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, 2017**

**NOTE 11 - 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, 2017:

*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%
International Equity	0.00%	4.50% - 6.50%
Fixed Income	20.00%	1.00% - 3.00%
Real Estate	0.00%	4.50% - 6.50%
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%
International Equity	0.00%	4.50% - 6.50%
Fixed Income	17.00%	1.00% - 3.00%
Real Estate	0.00%	4.50% - 6.50%
Cash	19.00%	0.00% - 1.00%
	100.00%	

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 11 - PENSION PLANS - CONTINUED**

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

**Net Pension Liability - continued**

*South Whitehall Township Office Personnel Pension Plan:*

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	64.00%	5.50% - 7.50%
International Equity	0.00%	4.50% - 6.50%
Fixed Income	19.00%	1.00% - 3.00%
Real Estate	0.00%	4.50% - 6.50%
Cash	17.00%	0.00% - 1.00%
	<u>100.00%</u>	

*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, 2017, 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 8.31%, 8.42%, and 8.51%, respectively.

*Discount Rate* - The discount rate used to measure the total pension liability for each of the defined benefit pension plans was 8.00%. 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.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 11 - PENSION PLANS - CONTINUED**

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

**Net Pension Liability - continued**

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* - The following presents the net pension liability of the 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 (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Police Pension Plan	\$ 6,913,077	\$ 4,898,952	\$ 3,198,063
Public Works Union Employees' Pension Plan	\$ 4,531,392	\$ 3,260,702	\$ 2,174,177
Office Personnel Pension Plan	\$ 4,544,564	\$ 3,286,510	\$ 2,203,845

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

For the year ended December 31, 2017, the Township recognized pension expense of \$2,856,991 (\$2,719,033 - governmental activities; \$137,958 - business-type activities). At December 31, 2017, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Police Pension Plan	Public Works Union Employees' Pension Plan	Office Personnel Pension Plan	Total
<u>Deferred Outflows of Resources:</u>				
Difference between expected and actual experience	\$ 138,563	\$ 37,500	\$ -	\$ 176,063
Changes of assumptions	425,376	414,612	314,799	1,154,787
Difference between projected and actual earnings on pension plan investments	1,091,237	668,573	637,228	2,397,038
Total	\$ 1,655,176	\$ 1,120,685	\$ 952,027	\$ 3,727,888
<u>Deferred Inflows of Resources:</u>				
Difference between expected and actual experience	\$ -	\$ -	\$ 5,144	\$ 5,144

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 11 - 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:

2018	\$	1,308,716
2019		1,308,715
2020		558,697
2021		268,215
2022		184,410
Thereafter		93,991
Total	\$	3,722,744

**Pension Trust Fund Financial Information**

*Plan Net Position*

	Police Employee Pension Fund	Public Works Union Employees' Pension Fund	Office Personnel Pension Fund	Total Defined Benefit Pension Trust Funds
<b>ASSETS</b>				
Cash and investments	\$ 13,455,073	\$ 8,003,548	\$ 8,881,145	\$ 30,339,766
Prepaid benefits	-	-	5,222	5,222
<b>TOTAL ASSETS</b>	13,455,073	8,003,548	8,886,367	30,344,988
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b>	\$ 13,455,073	\$ 8,003,548	\$ 8,886,367	\$ 30,344,988

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 11 - 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)	\$ 859,899	\$ 431,313	\$ 722,111	\$ 2,013,323
Employee	43,825	17,601	-	61,426
Investment income:				
Interest and dividends	470,694	279,340	313,550	1,063,584
Net appreciation in fair value of investments	549,126	326,196	368,503	1,243,825
<b>TOTAL ADDITIONS</b>	1,923,544	1,054,450	1,404,164	4,382,158
<b>DEDUCTIONS</b>				
Benefits, including tax withheld	1,118,525	296,948	813,755	2,229,228
Administrative expenses	47,567	31,290	32,762	111,619
<b>TOTAL DEDUCTIONS</b>	1,166,092	328,238	846,517	2,340,847
<b>CHANGE IN NET POSITION</b>	757,452	726,212	557,647	2,041,311
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR</b>				
	12,697,621	7,277,336	8,328,720	28,303,677
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR</b>	\$ 13,455,073	\$ 8,003,548	\$ 8,886,367	\$ 30,344,988

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 11 - 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 200% of all employee contributions up to a maximum of \$1,000. Employee contributions are voluntary. During the year ended December 31, 2017, the Township contributed \$204,760 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, 2017, the Township contributed \$23,975 to the plan, which related to the 2016 year. Contributions related to the year ended December 31, 2017 were paid in 2018.

**NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS**

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**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. The Retiree Health Plan does not issue a publicly available financial report and the Township is implementing GASB Statement 45 prospectively.

**Eligibility and Benefits**

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.



**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

**Funding Policy**

The contribution requirements of plan members and the Township are negotiated between the Township and union representatives. The required contribution is based on pay-as-you-go financing. For the fiscal year ended December 31, 2017, the Township contributed \$18,489 to the plan related to retirees. There are no retiree contributions.

**Annual OPEB Cost and Net OPEB Obligation**

The Township's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Township's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Township's net OPEB obligation as of December 31, 2017:

Annual required contribution	\$	24,155
Interest on net OPEB obligation		796
Adjustment to annual required contribution		<u>(1,086)</u>
Annual OPEB Cost		23,865
Contributions made		<u>(18,489)</u>
Increase in net OPEB obligation		5,376
Net OPEB obligation - beginning of year		<u>17,688</u>
Net OPEB obligation - end of year	\$	<u><u>23,064</u></u>

The Township's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of December 31, 2017 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2017	\$ 23,865	77.5%	\$ 23,064
12/31/2016	23,913	87.8%	17,688
12/31/2015	23,295	91.6%	14,775
12/31/2014	23,386	76.5%	12,809
12/31/2013	23,505	68.9%	7,305

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

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**Funded Status and Funding Progress**

As of January 1, 2016, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$224,788, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$224,788. The covered payroll (annual payroll of active employees covered by the plan) was \$2,835,238, and the ratio of the UAAL to the covered payroll was 0.85%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about the actuarial value of plan assets and actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2016 actuarial valuation, the entry age normal cost actuarial method was used. The actuarial assumptions included a 4.50% investment rate of return and assumed salary increases of 5.00% per year. Retirement was assumed at the later of 1) age 52, 2) age at completion of 25 years of service, or 3) age on the valuation date. The RP2000 Table for mortality was used, not including projected mortality improvements, and 75% of employees were assumed to elect coverage at retirement. The unfunded actuarial accrued liability is being amortized over a 30-year period using the level dollar method on an open basis.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 13 - 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 2017 year. Settlement amounts have not exceeded insurance coverage for the current year or the 3 prior years. The Township has no unfunded liability.

**NOTE 14 - 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.

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

**December 31, 2017**

**NOTE 14 - COMMITMENTS AND CONTINGENCIES - CONTINUED**

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**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 \$936,090 for the year ended December 31, 2017.

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 \$827,677 for the year ended December 31, 2017.

**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 \$1,818,266 for the year ended December 31, 2017.

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.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 14 - COMMITMENTS AND CONTINGENCIES - CONTINUED**

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**Subsequent Events - Bid Awards and Construction Contracts**

The Authority awards bids and contracts for capital projects and expenses. Bids awarded subsequent to year end for capital projects and assets include:

<u>Project</u>	<u>Contracts/Bids Awarded</u>
Hickory Circle Water Line Replacement	\$ 198,000
Sieger Drive Water Line Replacement	309,757
Jordan Creek Trail Project	594,000
Roadway Paving Projects	2,618,047
Valley Road Bridge Beam Replacement and Scour Project	149,740
Sewer main repairs	750,000
Broadway & Schaeffer Street Drainage Improvement	209,983
Winchester West Booster Pump Station Abandonment	106,355
Dorney Park Road Water Main Extension Project	550,577
Pennsylvania Street Water/Sewer Replacement Project	932,345
Tank Mixer & Chemical Injection Room Project	177,000
Township Campus Renovation	8,314,052
Covered Bridge Concrete Project	103,384
Covered Bridge Park Equipment	407,096
Jordan Creek Greenway	756,490
Fire Truck	627,837
Total	<u>\$ 16,804,663</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.

**Subsequent Events - 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, 2017**

**NOTE 15 - 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, 2017 were as follows:

**General Fund:** The general fund has nonspendable fund balance of \$534,476 related to prepaid insurance, assigned funds of \$542,781 which consist of \$299,971 assigned for emergency medical services and \$242,810 assigned for 2018 appropriations, and an unassigned fund balance of \$4,789,423.

**State Highway Aid Fund:** The state highway aid fund has restricted funds of \$179,798, consisting of unspent highway state aid funds restricted by state law.

**Capital Projects Fund:** The capital projects fund has assigned funds of \$553,488 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 16 - 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. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The scope of this statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement is effective for the Township's fiscal year ended December 31, 2018.

## SOUTH WHITEHALL TOWNSHIP

### NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

#### NOTE 16 - NEW ACCOUNTING STANDARDS - CONTINUED

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- 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.
- Statement No. 86, *Certain Debt Extinguishment Issues*, and Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, have been issued to enhance reporting and disclosures for specific debt transactions. Statement No. 86 is effective for the Township's fiscal year ended December 31, 2018, and Statement No. 88 is effective for the Township's fiscal year ended December 31, 2019.
- 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. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61* - This statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization and provides guidance for reporting a component unit if a government acquires a 100% equity interest in that component unit. This statement is effective for the Township's fiscal year ended December 31, 2019.
- 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.

**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 16 - NEW ACCOUNTING STANDARDS - CONTINUED**

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- 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.
- 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.

Although the Township has not yet completed the analysis necessary to determine the actual financial statement impact of these new pronouncements, it does believe the new standards, particularly GASB Statement No. 75 and GASB Statement No. 87, will have a negative impact on the Township's net position.



**REQUIRED SUPPLEMENTARY INFORMATION**

**SOUTH WHITEHALL TOWNSHIP**

**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**

**Year Ended December 31, 2017**

	Original Budget	Final Budget	Actual	Variance
<b>REVENUES</b>				
Real estate taxes	\$ 5,587,791	\$ 5,587,791	\$ 5,583,408	\$ (4,383)
Earned income taxes	3,206,125	3,206,125	3,414,617	208,492
Business privilege taxes	2,110,000	2,110,000	2,253,815	143,815
Amusement/admission taxes	1,750,000	1,750,000	1,683,677	(66,323)
Other taxes	1,195,500	1,195,500	1,396,217	200,717
Licenses, permits, and fines	510,330	510,330	554,970	44,640
Interest and rent	-	-	24,171	24,171
Intergovernmental	763,650	763,650	834,201	70,551
Charges for services	1,383,051	1,383,051	1,937,170	554,119
Other	2,500	2,500	186,178	183,678
<b>TOTAL REVENUES</b>	<b>16,508,947</b>	<b>16,508,947</b>	<b>17,868,424</b>	<b>1,359,477</b>
<b>EXPENDITURES</b>				
General government	6,076,538	6,143,145	5,531,592	611,553
Public safety:				
Police	5,067,922	5,098,983	4,862,986	235,997
Fire	564,984	579,984	564,930	15,054
Emergency medical services	71,133	71,133	99,379	(28,246)
Public works	3,086,871	3,147,058	2,670,476	476,582
Culture and recreation	294,085	294,085	265,488	28,597
Community development	646,126	646,126	901,959	(255,833)
Debt service - principal	-	-	297,031	(297,031)
Debt service - interest	56,461	56,461	59,536	(3,075)
<b>TOTAL EXPENDITURES</b>	<b>15,864,120</b>	<b>16,036,975</b>	<b>15,253,377</b>	<b>783,598</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>644,827</b>	<b>471,972</b>	<b>2,615,047</b>	<b>2,143,075</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	12,000	12,000	10,269	(1,731)
Transfers out	-	-	(2,337,743)	(2,337,743)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>12,000</b>	<b>12,000</b>	<b>(2,327,474)</b>	<b>(2,339,474)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 656,827</b>	<b>\$ 483,972</b>	<b>287,573</b>	<b>\$ (196,399)</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<b>5,579,107</b>	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 5,866,680</b>	

**SOUTH WHITEHALL TOWNSHIP**

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

**Year Ended December 31, 2017**

	Original Budget	Final Budget	Actual	Variance
<b>REVENUES</b>				
Interest and rent	\$ -	\$ -	\$ 141	\$ 141
Intergovernmental	682,110	682,110	697,046	14,936
Other	-	-	22,290	22,290
<b>TOTAL REVENUES</b>	682,110	682,110	719,477	37,367
<b>EXPENDITURES</b>				
Public works	815,443	815,443	674,340	141,103
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (133,333)</u>	<u>\$ (133,333)</u>	45,137	<u>\$ 178,470</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			134,661	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 179,798</u>	

**SOUTH WHITEHALL TOWNSHIP**

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

**LAST TEN FISCAL YEARS**

	2017	2016
Total Pension Liability:		
Service cost	\$ 391,408	\$ 367,683
Interest	1,383,965	1,277,769
Differences between expected and actual experience	161,657	-
Changes of assumptions	496,272	-
Benefit payments, including refunds of employee contributions	(1,118,525)	(1,055,423)
Net change in total pension liability	1,314,777	590,029
Total pension liability, beginning	17,039,248	16,449,219
Total pension liability, ending	\$ 18,354,025	\$ 17,039,248
Plan Fiduciary Net Position:		
Contributions - employer	\$ 859,899	\$ 875,856
Contributions - employee	43,825	23,373
Net investment income	983,478	340,935
Benefit payments, including refunds of employee contributions	(1,118,525)	(1,055,423)
Administrative expenses	(11,225)	(16,075)
Net change in plan fiduciary net position	757,452	168,666
Plan fiduciary net position, beginning	12,697,621	12,528,955
Plan fiduciary net position, ending	\$ 13,455,073	\$ 12,697,621
<b>Net Pension Liability</b>	<b>\$ 4,898,952</b>	<b>\$ 4,341,627</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>73.31%</b>	<b>74.52%</b>
<b>Covered Employee Payroll</b>	<b>\$ 2,818,708</b>	<b>\$ 2,814,122</b>
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<b>173.80%</b>	<b>154.28%</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 -  
PUBLIC WORKS UNION EMPLOYEES' PENSION PLAN**

**LAST TEN FISCAL YEARS**

	2017	2016
<b>Total Pension Liability:</b>		
Service cost	\$ 145,193	\$ 150,341
Interest	845,387	753,803
Differences between expected and actual experience	45,000	-
Changes of assumptions	497,535	-
Benefit payments, including refunds of employee contributions	(296,948)	(296,510)
Net change in total pension liability	1,236,167	607,634
Total pension liability, beginning	10,028,083	9,420,449
Total pension liability, ending	\$ 11,264,250	\$ 10,028,083
<b>Plan Fiduciary Net Position:</b>		
Contributions - employer	\$ 431,313	\$ 433,934
Contributions - employee	17,601	18,041
Net investment income	583,396	149,621
Benefit payments, including refunds of employee contributions	(296,948)	(296,510)
Administrative expenses	(9,150)	(11,650)
Net change in plan fiduciary net position	726,212	293,436
Plan fiduciary net position, beginning	7,277,336	6,983,900
Plan fiduciary net position, ending	\$ 8,003,548	\$ 7,277,336
<b>Net Pension Liability</b>	\$ 3,260,702	\$ 2,750,747
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	71.05%	72.57%
<b>Covered Employee Payroll</b>	\$ 1,798,943	\$ 1,781,978
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	181.26%	154.36%

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**

	2017	2016
<b>Total Pension Liability:</b>		
Service cost	\$ 139,324	\$ 180,889
Interest	931,808	882,700
Differences between expected and actual experience	(6,430)	-
Changes of assumptions	393,499	-
Benefit payments, including refunds of employee contributions	(813,404)	(776,741)
Net change in total pension liability	644,797	286,848
Total pension liability, beginning	11,528,080	11,241,232
Total pension liability, ending	\$ 12,172,877	\$ 11,528,080
<b>Plan Fiduciary Net Position:</b>		
Contributions - employer	\$ 722,111	\$ 745,839
Net investment income	658,115	263,883
Benefit payments, including refunds of employee contributions	(813,755)	(776,741)
Administrative expenses	(8,824)	(13,400)
Net change in plan fiduciary net position	557,647	219,581
Plan fiduciary net position, beginning	8,328,720	8,109,139
Plan fiduciary net position, ending	\$ 8,886,367	\$ 8,328,720
<b>Net Pension Liability</b>	\$ 3,286,510	\$ 3,199,360
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	73.00%	72.25%
<b>Covered Employee Payroll</b>	\$ 1,206,762	\$ 1,386,068
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	272.34%	230.82%

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Police Pension Plan</b>										
<u>Schedule of Township Contributions</u>										
Actuarial determined contributions	\$ 837,979	\$ 875,856	\$ 966,966	\$ 715,489	\$ 712,818	\$ 569,967	\$ 529,157	\$ 313,311	\$ 302,191	\$ 262,769
Contributions in relation to the actuarially determined contribution	<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>	<u>302,191</u>	<u>262,769</u>
Contribution deficiency (excess)	<u>\$ (21,920)</u>	<u>\$ -</u>	<u>\$ (28)</u>	<u>\$ (32,326)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,818,708	\$ 2,814,122	\$ 2,835,238	\$ 2,752,440						
Contribution as a percentage of covered payroll	30.50%	31.12%	34.11%	27.17%						
<u>Investment Returns</u>										
Annual money-weighted rate of return, net investment expense	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	\$ 431,296	\$ 433,934	\$ 456,874	\$ 432,878	\$ 432,580	\$ 334,286	\$ 330,891	\$ 246,918	\$ 240,618	\$ 240,618
Contributions in relation to the actuarially determined contribution	<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>	<u>240,618</u>	<u>240,618</u>
Contribution deficiency (excess)	<u>\$ (17)</u>	<u>\$ -</u>	<u>\$ (28)</u>	<u>\$ (19,592)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,798,943	\$ 1,781,978	\$ 1,777,401	\$ 1,790,358						
Contribution as a percentage of covered payroll	23.98%	24.35%	25.71%	25.27%						
<u>Investment Returns</u>										
Annual money-weighted rate of return, net investment expense	8.42%	2.58%	(5.83%)	3.71%						
<b>Office Personnel Pension Plan</b>										
<u>Schedule of Township Contributions</u>										
Actuarial determined contributions	\$ 704,611	\$ 745,839	\$ 782,792	\$ 606,253	\$ 578,467	\$ 461,415	\$ 443,925	\$ 431,080	\$ 417,170	\$ 348,910
Contributions in relation to the actuarially determined contribution	<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>	<u>417,170</u>	<u>348,910</u>
Contribution deficiency (excess)	<u>\$ (17,500)</u>	<u>\$ -</u>	<u>\$ (28)</u>	<u>\$ (13,225)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,206,762	\$ 1,386,068	\$ 1,659,343	\$ 1,803,986						
Contribution as a percentage of covered payroll	59.84%	53.81%	47.18%	34.34%						
<u>Investment Returns</u>										
Annual money-weighted rate of return, net investment expense	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 FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS -  
OTHER POSTEMPLOYMENT BENEFITS PLAN**

**Year Ended December 31, 2017**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2016	\$ -	\$ 224,788	\$ 224,788	0.00%	\$ 2,835,238	7.93%
1/1/2013	-	206,850	206,850	0.00%	2,468,086	8.38%

**Schedule of Employer Contributions**

Calendar Year	Annual Required Contributions	Actual Employer Contribution	Annual Percentage Contributed
2017	\$ 24,155	\$ 18,489	76.54%
2016	24,155	21,000	86.94%
2015	23,505	21,329	90.74%
2014	23,505	17,882	76.08%
2013	23,505	16,200	68.92%



**SOUTH WHITEHALL TOWNSHIP**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**December 31, 2017**

**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	01/01/15	01/01/15	01/01/15
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	9 years	6 years
Asset valuation method	Market value of assets as determined by the trustee	Market value of assets as determined by the trustee	Market value of assets as determined by the trustee
Actuarial assumptions:			
Investment rate of return	8%	8%	8%
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 actuarial value of assets was calculated using a five-year smoothed value prior to the actuarial valuation as of January 1, 2015. The new valuation uses the market value of the assets.

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, 2017**

	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	\$ 13,455,073	\$ 8,003,548	\$ 8,881,145	\$ 4,475,490	\$ 39,732	\$ 34,854,988
Contributions receivable	-	-	-	-	23,406	23,406
Prepaid benefits	-	-	5,222	-	-	5,222
<b>TOTAL ASSETS</b>	<u>13,455,073</u>	<u>8,003,548</u>	<u>8,886,367</u>	<u>4,475,490</u>	<u>63,138</u>	<u>34,883,616</u>
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b>	<u>\$ 13,455,073</u>	<u>\$ 8,003,548</u>	<u>\$ 8,886,367</u>	<u>\$ 4,475,490</u>	<u>\$ 63,138</u>	<u>\$ 34,883,616</u>

**SOUTH WHITEHALL TOWNSHIP**

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

**Year Ended December 31, 2017**

	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)	\$ 859,899	\$ 431,313	\$ 722,111	\$ 204,760	\$ 23,406	\$ 2,241,489
Employees	43,825	17,601	-	102,380	-	163,806
Investment income:						
Interest and dividends	470,694	279,340	313,550	65,543	2,264	1,131,391
Net appreciation in fair value of investments	549,126	326,196	368,503	167,565	-	1,411,390
<b>TOTAL ADDITIONS</b>	<b>1,923,544</b>	<b>1,054,450</b>	<b>1,404,164</b>	<b>540,248</b>	<b>25,670</b>	<b>4,948,076</b>
<b>DEDUCTIONS</b>						
Benefits, including tax withheld	1,118,525	296,948	813,755	540,623	-	2,769,851
Administrative expenses	47,567	31,290	32,762	8,393	-	120,012
<b>TOTAL DEDUCTIONS</b>	<b>1,166,092</b>	<b>328,238</b>	<b>846,517</b>	<b>549,016</b>	<b>-</b>	<b>2,889,863</b>
<b>CHANGE IN NET POSITION</b>	<b>757,452</b>	<b>726,212</b>	<b>557,647</b>	<b>(8,768)</b>	<b>25,670</b>	<b>2,058,213</b>
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS - BEGINNING OF YEAR</b>						
	12,697,621	7,277,336	8,328,720	4,484,258	37,468	32,825,403
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS - END OF YEAR</b>						
	<b>\$ 13,455,073</b>	<b>\$ 8,003,548</b>	<b>\$ 8,886,367</b>	<b>\$ 4,475,490</b>	<b>\$ 63,138</b>	<b>\$ 34,883,616</b>