

SOUTH WHITEHALL TOWNSHIP

**STATEMENTS OF NET POSITION AND BALANCE SHEET,
REQUIRED SUPPLEMENTARY INFORMATION,
AND SUPPLEMENTARY INFORMATION**

Year Ended December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of net position/balance sheet of 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, 2016, and the related notes to the basic financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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, 2016 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The financial statements presented are not intended to be a complete presentation of the Township's activity. See Note 1 for more information.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the pension and other postemployment benefit information on pages 49 through 53 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 statement of net position is the responsibility of management and was derived from and relates 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 statement of net position is 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, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 5,650,895	\$ 3,422,392	\$ 9,073,287
Restricted cash - escrow	1,217,708	13,511	1,231,219
Accounts receivable, net	485,074	1,335,876	1,820,950
Taxes receivable, net	423,319	-	423,319
Intergovernmental receivables	346,790	13,132	359,922
Other receivables	7,870	-	7,870
Prepaid expenses	504,317	2,357	506,674
Note receivable	42,235	-	42,235
Capital assets not being depreciated	4,361,516	408,342	4,769,858
Capital assets, net of accumulated depreciation	11,942,711	14,940,548	26,883,259
TOTAL ASSETS	24,982,435	20,136,158	45,118,593
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources for pension	2,928,843	483,139	3,411,982
LIABILITIES			
Accounts payable	421,478	471,109	892,587
Accrued payroll	196,444	29,692	226,136
Accrued interest	12,392	2,068	14,460
Escrow payable	1,217,708	13,511	1,231,219
Noncurrent liabilities due within one year	136,000	232,000	368,000
Noncurrent liabilities:			
Notes payable, net	2,443,746	1,316,000	3,759,746
Compensated absences	56,345	-	56,345
Net pension liability	8,901,532	1,390,202	10,291,734
Other postemployment benefits	17,688	-	17,688
TOTAL LIABILITIES	13,403,333	3,454,582	16,857,915
NET POSITION			
Net investment in capital assets	13,724,481	13,800,890	27,525,371
Restricted	134,661	-	134,661
Unrestricted	648,803	3,363,825	4,012,628
TOTAL NET POSITION	\$ 14,507,945	\$ 17,164,715	\$ 31,672,660

See accompanying notes.

SOUTH WHITEHALL TOWNSHIP

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2016

	General	State Highway Aid	Capital Projects	Total Governmental Funds
ASSETS				
Cash	\$ 4,829,396	\$ 180,894	\$ 640,605	\$ 5,650,895
Restricted cash - escrow	1,217,708	-	-	1,217,708
Accounts receivable	654,659	-	-	654,659
Taxes receivable, net	423,776	-	-	423,776
Intergovernmental receivable	346,790	-	-	346,790
Other receivable	7,870	-	-	7,870
Prepaid expenses	504,317	-	-	504,317
Note receivable	-	-	42,235	42,235
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 7,984,516</u></u>	<u><u>\$ 180,894</u></u>	<u><u>\$ 682,840</u></u>	<u><u>\$ 8,848,250</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 361,889	\$ 46,233	\$ 13,356	\$ 421,478
Accrued payroll	196,444	-	-	196,444
Escrow payable	1,217,708	-	-	1,217,708
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	1,776,041	46,233	13,356	1,835,630
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	22,867	-	-	22,867
Unavailable revenue - note receivable	-	-	33,947	33,947
Unavailable revenue - other fee receivables	606,501	-	-	606,501
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL DEFERRED INFLOWS OF RESOURCES	629,368	-	33,947	663,315
FUND BALANCES				
Nonspendable	504,317	-	-	504,317
Restricted for:				
Highways and streets	-	134,661	-	134,661
Assigned for:				
Capital projects	-	-	635,537	635,537
Unassigned	5,074,790	-	-	5,074,790
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	5,579,107	134,661	635,537	6,349,305
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 7,984,516</u></u>	<u><u>\$ 180,894</u></u>	<u><u>\$ 682,840</u></u>	<u><u>\$ 8,848,250</u></u>

See accompanying notes.

SOUTH WHITEHALL TOWNSHIP

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

December 31, 2016

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

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 6,349,305
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 \$38,871,925 and the accumulated depreciation is \$22,567,698.	16,304,227
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.	629,368
Other long-term assets (note receivable) are not available to pay current period expenditures and therefore are reported as unavailable revenue in the funds.	33,947
Establish allowance for doubtful accounts - property taxes receivable (\$457) and other receivables (\$169,585).	(170,042)
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	\$ (2,579,746)
Accrued interest	(12,392)
Long-term portion of compensated absences	<u>(56,345)</u>
	(2,648,483)
The net pension liability and related deferred outflows and inflows of resources for pensions are not reflected on the fund financial statements.	(5,972,689)
The other postemployment benefit liability is not reflected on the fund financial statements.	<u>(17,688)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 14,507,945</u>

SOUTH WHITEHALL TOWNSHIP

STATEMENT OF NET POSITION - PROPRIETARY FUND

December 31, 2016

	Water	Sewer	Refuse	Total
ASSETS				
CURRENT ASSETS				
Cash	\$ 771,431	\$ 1,918,055	\$ 732,906	\$ 3,422,392
Restricted cash - escrow	13,511	-	-	13,511
Accounts receivable, net	382,717	646,756	306,403	1,335,876
Interfund receivables	-	460,000	-	460,000
Intergovernmental receivable	-	13,132	-	13,132
Prepaid expenses	2,244	113	-	2,357
TOTAL CURRENT ASSETS	1,169,903	3,038,056	1,039,309	5,247,268
NONCURRENT ASSETS				
Capital assets not being depreciated	280,168	128,174	-	408,342
Capital assets, net of accumulated depreciation	7,802,730	7,137,818	-	14,940,548
TOTAL NONCURRENT ASSETS	8,082,898	7,265,992	-	15,348,890
TOTAL ASSETS	9,252,801	10,304,048	1,039,309	20,596,158
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources for pension	191,312	180,704	111,123	483,139
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	168,623	293,841	8,645	471,109
Interfund payables	460,000	-	-	460,000
Accrued payroll	14,290	14,149	1,253	29,692
Accrued interest	2,068	-	-	2,068
Escrow payable	13,511	-	-	13,511
Current portion of long-term debt	232,000	-	-	232,000
TOTAL CURRENT LIABILITIES	890,492	307,990	9,898	1,208,380
NONCURRENT LIABILITIES				
Long-term debt	1,316,000	-	-	1,316,000
Net pension liability	550,488	519,965	319,749	1,390,202
TOTAL NONCURRENT LIABILITIES	1,866,488	519,965	319,749	2,706,202
TOTAL LIABILITIES	2,756,980	827,955	329,647	3,914,582
NET POSITION				
Net investment in capital assets	6,534,898	7,265,992	-	13,800,890
Unrestricted	152,235	2,390,805	820,785	3,363,825
TOTAL NET POSITION	\$ 6,687,133	\$ 9,656,797	\$ 820,785	\$ 17,164,715

See accompanying notes.

SOUTH WHITEHALL TOWNSHIP

STATEMENT OF NET POSITION - FIDUCIARY FUNDS - TRUST FUNDS

December 31, 2016

	<u>Pension Trust Funds</u>
ASSETS	
Cash and investments	\$ 32,795,037
Contributions receivable	23,975
Interest receivable	1,235
Other receivables	21
Prepaid benefits	<u>5,723</u>
TOTAL ASSETS	32,825,991
 LIABILITIES	
Benefits payable	<u>588</u>
 NET POSITION HELD IN TRUST FOR PENSION BENEFITS	 <u><u>\$ 32,825,403</u></u>

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

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

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, 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, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

Subsequent to year end, 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. 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. The Authority's certificate of termination was signed on September 18, 2017.

B. Basis of Presentation

The financial statement presented is not intended to be a complete presentation of the Township's assets, liabilities, deferred outflows and inflows of resources, revenues and expenses. The financial statement presented represents the statement of net position of the Township as well as the governmental funds balance sheet and proprietary funds statement of net position as of December 31, 2016. It does not include any revenue or expense (expenditure) activity for the year then ended.

C. Basis of Presentation - Government-Wide Statement of Net Position

The government-wide statement of net position displays information about the reporting entity, except for its fiduciary activities. All fiduciary activities are reported only in the fund financial statements. The government-wide statement of net position includes 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, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Government-Wide Statement of Net Position - continued

As a general rule, the effect of interfund activity has been eliminated from the government-wide statement of net position. 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.

D. 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, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. 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, and the South Whitehall Township Non-Uniformed Employees' Defined Contribution Pension Plan.

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 statement of net position. 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, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Measurement Focus and Basis of Accounting - continued

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund, sewer fund, and refuse fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

F. Financial Position

1. Cash and Cash Equivalents

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

2. Restricted Developer's Escrow Account

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

3. Investments

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

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

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.

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

3. Investments - continued

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 statement of net position as "internal balances."

5. Prepaid Items

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

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 statement of net position. Proprietary capital assets are also reported in their respective fund financial statements. The Township reports infrastructure assets in the governmental activities based on their historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. Donated capital assets are recorded at the estimated fair value at the date of its donation.

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

6. Capital Assets, Depreciation, and Amortization - continued

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
Furniture and fixtures	3 - 8
Equipment and vehicles	5 - 20

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, 2016.

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.

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

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 statement of net position and is expensed as incurred.

10. Long-Term Obligations

In the government-wide statement of net position, 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.

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

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.

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, note receivables, 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. There are no deferred inflows of resources for pension reported at December 31, 2016.

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. 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, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. 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.

G. 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, 2016

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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, 2016, no individual funds had a deficit fund balance or net position.

NOTE 3 - CASH AND INVESTMENTS

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

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

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

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

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

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, 2016, are summarized as follows:

	<u>Primary Government</u>	<u>Blended Component Unit</u>	<u>Total</u>
Petty cash	\$ 725	\$ 175	\$ 900
Demand deposit accounts	6,383,076	2,689,311	9,072,387
Restricted deposits	1,217,708	13,511	1,231,219
Pension cash and investments	32,795,037	-	<u>32,795,037</u>
			<u>\$ 43,099,543</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, 2016, the carrying amount of the Township's deposits was \$10,303,606 and the bank balance was \$12,427,591. Of the balance, \$750,001 was covered by federal depository insurance and \$11,677,590 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, 2016

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Investments

Pension Trust Funds

As of December 31, 2016, the Township had the following investments in its pension trust funds:

Investment Type	Yield	Fair Market Value	Fair Value Level
Investments measured at fair value:			
Money market funds	N/A	\$ 28,291,143	N/A
Accrued income/cash equivalents	N/A	142,067	N/A
Pooled funds	N/A	3,349,331	2
Mutual Funds:			
Equity	0.19% - 2.01%	142,357	2
Corporate Bonds	1.90% - 1.92%	864,866	2
Total investments measured at fair value		32,789,764	
Reconciling items		5,273	
Total nonpension investments		<u>\$ 32,795,037</u>	

Level 2 securities are valued using a matrix pricing technique or comparable securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Interest Rate Risk

The Township does have a formal investment policy that limits maturities in certain investments as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 4 - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND UNAVAILABLE REVENUE

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, 2016, are as follows:

	Gross Accounts Receivable	Allowance for Uncollectible Receivables	Net Estimated to be Collectible	Revenue Recognized	Unavailable Revenue
Accounts receivable	\$ 654,659	\$ 169,585	\$ 485,074	\$ 48,158	\$ 606,501

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. 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.

The Township's taxes receivable at December 31, 2016 are as follows:

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible	Tax Revenue Recognized	Unavailable Revenue
Real estate taxes	\$ 118,069	\$ 457	\$ 117,612	\$ 95,202	\$ 22,867
Earned income and local services taxes	180,788	-	180,788	180,788	-
Transfer taxes	39,962	-	39,962	39,962	-
Other	84,957	-	84,957	84,957	-
Total	\$ 423,776	\$ 457	\$ 423,319	\$ 400,909	\$ 22,867

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

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

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, 2016.

Accounts receivable includes the following amounts at December 31, 2016:

	Gross Receivable	Allowance	Net Receivable
Water charges	\$ 587,178	\$ (204,461)	\$ 382,717
Sewer charges	1,791,120	(1,144,364)	646,756
Refuse charges	518,614	(212,211)	306,403
	\$ 2,896,912	\$ (1,561,036)	\$ 1,335,876

NOTE 5 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables consist of the following at December 31, 2016:

	General Fund	Sewer Fund
Parkland School District	\$ 270,189	\$ -
Commonwealth of Pennsylvania - Pension Aid	39,375	-
Commonwealth of Pennsylvania - DUI Grant	27,146	-
District Court - Fine Revenue	10,080	-
Lehigh County Authority - Signatory Credits	-	13,132
Total	\$ 346,790	\$ 13,132

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

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.

At December 31, 2016, the balance of the note receivable was \$42,235. Additionally, a deferred inflow for unavailable revenue related to the note receivable of \$33,947 is reported, as these repayments were collected outside of the Township's period of availability.

In 2018, the organization paid off the balance of the note early. Note receivable repayments were made as follows for the years ending December 31:

2017	\$ 8,288
2018	<u>33,947</u>
Total	<u><u>\$ 42,235</u></u>

NOTE 7 - INTERFUND RECEIVABLES/PAYABLES

Interfund receivables/payables are as follows at December 31, 2016:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Business-Type Activities:		
Water	\$ -	\$ 460,000
Sewer	<u>460,000</u>	<u>-</u>
	<u><u>\$ 460,000</u></u>	<u><u>\$ 460,000</u></u>

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

SOUTH WHITEHALL TOWNSHIP
NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 8 - CAPITAL ASSETS

Capital asset balances at December 31, 2016 were as follows:

	Governmental Activities	Business-Type Activities
Capital assets not being depreciated:		
Land	\$ 4,361,516	\$ 408,342
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	4,361,516	408,342
Capital assets being depreciated:		
Buildings and improvements	4,546,619	162,007
Infrastructure	13,415,519	34,222,228
Furniture and fixtures	408,243	-
Equipment and vehicles	16,140,028	872,754
Totals at historical cost	34,510,409	35,256,989
Less accumulated depreciation for:		
Buildings and improvements	2,782,202	60,610
Infrastructure	7,270,778	19,695,698
Furniture and fixtures	340,884	-
Equipment and vehicles	12,173,834	560,133
Total accumulated depreciation	22,567,698	20,316,441
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	11,942,711	14,940,548
CAPITAL ASSETS, NET	\$ 16,304,227	\$ 15,348,890

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

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. There was no outstanding balance on the line of credit as of December 31, 2016.

SOUTH WHITEHALL TOWNSHIP
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

NOTE 10 - LONG-TERM LIABILITIES

Governmental Activities

Notes payable are as follows at December 31, 2016:

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.

\$ 2,579,746

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

	Principal	Interest*
2017	\$ 136,000	\$ 46,939
2018	139,000	56,451
2019	142,000	53,240
2020	146,000	49,959
2021	149,000	46,587
2022 - 2026	711,000	189,075
2027 - 2031	766,000	109,290
2032 - 2034	390,746	16,198
Total	\$ 2,579,746	\$ 567,739

* Interest is calculated at the current effective rate of 2.53% during the variable period.

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 10 - LONG-TERM LIABILITIES - CONTINUED

Business-Type Activities

Notes payable are as follows at December 31, 2016:

2005 Note Payable, Lehigh County, issued in the original amount of \$400,000, payable in annual payments of \$20,000 without interest through 2027. \$ 280,000

Water Revenue Note, Series of 2014, 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. 1,268,000

\$ 1,548,000

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

	<u>Lehigh County Note Payable</u>	<u>Water Revenue Note, Series of 2014</u>	<u>Total Principal</u>	<u>Interest *</u>
2017	\$ 80,000	\$ 152,000	\$ 232,000	\$ 23,850
2018	20,000	156,000	176,000	22,085
2019	20,000	158,000	178,000	21,156
2020	20,000	149,000	169,000	19,549
2021	20,000	155,000	175,000	15,917
2022 - 2026	100,000	498,000	598,000	24,571
2027 - 2028	20,000	-	20,000	-
Total	<u><u>\$ 280,000</u></u>	<u><u>\$ 1,268,000</u></u>	<u><u>\$ 1,548,000</u></u>	<u><u>\$ 127,128</u></u>

* Interest is calculated at 1.97% through December 2019 and 2.43% thereafter at the current effective rate for the variable period.

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 10 - LONG-TERM LIABILITIES - CONTINUED

Long-term liability balances at December 31, 2016 were as follows:

	Ending Balance	Due Within One Year
Governmental Activities		
Notes payable:		
General Obligation Note, Series of 2014	\$ 2,579,746	\$ 136,000
Other liabilities:		
Compensated absences	56,345	-
Net pension liability	8,901,532	-
Other postemployment benefits liability	17,688	-
Total Governmental Long-Term Liabilities	\$ 11,555,311	\$ 136,000
Business-Type Activities		
Notes payable:		
2005 Lehigh County Note Payable	\$ 280,000	\$ 80,000
Water Revenue Note, Series of 2014	1,268,000	152,000
Other liabilities:		
Net pension liability	1,390,202	-
Total Business-Type Long-Term Liabilities	\$ 2,938,202	\$ 232,000

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.

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 of \$280,000 on the 2005 Note Payable was forgiven, in exchange for the Township writing off several extra-strength charges that were due from the County.

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 10 - LONG-TERM LIABILITIES - CONTINUED

Subsequent Events - continued

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

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 Nonuniformed 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, 2016

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, 2016:

	Police Pension Plan	Public Works Union Employees' Pension Plan	Office Personnel Pension Plan
Active plan members	31	29	19
DROP members	4	-	-
Retired members	25	20	24
Vested former members	<u>1</u>	<u>8</u>	<u>12</u>
Total plan members	<u><u>61</u></u>	<u><u>57</u></u>	<u><u>55</u></u>

At December 31, 2016, 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 do 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, 2016

NOTE 11 - PENSION PLANS - CONTINUED

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 91st 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 91st 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, 2016

NOTE 11 - PENSION PLANS - CONTINUED

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, 2013 valuation was used in the calculation of the Township's 2016 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, 2016, members contribute 1% of compensation. The rate increase to 1.5% for 2017 and 2018. For 2019, the rate is 2%. 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.

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).

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, 2016

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, 2016, 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, 2016 were as follows:

	<u>Police Pension Plan</u>	<u>Public Works Union Employees' Pension Plan</u>	<u>Office Personnel Pension Plan</u>	<u>Total</u>
Total pension liability	\$ 17,039,248	\$ 10,028,083	\$ 11,528,080	\$ 38,595,411
Plan fiduciary net position	<u>(12,697,621)</u>	<u>(7,277,336)</u>	<u>(8,328,720)</u>	<u>(28,303,677)</u>
Net pension liability	<u>\$ 4,341,627</u>	<u>\$ 2,750,747</u>	<u>\$ 3,199,360</u>	<u>\$ 10,291,734</u>
Plan fiduciary net position as a percentage of total pension liability	<u>74.52%</u>	<u>72.57%</u>	<u>72.25%</u>	<u>73.33%</u>

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

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, 2015, and rolled forward to December 31, 2016, 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
Actuarial Assumptions:			
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	RP2000 table for males and females. This table does not include projected mortality improvements.	RP2000 table for males and females. This table does not include projected mortality improvements.	RP2000 table for males and females. This table does not include projected mortality improvements.

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, 2016

NOTE 11 - PENSION PLANS - CONTINUED

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, 2016:

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, 2016

NOTE 11 - PENSION PLANS - CONTINUED

Single Employer Defined Benefit Pension Plans - continued

Net Pension Liability - continued

South Whitehall Township Office Personnel Pension Plan:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	64.00%	5.50% - 7.50%
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%
	100.00%	

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, 2016, 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 3.15%, 2.58%, and 3.74%, 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, 2016

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:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Police Pension Plan	<u>\$ 6,132,261</u>	<u>\$ 4,341,627</u>	<u>\$ 2,757,109</u>
Public Works Union Employees' Pension Plan	<u>\$ 3,865,786</u>	<u>\$ 2,750,747</u>	<u>\$ 1,793,535</u>
Office Personnel Pension Plan	<u>\$ 4,438,648</u>	<u>\$ 3,199,360</u>	<u>\$ 2,129,588</u>

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

At December 31, 2016, the Township reported deferred outflows and resources and deferred inflows of resources related to pensions from the following sources:

	<u>Police Pension Plan</u>	<u>Public Works Union Employees' Pension Plan</u>	<u>Office Personnel Pension Plan</u>	<u>Total</u>
<u>Deferred Outflows of Resources:</u>				
Net difference between projected and actual earnings on pension plan investments	<u>\$ 1,543,457</u>	<u>\$ 955,971</u>	<u>\$ 912,554</u>	<u>\$ 3,411,982</u>

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 11 - PENSION PLANS - CONTINUED

Single Employer Defined Benefit Pension Plans - continued

Net Pension Liability - continued

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:

2017	\$ 1,040,500
2018	1,040,500
2019	1,040,500
2020	<u>290,482</u>
Total	<u>\$ 3,411,982</u>

Pension Trust Fund Financial Information

Plan Net Position

	Police Employee Pension Fund	Public Works Union Employee Pension Fund	Office Personnel Pension Fund	Total Pension Trust Funds
ASSETS				
Cash and investments	\$ 12,696,845	\$ 7,277,220	\$ 8,323,244	\$ 28,297,309
Interest receivable	776	457	-	1,233
Prepaid benefits	<u>-</u>	<u>-</u>	<u>5,723</u>	<u>5,723</u>
TOTAL ASSETS	12,697,621	7,277,677	8,328,967	28,304,265
LIABILITIES				
Benefits payable	<u>-</u>	<u>341</u>	<u>247</u>	<u>588</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS				
	<u>\$ 12,697,621</u>	<u>\$ 7,277,336</u>	<u>\$ 8,328,720</u>	<u>\$ 28,303,677</u>

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 11 - PENSION PLANS - CONTINUED

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.

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.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

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, 2016

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, 2016, the Township contributed \$21,000 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, 2016:

Annual required contribution	\$	24,155
Interest on net OPEB obligation		665
Adjustment to annual required contribution		(907)
Annual OPEB Cost		23,913
Contributions made		(21,000)
Increase in net OPEB obligation		2,913
Net OPEB obligation - beginning of year		14,775
Net OPEB obligation - end of year	\$	17,688

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, 2016 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
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, 2016

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

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 7.93%.

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, 2016

NOTE 13 - RISK MANAGEMENT

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 2016 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

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 2013 and was effective through December 31, 2016. Teamsters Local 773 was renewed in 2017 and is effective through December 31, 2020. The South Whitehall Township Police's labor agreement was renewed in 2016 and is effective through December 31, 2019. A tentative agreement was reached to extend the contract through December 31, 2021.

Intermunicipal Agreements

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

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.

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 14 - COMMITMENTS AND CONTINGENCIES - CONTINUED

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.

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.

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, but are not limited to:

<u>Project</u>	<u>Contracts/Bids Awarded</u>
Slurry Seal Project	\$ 256,105
Covered Bridge Playground and Park	512,480
Hickory Circle Water Line Replacement	198,000
Sieger Drive Water Line Replacement	309,757
Jordan Creek Trail Project and Greenway	1,350,490
Fire Truck Purchase	627,837
Broadway & Schaeffer Street Drainage Improvement	209,983
Winchester West Booster Pump Station Abandonment	106,355
Generator Replacements	284,163
Dorney Park Road Water Main Extension Project	550,577
Pennsylvania Street Water/Sewer Replacement Project	932,345
Road Paving Projects	3,288,793
Tank Mixer & Chemical Injection Room Project	177,000
Westview Heights Valve Replacement	102,510
Various Sewer Main Repairs	750,000
Township Campus Renovation	<u>8,314,052</u>
Total	<u>\$ 17,970,447</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.

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 14 - COMMITMENTS AND CONTINGENCIES - CONTINUED

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.

NOTE 15 - FUND BALANCE

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, 2016 were as follows:

General Fund: The general fund has nonspendable fund balance of \$504,317 related to prepaid insurance and an unassigned fund balance of \$5,074,790.

State Highway Aid Fund: The state highway aid fund has restricted funds of \$134,661, consisting of unspent highway state aid funds restricted by state law.

Capital Projects Fund: The capital projects fund has assigned funds of \$635,537 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.

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 16 - NEW ACCOUNTING STANDARDS

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.
- Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14* - The requirements of this statement will improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement is effective for the Township's fiscal year ended December 31, 2017.
- Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73* - This statement addresses certain issues that have been raised with respect to GASB Statements No. 67, No. 68, and No. 73 related to (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions of the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement is effective for the Township's fiscal year ended December 31, 2017.
- 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.

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 16 - NEW ACCOUNTING STANDARDS - CONTINUED

- 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.
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* - As used in this statement, a public-private and public-public partnership arrangement (PPP) is an arrangement in which a government contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset, for a period of time in an exchange or exchange-like transaction. This statement requires that PPPs that meet the definition of a lease apply the guidance in Statement No. 87 if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of a service concession arrangement. The Statement also provides accounting and financial reporting requirements for all other PPPs. The Statement also defines and provides guidance for accounting and financial reporting for availability payment arrangements (APAs). This statement is effective for the Township's fiscal year ending December 31, 2023.

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

NOTE 16 - NEW ACCOUNTING STANDARDS - CONTINUED

- 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

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

Year Ended December 31, 2016

Total Pension Liability:	
Service cost	\$ 367,683
Interest	1,277,769
Benefit payments, including refunds of employee contributions	<u>(1,055,423)</u>
Net change in total pension liability	590,029
Total pension liability, beginning	<u>16,449,219</u>
Total pension liability, ending	<u><u>\$ 17,039,248</u></u>
Plan Fiduciary Net Position:	
Contributions - employer	\$ 875,856
Contributions - employee	23,373
Net investment income	340,935
Benefit payments, including refunds of employee contributions	(1,055,423)
Administrative expenses	<u>(16,075)</u>
Net change in plan fiduciary net position	168,666
Plan fiduciary net position, beginning	<u>12,528,955</u>
Plan fiduciary net position, ending	<u><u>\$ 12,697,621</u></u>
Net Pension Liability	<u><u>\$ 4,341,627</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	<u><u>74.52%</u></u>
Covered Employee Payroll	<u><u>\$ 2,814,122</u></u>
Net Pension Liability as a Percentage of Covered Employee Payroll	<u><u>154.28%</u></u>

Note:

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

SOUTH WHITEHALL TOWNSHIP

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

Year Ended December 31, 2016

Total Pension Liability:	
Service cost	\$ 150,341
Interest	753,803
Benefit payments, including refunds of employee contributions	<u>(296,510)</u>
Net change in total pension liability	607,634
Total pension liability, beginning	<u>9,420,449</u>
Total pension liability, ending	<u><u>\$ 10,028,083</u></u>
 Plan Fiduciary Net Position:	
Contributions - employer	\$ 433,934
Contributions - employee	18,041
Net investment income	149,621
Benefit payments, including refunds of employee contributions	(296,510)
Administrative expenses	<u>(11,650)</u>
Net change in plan fiduciary net position	293,436
Plan fiduciary net position, beginning	<u>6,983,900</u>
Plan fiduciary net position, ending	<u><u>\$ 7,277,336</u></u>
 Net Pension Liability	 <u><u>\$ 2,750,747</u></u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	 <u><u>72.57%</u></u>
 Covered Employee Payroll	 <u><u>\$ 1,781,978</u></u>
 Net Pension Liability as a Percentage of Covered Employee Payroll	 <u><u>154.36%</u></u>

Note:

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

SOUTH WHITEHALL TOWNSHIP

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

Year Ended December 31, 2016

Total Pension Liability:	
Service cost	\$ 180,889
Interest	882,700
Benefit payments, including refunds of employee contributions	<u>(776,741)</u>
Net change in total pension liability	286,848
Total pension liability, beginning	<u>11,241,232</u>
Total pension liability, ending	<u><u>\$ 11,528,080</u></u>
 Plan Fiduciary Net Position:	
Contributions - employer	\$ 745,839
Net investment income	263,883
Benefit payments, including refunds of employee contributions	(776,741)
Administrative expenses	<u>(13,400)</u>
Net change in plan fiduciary net position	219,581
Plan fiduciary net position, beginning	<u>8,109,139</u>
Plan fiduciary net position, ending	<u><u>\$ 8,328,720</u></u>
 Net Pension Liability	 <u><u>\$ 3,199,360</u></u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	 <u><u>72.25%</u></u>
 Covered Employee Payroll	 <u><u>\$ 1,386,068</u></u>
 Net Pension Liability as a Percentage of Covered Employee Payroll	 <u><u>230.82%</u></u>

Note:

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

SOUTH WHITEHALL TOWNSHIP

SCHEDULE OF TOWNSHIP CONTRIBUTIONS AND INVESTMENT RETURNS

Years Ended December 31

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Police Pension Plan										
Schedule of Township Contributions										
Actuarial determined contributions	\$ 875,856	\$ 966,966	\$ 715,489	\$ 712,818	\$ 569,967	\$ 529,157	\$ 313,311	\$ 302,191	\$ 262,769	\$ 255,519
Contributions in relation to the actuarially determined contribution	875,856	966,994	747,815	712,818	569,967	529,157	313,311	302,191	262,769	255,519
Contribution deficiency (excess)	\$ -	\$ (28)	\$ (32,326)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 2,814,122	\$ 2,835,238	\$ 2,752,440							
Contribution as a percentage of covered employee payroll	31.12%	34.11%	27.17%							
Investment Returns										
Annual money-weighted rate of return, net investment expense	3.15%	(4.35%)	4.84%							
Public Works Union Employees' Pension Plan										
Schedule of Township Contributions										
Actuarial determined contributions	\$ 433,934	\$ 456,874	\$ 432,878	\$ 432,580	\$ 334,286	\$ 330,891	\$ 246,918	\$ 240,618	\$ 240,618	\$ 77,665
Contributions in relation to the actuarially determined contribution	433,934	456,902	452,470	432,580	334,286	330,891	246,918	240,618	240,618	77,665
Contribution deficiency (excess)	\$ -	\$ (28)	\$ (19,592)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,781,978	\$ 1,777,401	\$ 1,790,358							
Contribution as a percentage of covered employee payroll	24.35%	25.71%	25.27%							
Investment Returns										
Annual money-weighted rate of return, net investment expense	2.58%	(5.83%)	3.71%							
Office Personnel Pension Plan										
Schedule of Township Contributions										
Actuarial determined contributions	\$ 745,839	\$ 782,792	\$ 606,253	\$ 578,467	\$ 461,415	\$ 443,925	\$ 431,080	\$ 417,170	\$ 348,910	\$ 348,330
Contributions in relation to the actuarially determined contribution	745,839	782,820	619,478	578,467	461,415	443,925	431,080	417,170	348,910	348,330
Contribution deficiency (excess)	\$ -	\$ (28)	\$ (13,225)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,386,068	\$ 1,659,343	\$ 1,803,986							
Contribution as a percentage of covered employee payroll	53.81%	47.18%	34.34%							
Investment Returns										
Annual money-weighted rate of return, net investment expense	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 note to required supplementary information.

SOUTH WHITEHALL TOWNSHIP

**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS -
OTHER POSTEMPLOYMENT BENEFITS PLAN**

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
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

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2016

NOTE 1 - PENSION SCHEDULES

The information presented in the required supplementary schedules related to the pension funds was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	<u>Police Pension Plan</u>	<u>Public Works Union Employees' Pension Plan</u>	<u>Office Personnel Pension Plan</u>
Actuarial valuation date	01/01/13	01/01/13	01/01/13
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	Investment gain or loss recognized over 5 years. Actuarial asset value cannot exceed 120% or be less than 80% of market value.	Investment gain or loss recognized over 5 years. Actuarial asset value cannot exceed 120% or be less than 80% of market value.	Investment gain or loss recognized over 5 years. Actuarial asset value cannot exceed 120% or be less than 80% of market value.
Actuarial assumptions:			
Investment rate of return	8%	8%	8%
Projected salary increases	5%	5%	5%
Inflation rate	3%	3%	3%
Mortality table	RP2000 Table	RP2000 Table	RP2000 Table

SUPPLEMENTARY INFORMATION

SOUTH WHITEHALL TOWNSHIP

COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS - TRUST FUNDS

December 31, 2016

	Police Employee Pension Fund	Public Works Union Employee Pension Fund	Office Personnel Pension Fund	Thrift Savings Fund	Defined Contribution Plan	Total Pension Trust Funds
ASSETS						
Cash and Investments	\$ 12,696,845	\$ 7,277,220	\$ 8,323,244	\$ 4,484,258	\$ 13,470	\$ 32,795,037
Contributions Receivable	-	-	-	-	23,975	23,975
Interest receivable	776	457	-	-	2	1,235
Other receivables	-	-	-	-	21	21
Prepaid benefits	-	-	5,723	-	-	5,723
TOTAL ASSETS	12,697,621	7,277,677	8,328,967	4,484,258	37,468	32,825,991
LIABILITIES						
Benefits payable	-	341	247	-	-	588
TOTAL LIABILITIES	-	341	247	-	-	588
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	\$ 12,697,621	\$ 7,277,336	\$ 8,328,720	\$ 4,484,258	\$ 37,468	\$ 32,825,403