



SOUTH WHITEHALL TOWNSHIP

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

Year Ended December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of South Whitehall Township ("Township") as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise South Whitehall Township's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of South Whitehall Township, Lehigh County, Pennsylvania, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of South Whitehall Township, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 South Whitehall Township's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about South Whitehall Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules for the general fund and the pension and other postemployment benefit information on pages 65 through 69 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 opinions on the basic financial statements are 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 nonmajor governmental and fiduciary fund combining financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information 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. The 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 nonmajor governmental and fiduciary fund combining financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Herbein + Company, Inc.

Reading, Pennsylvania
June 15, 2022

SOUTH WHITEHALL TOWNSHIP

STATEMENT OF NET POSITION

December 31, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 10,471,654	\$ 11,298,341	\$ 21,769,995
Restricted cash - escrow	1,686,269	-	1,686,269
Accounts receivable, net	621,249	749,442	1,370,691
Taxes receivable, net	605,967	-	605,967
Internal balances	329,424	(329,424)	-
Intergovernmental receivables	68,057	25,776	93,833
Prepaid expenses	720,831	2,374	723,205
Capital assets not being depreciated	4,859,534	405,032	5,264,566
Capital assets, net of accumulated depreciation	23,346,613	16,055,847	39,402,460
TOTAL ASSETS	42,709,598	28,207,388	70,916,986
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources for pension	2,223,911	191,370	2,415,281
Deferred outflows of resources for other postemployment benefits	123,797	-	123,797
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,347,708	191,370	2,539,078
LIABILITIES			
Accounts payable	509,348	1,140,863	1,650,211
Accrued payroll	322,458	29,163	351,621
Accrued interest	35,217	3,728	38,945
Unearned revenue	1,121,401	-	1,121,401
Escrow payable	1,686,269	-	1,686,269
Noncurrent liabilities due within one year	380,877	149,156	530,033
Noncurrent liabilities:			
Bonds payable, net	11,545,775	1,125,769	12,671,544
Compensated absences	66,828	-	66,828
Net pension liability	6,028,752	475,436	6,504,188
Other postemployment benefit liability	330,308	-	330,308
TOTAL LIABILITIES	22,027,233	2,924,115	24,951,348
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources for pension	4,311,364	481,360	4,792,724
Deferred inflows of resources for other postemployment benefits	15,473	-	15,473
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,326,837	481,360	4,808,197
NET POSITION			
Net investment in capital assets	17,803,756	15,185,954	32,989,710
Restricted	2,066,561	-	2,066,561
Unrestricted (deficit)	(1,167,081)	9,807,329	8,640,248
TOTAL NET POSITION	\$ 18,703,236	\$ 24,993,283	\$ 43,696,519

See accompanying notes.

SOUTH WHITEHALL TOWNSHIP

STATEMENT OF ACTIVITIES

Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities:							
General government	\$ 4,894,002	\$ 1,455,890	\$ 208,969	\$ -	\$ (3,229,143)	\$ -	\$ (3,229,143)
Public safety:							
Police	6,156,726	510,821	422,941	-	(5,222,964)	-	(5,222,964)
Fire	1,122,737	-	141,889	-	(980,848)	-	(980,848)
Emergency medical services	45,734	-	-	-	(45,734)	-	(45,734)
Public works	4,063,774	34,395	847,358	-	(3,182,021)	-	(3,182,021)
Culture and recreation	260,354	124,009	80,625	42,028	(13,692)	-	(13,692)
Community development	591,119	-	-	-	(591,119)	-	(591,119)
Debt service - interest	359,488	-	-	-	(359,488)	-	(359,488)
Other	188,036	-	-	-	(188,036)	-	(188,036)
Unallocated depreciation expense	1,663,133	-	-	-	(1,663,133)	-	(1,663,133)
Total Governmental Activities	<u>19,345,103</u>	<u>2,125,115</u>	<u>1,701,782</u>	<u>42,028</u>	<u>(15,476,178)</u>	<u>-</u>	<u>(15,476,178)</u>
Business-Type Activities:							
Water system	3,235,889	4,364,777	-	-	-	1,128,888	1,128,888
Wastewater/sewage treatment and collection	2,860,811	3,350,173	-	-	-	489,362	489,362
Solid waste collection and disposal	2,687,215	2,853,274	117,645	-	-	283,704	283,704
Total Business-Type Activities	<u>8,783,915</u>	<u>10,568,224</u>	<u>117,645</u>	<u>-</u>	<u>-</u>	<u>1,901,954</u>	<u>1,901,954</u>
Total Primary Government	<u>\$ 28,129,018</u>	<u>\$ 12,693,339</u>	<u>\$ 1,819,427</u>	<u>\$ 42,028</u>	<u>(15,476,178)</u>	<u>1,901,954</u>	<u>(13,574,224)</u>
General Revenues:							
Taxes:							
Property taxes					7,900,712	-	7,900,712
Earned income taxes					3,859,375	-	3,859,375
Business privilege taxes					2,271,320	-	2,271,320
Amusement taxes					1,340,465	-	1,340,465
Other taxes					1,547,881	-	1,547,881
Investment earnings					50,516	4,381	54,897
Miscellaneous income					29,189	-	29,189
Loss on disposal of capital assets					(1,068,300)	-	(1,068,300)
Total General Revenues					<u>15,931,158</u>	<u>4,381</u>	<u>15,935,539</u>
Change in Net Position					454,980	1,906,335	2,361,315
Net Position - Beginning					<u>18,248,256</u>	<u>23,086,948</u>	<u>41,335,204</u>
Net Position - Ending					<u>\$ 18,703,236</u>	<u>\$ 24,993,283</u>	<u>\$ 43,696,519</u>

See accompanying notes.

SOUTH WHITEHALL TOWNSHIP

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2021

	General	Capital Projects	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash	\$ 6,911,660	\$ 1,379,865	\$ 2,180,129	\$ 10,471,654
Restricted cash - escrow	1,686,269	-	-	1,686,269
Interfund receivables	1,456,241	614,287	-	2,070,528
Accounts receivable	939,399	425	7,020	946,844
Taxes receivable	558,753	-	51,522	610,275
Intergovernmental receivables	68,057	-	-	68,057
Prepaid expenditures	403,065	-	317,766	720,831
	<u>403,065</u>	<u>-</u>	<u>317,766</u>	<u>720,831</u>
TOTAL ASSETS	<u>\$ 12,023,444</u>	<u>\$ 1,994,577</u>	<u>\$ 2,556,437</u>	<u>\$ 16,574,458</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Interfund payables	\$ -	\$ 1,126,817	\$ 614,287	\$ 1,741,104
Accounts payable	273,573	97,927	137,848	509,348
Accrued payroll and withholdings	318,419	-	4,039	322,458
Unearned revenue	1,047,187	74,214	-	1,121,401
Escrow payable	1,686,269	-	-	1,686,269
	<u>1,686,269</u>	<u>-</u>	<u>-</u>	<u>1,686,269</u>
TOTAL LIABILITIES	3,325,448	1,298,958	756,174	5,380,580
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	185,194	-	30,223	215,417
Unavailable revenue - other	650,320	-	-	650,320
	<u>650,320</u>	<u>-</u>	<u>-</u>	<u>650,320</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	835,514	-	30,223	865,737
FUND BALANCES				
Nonspendable	403,065	-	317,766	720,831
Restricted for:				
Fire protection	-	-	720,993	720,993
Highways and streets	-	-	312,360	312,360
Open space	-	-	418,921	418,921
Capital projects	-	614,287	-	614,287
Assigned for:				
Capital projects	-	81,332	-	81,332
Emergency medical services	100	-	-	100
2022 budget appropriations	172,803	-	-	172,803
Unassigned	7,286,514	-	-	7,286,514
	<u>7,286,514</u>	<u>-</u>	<u>-</u>	<u>7,286,514</u>
TOTAL FUND BALANCES	<u>7,862,482</u>	<u>695,619</u>	<u>1,770,040</u>	<u>10,328,141</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 12,023,444</u>	<u>\$ 1,994,577</u>	<u>\$ 2,556,437</u>	<u>\$ 16,574,458</u>

See accompanying notes.

SOUTH WHITEHALL TOWNSHIP

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

December 31, 2021

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

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		\$ 10,328,141
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 \$44,280,064 and the accumulated depreciation is \$16,073,917.		28,206,147
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.		865,737
Establish allowance for doubtful accounts - property taxes receivable (\$4,308) and other receivables (\$325,595).		(329,903)
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:		
Bonds payable	\$ (10,367,358)	
Bonds premium	(1,524,261)	
Capital lease liability	(35,033)	
Accrued interest	(35,217)	
Long-term portion of compensated absences	<u>(66,828)</u>	(12,028,697)
The net pension liability and related deferred outflows and inflows of resources for pensions are not reflected on the fund financial statements.		(8,116,205)
The other postemployment benefit liability and related deferred outflows and inflows of resources for other post employment benefit liabilities are not reflected on the fund financial statements.		<u>(221,984)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u><u>\$ 18,703,236</u></u>

SOUTH WHITEHALL TOWNSHIP

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

Year Ended December 31, 2021

	General	Capital Projects	Nonmajor Funds	Total Governmental Funds
REVENUES				
Real estate taxes	\$ 6,738,311	\$ -	\$ 1,116,777	\$ 7,855,088
Earned income taxes	3,859,375	-	-	3,859,375
Business privilege taxes	2,271,320	-	-	2,271,320
Amusement/admission taxes	1,340,465	-	-	1,340,465
Other taxes	1,547,881	-	-	1,547,881
Licenses, permits, and fines	483,764	-	-	483,764
Interest and rent	45,225	4,436	855	50,516
Intergovernmental	945,909	42,028	675,248	1,663,185
Charges for services	1,827,587	-	-	1,827,587
Other	463,991	100	80,625	544,716
TOTAL REVENUES	19,523,828	46,564	1,873,505	21,443,897
EXPENDITURES				
Current:				
General government	5,139,635	1,499,249	-	6,638,884
Public safety:				
Police	6,617,523	205,359	-	6,822,882
Fire	141,889	-	980,533	1,122,422
Other	45,734	-	-	45,734
Public works	3,643,769	1,028,066	625,858	5,297,693
Culture and recreation	240,497	323,000	-	563,497
Community development	661,957	-	-	661,957
Debt service - principal	216,681	-	33,494	250,175
Debt service - interest	214,702	-	154,876	369,578
Other	-	181	187,855	188,036
TOTAL EXPENDITURES	16,922,387	3,055,855	1,982,616	21,960,858
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,601,441	(3,009,291)	(109,111)	(516,961)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	31,620	-	-	31,620
Transfers in	-	3,194,889	-	3,194,889
Proceeds from issuance of long-term debt	-	-	10,367,358	10,367,358
Bond premium issuance	-	-	1,530,679	1,530,679
Payment to escrow for debt refunding	-	-	(10,944,167)	(10,944,167)
Transfers out	(2,580,602)	-	(614,287)	(3,194,889)
TOTAL OTHER FINANCING SOURCES (USES)	(2,548,982)	3,194,889	339,583	985,490
NET CHANGE IN FUND BALANCES	52,459	185,598	230,472	468,529
FUND BALANCES - BEGINNING OF YEAR	7,810,023	510,021	1,539,568	9,859,612
FUND BALANCES - END OF YEAR	\$ 7,862,482	\$ 695,619	\$ 1,770,040	\$ 10,328,141

See accompanying notes.

SOUTH WHITEHALL TOWNSHIP

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

Year Ended December 31, 2021

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

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ 468,529
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital outlays	\$ 2,999,387	
Less: disposal of capital assets	(1,099,920)	
Less: depreciation expense	<u>(1,663,133)</u>	236,334
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		(140,612)
<p>Issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.</p>		
Issuance of bonds payable	(10,367,358)	
Bond premium on refunding bonds issued	(1,530,679)	
Payment to escrow - refunding bond	10,944,167	
Amortization of bond premium	6,418	
Payment of bond and note principal	216,681	
Payment of capital lease obligation	<u>33,494</u>	(697,277)
<p>Interest expense incurred on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources.</p>		
		3,672
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. The difference in the amount incurred and the amount paid of these activities is:</p>		
Compensated absences	38,035	
Net pension liability and related deferred outflows and inflows	548,013	
Other postemployment benefit liability and related deferred outflows and inflows	<u>(1,714)</u>	<u>584,334</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 454,980</u>

SOUTH WHITEHALL TOWNSHIP

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

December 31, 2021

	Water	Sewer	Refuse	Total
ASSETS				
CURRENT ASSETS				
Cash	\$ 5,014,199	\$ 5,575,012	\$ 709,130	\$ 11,298,341
Accounts receivable, net	286,077	258,267	205,098	749,442
Interfund receivables	-	250,000	-	250,000
Intergovernmental receivables	18,750	7,026	-	25,776
Prepaid expenses	2,374	-	-	2,374
TOTAL CURRENT ASSETS	5,321,400	6,090,305	914,228	12,325,933
NONCURRENT ASSETS				
Capital assets not being depreciated	278,588	126,444	-	405,032
Capital assets, net of accumulated depreciation	8,270,358	7,775,739	9,750	16,055,847
TOTAL NONCURRENT ASSETS	8,548,946	7,902,183	9,750	16,460,879
TOTAL ASSETS	13,870,346	13,992,488	923,978	28,786,812
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources for pension	65,919	90,261	35,190	191,370
LIABILITIES				
CURRENT LIABILITIES				
Interfund payables	555,637	23,787	-	579,424
Accounts payable	278,398	652,329	210,136	1,140,863
Accrued payroll	12,916	15,284	963	29,163
Accrued interest	3,728	-	-	3,728
Current portion of long-term debt	149,156	-	-	149,156
TOTAL CURRENT LIABILITIES	999,835	691,400	211,099	1,902,334
NONCURRENT LIABILITIES				
Long-term debt	1,125,769	-	-	1,125,769
Net pension liability	163,769	224,241	87,426	475,436
TOTAL NONCURRENT LIABILITIES	1,289,538	224,241	87,426	1,601,205
TOTAL LIABILITIES	2,289,373	915,641	298,525	3,503,539
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources for pension	156,872	202,834	121,654	481,360
NET POSITION				
Net investment in capital assets	7,274,021	7,902,183	9,750	15,185,954
Unrestricted	4,215,999	5,062,091	529,239	9,807,329
TOTAL NET POSITION	\$ 11,490,020	\$ 12,964,274	\$ 538,989	\$ 24,993,283

See accompanying notes.

SOUTH WHITEHALL TOWNSHIP

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

Year Ended December 31, 2021

	Water Fund	Sewer Fund	Refuse Fund	Total
OPERATING REVENUES				
Charges for services	\$ 3,961,863	\$ 2,713,234	\$ 2,823,849	\$ 9,498,946
Intergovernmental revenue	89,058	74,785	-	163,843
Other	23,399	4,780	29,425	57,604
TOTAL OPERATING REVENUES	4,074,320	2,792,799	2,853,274	9,720,393
OPERATING EXPENSES				
Bad debt expense	(3,365)	7,451	-	4,086
Contracted services	1,171,545	1,435,012	2,491,100	5,097,657
Depreciation	653,033	387,604	1,750	1,042,387
Insurance	40,000	1,850	-	41,850
Office expenses	19,757	20,913	19,361	60,031
Other	139,299	60,904	3,249	203,452
Personnel	591,296	818,133	153,250	1,562,679
Professional services	236,315	94,161	18,505	348,981
Repairs and maintenance	118,409	19,250	-	137,659
Utilities	121,862	5,598	-	127,460
TOTAL OPERATING EXPENSES	3,088,151	2,850,876	2,687,215	8,626,242
OPERATING INCOME (LOSS)	986,169	(58,077)	166,059	1,094,151
NONOPERATING REVENUE (EXPENSES)				
Grant revenue	-	-	117,645	117,645
Tapping fees	282,689	549,606	-	832,295
Capacity reservation fees	7,768	7,768	-	15,536
Interest income	1,925	2,082	374	4,381
Interest expense	(51,794)	-	-	(51,794)
Debt issuance fees	(45,249)	-	-	(45,249)
Loss on sale of capital assets	(50,695)	(9,935)	-	(60,630)
TOTAL NONOPERATING REVENUE (EXPENSES)	144,644	549,521	118,019	812,184
CHANGE IN NET POSITION	1,130,813	491,444	284,078	1,906,335
NET POSITION - BEGINNING OF YEAR	10,359,207	12,472,830	254,911	23,086,948
NET POSITION - END OF YEAR	\$ 11,490,020	\$ 12,964,274	\$ 538,989	\$ 24,993,283

See accompanying notes.

SOUTH WHITEHALL TOWNSHIP

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended December 31, 2021

	Water Fund	Sewer Fund	Refuse Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 4,190,453	\$ 2,807,925	\$ 2,840,648	\$ 9,839,026
Payments to suppliers for goods and services	(1,883,956)	(1,596,584)	(2,556,612)	(6,037,152)
Payments to employees for services	(680,804)	(903,601)	(209,487)	(1,793,892)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,625,693	307,740	74,549	2,007,982
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Repayment of interfund receivable	365,611	500,000	-	865,611
Grant revenue	-	-	117,645	117,645
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	365,611	500,000	117,645	983,256
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Tapping fees	282,689	549,606	-	832,295
Capacity reservation fees	7,768	7,768	-	15,536
Acquisition of capital assets	(130,592)	(487,457)	-	(618,049)
Proceeds on debt issuance	1,276,917	-	-	1,276,917
Repayment of long-term debt	(1,226,551)	-	-	(1,226,551)
Interest and fees on long-term debt	(106,977)	-	-	(106,977)
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	103,254	69,917	-	173,171
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	1,925	2,082	374	4,381
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,096,483	879,739	192,568	3,168,790
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,917,716	4,695,273	516,562	8,129,551
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,014,199</u>	<u>\$ 5,575,012</u>	<u>\$ 709,130</u>	<u>\$ 11,298,341</u>

See accompanying notes.

SOUTH WHITEHALL TOWNSHIP

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - CONTINUED

Year Ended December 31, 2021

	Water Fund	Sewer Fund	Refuse Fund	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 986,169	\$ (58,077)	\$ 166,059	\$ 1,094,151
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	653,033	387,604	1,750	1,042,387
Change in allowance	(3,448)	(563,800)	(314)	(567,562)
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
Accounts receivable	114,631	575,799	(12,312)	678,118
Due from other governments	4,950	3,127	-	8,077
Interfund balances	(10,000)	10,000	-	-
Prepaid expenses	(2,374)	-	-	(2,374)
Deferred outflows of resources for pension	111,311	53,920	76,059	241,290
Accounts payable	(16,572)	38,555	(24,397)	(2,414)
Accrued payroll	483	(383)	(538)	(438)
Escrow payable	(11,188)	-	-	(11,188)
Net pension liability	(73,259)	(88,953)	(40,973)	(203,185)
Deferred inflows of resources for pension	(128,043)	(50,052)	(90,785)	(268,880)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,625,693	\$ 307,740	\$ 74,549	\$ 2,007,982

See accompanying notes.

SOUTH WHITEHALL TOWNSHIP

STATEMENT OF NET POSITION - FIDUCIARY FUNDS - TRUST FUNDS

December 31, 2021

	<u>Pension Trust Funds</u>
ASSETS	
Cash and investments	\$ 41,640,380
Prepaid benefits	<u>260,400</u>
	TOTAL ASSETS
	<u>41,900,780</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	<u><u>\$ 41,900,780</u></u>

SOUTH WHITEHALL TOWNSHIP

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

Year Ended December 31, 2021

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer (including state aid)	\$ 2,400,661
Employees	92,421
Investment income:	
Interest and dividends	2,115,914
Net appreciation in fair value of investments	2,931,037
TOTAL ADDITIONS	7,540,033
 DEDUCTIONS	
Benefits, including tax withheld	3,046,874
Administrative expenses	32,950
TOTAL DEDUCTIONS	3,079,824
CHANGE IN NET POSITION	4,460,209
 NET POSITION HELD IN TRUST FOR PENSION BENEFITS - BEGINNING OF YEAR	37,440,571
NET POSITION HELD IN TRUST FOR PENSION BENEFITS - END OF YEAR	\$ 41,900,780

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

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, fiduciary activities, etc.) within its reporting entity. Accounting principles generally accepted in the United States of America require that the reporting entity consists of the primary government and legally separate entities for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management's professional judgment that the inclusion of a legally separate entity that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that legally separate entity should be included as a component unit if the nature and significance of their relationship with the primary government or other component units are such that the exclusion from the financial reporting entity would render the financial reporting entity's financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made based upon the above criteria.

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

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. Specific information on the nature of the various component units and a description of how the aforementioned criteria have been considered in determining whether or not to include or exclude such units in the Township's financial statements are provided in the following paragraphs.

1. Blended Component Unit

Some component units, despite being legally separate from the primary government (Township), are so intertwined with the primary government that they are, in substance, the same as the primary government and are reported as part of the primary government. The component unit reported in this way is the South Whitehall Township Authority. Separately published audit reports of the component unit are available for public inspection in the Township's finance office.

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

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

2. Fiduciary Component Units

The Township has determined it has three fiduciary component units. The Township's three 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) are considered fiduciary component units and are reported as pension trust funds in the fiduciary financial statements.

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Government-Wide Financial Statements

Government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting entity, except for its fiduciary activities. All fiduciary activities are reported only in the fund financial statements. The government-wide statements include separate columns for the governmental and business-type activities of the primary government. 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.

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

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

C. Basis of Presentation - Fund Financial Statements

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

SOUTH WHITEHALL TOWNSHIP
NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

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.

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). This includes capital reserve and campus renovation activity.

The Township Reports the Following Nonmajor Governmental Funds:

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

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

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

Open Space Fund: This fund is used to account for the receipts generated from open space contributions for the purpose of providing culture and recreation services throughout the Township.

Debt Service Fund: This fund is used to account for and report financial resources that are restricted, committed, or assigned to debt service purposes.

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

The Township Reports the Following Major Enterprise Funds:

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

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, and the South Whitehall Township Office Personnel Pension Plan Fund.

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

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

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

D. Measurement Focus and Basis of Accounting

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

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

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.

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Measurement Focus and Basis of Accounting - continued

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.

E. Financial Position

1. Cash and Cash Equivalents

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

2. Restricted Developer's Escrow Account

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

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

3. Investments

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

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

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

Investments for all funds, except the Pension Trust Funds, are valued at fair value in accordance with Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, except for investments in external investment pools, which are valued at amortized costs if required criteria are met as outlined in Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*. Investments of the Pension Trust Funds are stated at fair value, in accordance with the provisions of Statement 67 of the Governmental Accounting Standards Board.

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

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

4. Interfund Transactions

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

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

5. Prepaid Items

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

6. Capital Assets, Depreciation, and Amortization

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

The Township generally capitalizes assets with a cost of \$5,000 or more (\$1 threshold for land and \$25,000 threshold for infrastructure) as purchase and construction outlays occur. Assets purchased or constructed with long-term debt may be capitalized regardless of the threshold established. 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 other financing sources (uses) or nonoperating revenue (expenses).

Estimated useful lives for depreciable assets are as follows:

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

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

7. Valuation of Long-Lived Assets

Long-lived assets to be held and used are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In general, any long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. The Township periodically evaluates the recoverability of its long-lived assets, including real estate and improvements and deferred costs, using objective methodologies. Such methodologies include evaluations based on cash flows generated by the underlying assets or other determinants of fair value. None of the Township's long-lived assets were considered to be impaired as of December 31, 2021.

8. Unearned Revenues

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

9. Compensated Absences

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

10. Long-Term Obligations

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

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

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

11. Pension

The Township administers three single employer defined benefit pension plans covering all full-time police officers, full-time public works union employees, and office personnel employees: the South Whitehall Township Police Pension Plan, the South Whitehall Township Public Works Union Employees' Plan, and the South Whitehall Township Office Personnel Pension Plan. The Township also administers two single employer defined contribution benefit pension plans: the South Whitehall Township Thrift Savings Plan and the South Whitehall Township Non-Uniformed Employees' Pension Plan, which are not included within this report because they do not meet the definition of a pension trust fund under Generally Accepted Accounting Principles.

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

12. Other Postemployment Benefits (OPEB)

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

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

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

13. Deferred Outflows/Inflows of Resources

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

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

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

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

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

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

13. Deferred Outflows/Inflows of Resources - continued

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

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

14. Net Position

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

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

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

15. Fund Balance Policies and Flow Assumptions

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

The restricted fund balance represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties. The Township has restrictions through enabling legislation as described in the governmental funds balance sheet and Note 13.

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

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

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

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Use of Estimates

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

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, 2021, no individual funds had a deficit fund balance or net position.

Excess of Expenditures Over Appropriations

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

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 3 - CASH AND INVESTMENTS

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

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

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

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

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

Cash and investment classifications per the statement of net position and fiduciary fund statements are as follows at December 31, 2021:

Cash	\$ 21,769,995
Restricted cash - escrow	1,686,269
Cash and investments - pension funds	<u>41,640,380</u>
	<u>\$ 65,096,644</u>

Cash and investments in the financial statements at December 31, 2021, are summarized as follows:

	Primary Government	Blended Component Unit	Total
Petty cash	\$ 1,825	\$ 175	\$ 2,000
Demand deposit accounts	11,347,742	10,589,036	21,936,778
Restricted deposits	1,686,269	-	1,686,269
Investments	41,471,597	-	<u>41,471,597</u>
			<u>\$ 65,096,644</u>

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Cash

Custodial Credit Risk - Deposit

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Township does not have a policy for custodial credit risk. As of December 31, 2021, the carrying amount of the Township's deposits was \$23,623,047 and the bank balance was \$24,208,584. Of the balance, \$918,785 was covered by federal depository insurance and \$20,468,703 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. The remaining bank balance of \$2,821,096 was not insured by federal depository insurance or by collateralization requirements of Act 72 of the 1971 session of the Pennsylvania General Assembly.

Investments

Pension Trust Funds

As of December 31, 2021, the Township had the following investments in its pension trust funds:

Investment Type	Fair Market Value	Fair Value Level
Investments measured at fair value:		
Mutual Funds:		
Diversified Emerging Markets	\$ 1,215,476	1
Foreign Blend/Growth	2,549,226	1
High Yield Bond	1,710,534	1
Intermediate-Core Plus Bond	10,160,823	1
Large Blend/Growth/Value	7,150,779	1
Mid-Cap Blend/Growth/Value	3,924,186	1
Multisector Bond	1,697,407	1
Short-Term Bond	844,339	1
Small Blend/Growth/Value	2,235,082	1
World Large Stock	744,149	1
Exchange Traded Products:		
Large Blend/Growth/Value	6,803,123	1
Mid-Cap Blend/Growth/Value	1,304,919	1
Small Blend/Value	1,131,554	1
Total investments measured at fair value	\$ 41,471,597	

Interest Rate Risk

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

SOUTH WHITEHALL TOWNSHIP
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2021

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Investments - continued

Credit Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

NOTE 4 - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND UNAVAILABLE REVENUE

Governmental Fund Receivables, Uncollectible Accounts, and Unavailable Revenue

Accounts Receivable

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

The Township's receivables, other than taxes and intergovernmental receivables, at December 31, 2021, are as follows:

	Gross Accounts Receivable	Allowance for Uncollectible Receivables	Net Estimated to be Collectible	Revenue Recognized	Unavailable Revenue
Accounts receivable	<u>\$ 946,844</u>	<u>\$ 325,595</u>	<u>\$ 621,249</u>	<u>\$ 296,524</u>	<u>\$ 650,320</u>

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

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

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

Taxes Receivable

Real estate taxes are based on assessed valuations provided by Lehigh County (County) and are levied on January 1 and billed March 1. The 2021 assessed value of real property totaled \$2,401,389,700 and taxes were levied at 3.31975 mills; 2.84975 mills for general purposes and 0.47 mills for fire protection. These taxes are billed and collected by the elected tax collector. Taxes paid through April 30 are given a 2% discount. Amounts paid after June 30 are assessed a 10% penalty. Any uncollected balances as of January 15 in the year following the billings are sent to the delinquent tax collector to be liened. Current tax collections for the year ended December 31, 2021 were 98% of the tax levy.

The Township's taxes at December 31, 2021, are as follows:

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible	Tax Revenue Recognized	Unavailable Revenue
Real estate taxes	\$ 363,225	\$ 4,308	\$ 358,917	\$ 147,808	\$ 215,417
Earned income and local services taxes	167,542	-	167,542	167,542	-
Transfer taxes	74,994	-	74,994	74,994	-
Business privilege taxes	4,514	-	4,514	4,514	-
Total	<u>\$ 610,275</u>	<u>\$ 4,308</u>	<u>\$ 605,967</u>	<u>\$ 394,858</u>	<u>\$ 215,417</u>

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, 2021. An allowance for uncollectible accounts is estimated using aging and collection reports.

Accounts receivable include the following amounts at December 31, 2021:

	Gross Receivable	Allowance	Net Receivable
Water charges	\$ 544,344	\$ (258,267)	\$ 286,077
Sewer charges	607,801	(349,534)	258,267
Refuse charges	376,419	(171,321)	205,098
	<u>\$ 1,528,564</u>	<u>\$ (779,122)</u>	<u>\$ 749,442</u>

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 5 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables consist of the following at December 31, 2021:

	Governmental Activities	Business-Type Activities	
	General Fund	Water Fund	Sewer Fund
Parkland School District	\$ 54,619	\$ -	\$ -
Lehigh County District Court	3,093	-	-
Commonwealth of Pennsylvania - Department of Transportation	10,345	-	-
Other - municipal charges for services	-	18,750	7,026
	<u>\$ 68,057</u>	<u>\$ 18,750</u>	<u>\$ 7,026</u>

NOTE 6 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Interfund receivables/payables are as follows at December 31, 2021:

	Interfund Receivables	Interfund Payables
Governmental activities:		
General	\$ 1,456,241	\$ -
Capital projects	614,287	1,126,817
Nonmajor fund - debt service	-	614,287
Business-type activities:		
Water	-	555,637
Sewer	250,000	23,787
	<u>\$ 2,320,528</u>	<u>\$ 2,320,528</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 or interfund loans 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, 2021

NOTE 6 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS - CONTINUED

The Township had transfers in and out for the following amounts during the year ended December 31, 2021:

	Transfers In	Transfers Out
Governmental activities:		
General	\$ -	\$ 2,580,602
Capital projects	3,194,889	-
Nonmajor fund - debt service	-	614,287
	\$ 3,194,889	\$ 3,194,889

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

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 7 - CAPITAL ASSETS

Capital asset activity and balances for the year ended December 31, 2021, were as follows:

	Beginning Balance	Increase	Decrease/ Reclassifications	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated:				
Land	\$ 4,696,516	\$ -	\$ -	\$ 4,696,516
Construction in progress	9,670,160	1,521,585	(11,028,727)	163,018
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	14,366,676	1,521,585	(11,028,727)	4,859,534
Capital assets being depreciated:				
Land improvements	1,353,447	-	-	1,353,447
Building and improvements	4,504,074	-	8,883,474	13,387,548
Infrastructure	16,590,307	979,011	(1,834,123)	15,735,195
Equipment and vehicles	17,673,685	498,791	(9,677,328)	8,495,148
Furniture and fixtures	182,174	-	267,018	449,192
Totals at historical cost	40,303,687	1,477,802	(2,360,959)	39,420,530
Less accumulated depreciation for:				
Land improvements	100,587	90,230	-	190,817
Building and improvements	3,104,195	194,981	(1,114,944)	2,184,232
Infrastructure	9,717,737	579,999	(1,789,443)	8,508,293
Equipment and vehicles	13,615,990	791,337	(9,231,556)	5,175,771
Furniture and fixtures	162,041	6,586	(153,823)	14,804
Total accumulated depreciation	26,700,550	1,663,133	(12,289,766)	16,073,917
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	13,603,137	(185,331)	9,928,807	23,346,613
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	<u>\$ 27,969,813</u>	<u>\$ 1,336,254</u>	<u>\$ (1,099,920)</u>	<u>\$ 28,206,147</u>

Included in prepaid expenses at December 31, 2021 is \$317,766 relating to a deposit on the purchase of a new fire truck.

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 7 - CAPITAL ASSETS - CONTINUED

	Beginning Balance	Increase	Decrease/ Reclassifications	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated:				
Land	\$ 405,032	\$ -	\$ -	\$ 405,032
Capital assets being depreciated:				
Building and building improvements	677,020	76,235	-	753,255
Infrastructure	37,427,117	453,124	(88,500)	37,791,741
Equipment and vehicles	1,938,597	417,688	(595,888)	1,760,397
Totals at historical cost	40,042,734	947,047	(684,388)	40,305,393
Less accumulated depreciation for:				
Building and building improvements	183,823	60,506	-	244,329
Infrastructure	22,681,099	464,844	(88,500)	23,057,443
Equipment and vehicles	965,995	517,037	(535,258)	947,774
Total accumulated depreciation	23,830,917	1,042,387	(623,758)	24,249,546
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>16,211,817</u>	<u>(95,340)</u>	<u>(60,630)</u>	<u>16,055,847</u>
BUSINESS-TYPE ACTIVITIES, CAPITAL ASSETS, NET	<u>\$ 16,616,849</u>	<u>\$ (95,340)</u>	<u>\$ (60,630)</u>	<u>\$ 16,460,879</u>

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

Governmental Activities		Business-type Activities	
Unallocated	<u>\$ 1,663,133</u>	Water system	\$ 653,033
		Sewer system	387,604
		Refuse	<u>1,750</u>
			<u>\$ 1,042,387</u>

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 8 - LONG-TERM LIABILITIES

Governmental Activities

The Township's bonds payable are as follows at December 31, 2021:

General Obligation Bond - Series of 2021:

The Township is liable for a general obligation bond dated November 23, 2021 for a principal amount of \$10,367,358. Principal maturities occur on October 15, 2022 through maturity in 2041. Interest is payable semi-annually on April 15 and October 15 at a fixed rate varying from 2.00% to 4.00%. The proceeds of this issuance were used to currently refund the Township's outstanding General Obligation Note - Series of 2014, General Obligation Note - Series of 2018, and General Obligation Note - Series of 2019, to provide resources for future capital needs, and to pay the costs of issuing the bond. The Township realized a savings of \$356,119 as a result of the refunding, which includes the portion allocated to business-type activities.

\$ 10,367,358

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

	Principal	Interest
2022	\$ 345,844	\$ 359,364
2023	482,375	391,685
2024	505,438	368,644
2025	521,969	348,427
2026	545,031	327,548
2027 - 2031	2,801,701	1,351,132
2032 - 2036	2,335,000	852,800
2037 - 2041	2,830,000	348,800
Total	\$ 10,367,358	\$ 4,348,400

SOUTH WHITEHALL TOWNSHIP
NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

Business-Type Activities

Bonds payable are as follows at December 31, 2021:

General Obligation Bond - Series of 2021

The Township is liable for a general obligation bond dated November 23, 2021 for a principal amount of \$1,112,642. Principal maturities occur on October 15, 2022 through maturity in 2028. Interest is payable semi-annually on April 15 and October 15 at a fixed rate varying from 2.00% to 4.00%. The proceeds of this issuance were used to currently refund the Township's outstanding General Obligation Note - Series of 2018 and to pay the costs of issuing the bond. The Township realized a savings of \$356,119 as a result of the refunding, which includes the portion allocated to governmental activities.

\$ 1,112,642

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

	Principal	Interest
2022	\$ 149,156	\$ 38,038
2023	152,625	32,814
2024	159,563	30,456
2025	163,031	24,073
2026	169,969	17,552
2027 - 2028	318,298	17,968
Total	\$ 1,112,642	\$ 160,901

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

The following is a summary of governmental long-term liability activity for the year ended December 31, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds payable	\$ -	\$ 10,367,358	\$ -	\$ 10,367,358	\$ 345,844
Bond premium	-	1,530,679	6,418	1,524,261	-
Total bonds	-	11,898,037	6,418	11,891,619	345,844
Direct borrowings	11,160,848	-	11,160,848	-	-
Other liabilities:					
Capital leases	68,527	-	33,494	35,033	35,033
Compensated absences	104,863	-	38,035	66,828	-
Net pension liability	7,499,165	711,093	2,181,506	6,028,752	-
OPEB liability	307,326	51,182	28,200	330,308	-
	<u>\$ 19,140,729</u>	<u>\$ 12,660,312</u>	<u>\$ 13,448,501</u>	<u>\$ 18,352,540</u>	<u>\$ 380,877</u>

The following is a summary of business-type long-term liability activity for the year ended December 31, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities					
Bonds payable	\$ -	\$ 1,112,642	\$ -	\$ 1,112,642	\$ 149,156
Bond premium	-	164,275	1,992	162,283	-
Total bonds	-	1,276,917	1,992	1,274,925	149,156
Direct borrowings	1,379,869	-	1,379,869	-	-
Net pension liability	678,621	14,893	218,078	475,436	-
	<u>\$ 2,058,490</u>	<u>\$ 1,291,810</u>	<u>\$ 1,599,939</u>	<u>\$ 1,750,361</u>	<u>\$ 149,156</u>

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

SOUTH WHITEHALL TOWNSHIP
NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

Capital Leases

In May of 2019, the Township entered into a lease-purchase agreement for the purchase of a street sweeper truck in the principal amount of \$100,550. The Township will receive title to the vehicle at the conclusion of the lease. The vehicle is included in fixed assets. The lease bears interest at a rate of 4.50% with annual principal and interest payments of \$36,642 required on May 20, 2020 through 2022. The payments will be funded by the state highway aid fund. The principal balance of leases outstanding at December 31, 2021 is \$35,033.

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

2022	\$	36,642
Less: Amount representing interest		<u>(1,609)</u>
	Total \$	<u>35,033</u>

The net book value of the asset as of December 31, 2021 was \$60,330.

NOTE 9 - 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 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).

Single Employer Defined Benefit Pension Plans

Plan Descriptions

Membership of each defined-benefit plan consisted of the following at December 31, 2021:

	Police Pension Plan	Public Works Union Employees' Pension Plan	Office Personnel Pension Plan
Active plan members	40	11	7
Retired members	32	36	36
Vested former members	<u>5</u>	<u>7</u>	<u>10</u>
Total plan members	<u>77</u>	<u>54</u>	<u>53</u>

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 9 - PENSION PLANS - CONTINUED

Single Employer Defined Benefit Pension Plans - continued

Plan Descriptions - continued

At December 31, 2021, there were no individual investments that constituted more than 5% of the Plan net position available for benefits that were required to be reported. The Plans did not have any investment transactions with related parties during the year.

Benefits Provided - South Whitehall Township Police Pension Plan

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

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

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

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

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.

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 9 - PENSION PLANS - CONTINUED

Single Employer Defined Benefit Pension Plans - continued

Plan Descriptions - continued

Benefits Provided - South Whitehall Township Public Works Union Employees' 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.

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.

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.

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 9 - PENSION PLANS - CONTINUED

Single Employer Defined Benefit Pension Plans - continued

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, 2019 valuation was used in the calculation of the Township's 2021 MMO.

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

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

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

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

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 9 - PENSION PLANS - CONTINUED

Single Employer Defined Benefit Pension Plans - continued

Contributions - continued

The Commonwealth of Pennsylvania allocates certain funds to assist in pension funding. Any financial requirement established by the MMO which exceeds the Commonwealth allocation, must be funded by the Township (and could include employee contributions). Payments made to the Plans were sufficient to meet the MMOs in 2021. The following table reflects contribution information for 2021:

	<u>Police</u>	<u>Public Works</u>	<u>Office</u>	<u>Total</u>
MMO	<u>\$ 1,083,286</u>	<u>\$ 628,466</u>	<u>\$ 688,146</u>	<u>\$ 2,399,898</u>
Contributions:				
Township	\$ 718,693	\$ 542,878	\$ 644,970	\$ 1,906,541
Allocation of state aid	<u>364,593</u>	<u>86,351</u>	<u>43,176</u>	<u>494,120</u>
Total	1,083,286	629,229	688,146	2,400,661
Employee	<u>83,099</u>	<u>9,322</u>	<u>-</u>	<u>92,421</u>
Total contributions	<u>\$ 1,166,385</u>	<u>\$ 638,551</u>	<u>\$ 688,146</u>	<u>\$ 2,493,082</u>
Covered payroll	<u>\$ 3,820,206</u>	<u>\$ 711,066</u>	<u>\$ 531,450</u>	<u>\$ 5,062,722</u>
Employee contributions as a percent of covered payroll	<u>2.18%</u>	<u>1.31%</u>	<u>0.00%</u>	<u>1.83%</u>

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

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 9 - PENSION PLANS - CONTINUED

Single Employer Defined Benefit Pension Plans - continued

Deferred Retirement Option Program (DROP)

South Whitehall Township Police Pension Plan

Effective January 1, 2016, a member who is eligible for normal retirement may elect the DROP for 3 years. Officers in the DROP have their retirement benefit calculated as of the date of entry into the DROP and accrue no further benefit under the plan. The retirement benefit is paid from the plan and deposited into an account established for the officer, which will be paid in full upon retirement. The Township remains the fiduciary for these funds until full retirement of the officers. At December 31, 2021, 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, 2021, were as follows:

	Police Pension Plan	Public Works Union Employees' Pension Plan	Office Personnel Pension Plan	Total
Total pension liability	\$ 21,337,893	\$ 13,124,669	\$ 13,942,406	\$ 48,404,968
Plan fiduciary net position	(18,744,104)	(11,756,511)	(11,400,165)	(41,900,780)
Net pension liability	\$ 2,593,789	\$ 1,368,158	\$ 2,542,241	\$ 6,504,188
Plan fiduciary net position as a percentage of total pension liability	87.84%	89.58%	81.77%	86.56%

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 9 - PENSION PLANS - CONTINUED

Single Employer Defined Benefit Pension Plans - continued

Net Pension Liability - continued

Changes in the Net Pension Liability

The changes in the net pension liability of the Township for the year ended December 31, 2021, were as follows:

	Increases/Decreases		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2020	\$ 45,618,357	\$ 37,440,571	\$ 8,177,786
Changes for the year:			
Service cost	774,242	-	774,242
Interest	3,532,235	-	3,532,235
Differences between expected and actual experience	963,218	-	963,218
Changes of assumptions	563,790	-	563,790
Contributions - employer	-	2,400,661	(2,400,661)
Contributions - employee	-	92,421	(92,421)
Net investment income	-	5,046,951	(5,046,951)
Benefit payments, including refunds	(3,046,874)	(3,046,874)	-
Administrative expenses	-	(32,950)	32,950
Net changes	2,786,611	4,460,209	(1,673,598)
Balances at December 31, 2021	\$ 48,404,968	\$ 41,900,780	\$ 6,504,188
Plan fiduciary net position as a percentage of the total pension liability			86.56%

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 9 - PENSION PLANS - CONTINUED

Single Employer Defined Benefit Pension Plans - continued

Net Pension Liability - continued

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation performed on January 1, 2021, and rolled forward to December 31, 2021, using the following actuarial assumptions, applied to all periods in the measurement:

	Police Pension Plan	Public Works Union Employees' Pension Plan	Office Personnel Pension Plan
<i>Actuarial Assumptions:</i>			
Investment rate of return	7.63%	7.63%	7.63%
Projected salary increases	5.00%	5.00%	5.00%
Inflation rate	3.00%	3.00%	3.00%
Mortality	PubS-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP- 2020 to reflect mortality improvement.	PubG-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP- 2020 to reflect mortality improvement.	PubG-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP- 2020 to reflect mortality improvement.

Investment Policy - The pension trust funds' investments are held separately from those of other Township funds. Assets in the pension trust funds are stated at fair value. Any premiums or discounts are recognized as a gain or loss upon disposition.

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

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 9 - 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, 2021:

South Whitehall Township Police Pension Plan:

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

South Whitehall Township Public Works Union Employees' Pension Plan:

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

South Whitehall Township Office Personnel Pension Plan:

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

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 9 - PENSION PLANS - CONTINUED

Single Employer Defined Benefit Pension Plans - continued

Net Pension Liability - continued

Rate of Return - The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2021, 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 14.17%, 14.20%, and 14.26%, respectively.

Discount Rate - The discount rate used to measure the total pension liability for each of the defined benefit pension plans was 7.63%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the Township's contributions will be made based on the yearly Minimum Municipal Obligation calculation. Based on those assumptions, the Plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.63%)	Current Discount Rate (7.63%)	1% Increase (8.63%)
Police Pension Plan	<u>\$ 5,180,054</u>	<u>\$ 2,593,789</u>	<u>\$ 439,180</u>
Public Works Union Employees' Pension Plan	<u>\$ 2,717,082</u>	<u>\$ 1,368,158</u>	<u>\$ 226,522</u>
Office Personnel Pension Plan	<u>\$ 3,913,235</u>	<u>\$ 2,542,241</u>	<u>\$ 1,368,640</u>

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 9 - PENSION PLANS - CONTINUED

Single Employer Defined Benefit Pension Plans - continued

Net Pension Liability - continued

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

For the year ended December 31, 2021, the Township recognized pension expense of \$1,621,873 (\$1,852,648 - governmental activities; (\$230,775) - business-type activities). At December 31, 2021, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Police Pension Plan	Public Works Union Employees' Pension Plan	Office Personnel Pension Plan	Total
<u>Deferred Outflows of Resources:</u>				
Difference between expected and actual experience	\$ 299,916	\$ 62,689	\$ 357,939	\$ 720,544
Changes of assumptions	335,727	252,772	197,979	786,478
Internal change in proportion	-	23,014	-	23,014
Difference between projected and actual earnings on pension plan investments	393,688	235,247	256,310	885,245
Total	\$ 1,029,331	\$ 573,722	\$ 812,228	\$ 2,415,281
<u>Deferred Inflows of Resources:</u>				
Internal change in proportion	\$ -	\$ 23,014	\$ -	\$ 23,014
Difference between expected and actual experience	385,100	144,080	-	529,180
Difference between projected and actual earnings on pension plan investments	1,879,126	1,174,899	1,186,505	4,240,530
Total	\$ 2,264,226	\$ 1,341,993	\$ 1,186,505	\$ 4,792,724

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 9 - PENSION PLANS - CONTINUED

Single Employer Defined Benefit Pension Plans - continued

Net Pension Liability - continued

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

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

2022	\$	117,284
2023		(1,305,679)
2024		(812,428)
2025		(445,791)
2026		(1,652)
Thereafter		<u>70,823</u>
Total	\$	<u><u>(2,377,443)</u></u>

Pension Trust Fund Financial Information

Plan Net Position

	<u>Police Employee Pension Fund</u>	<u>Public Works Union Employees' Pension Fund</u>	<u>Office Personnel Pension Fund</u>	<u>Total Defined Benefit Pension Trust Funds</u>
ASSETS				
Cash and investments	\$ 18,647,492	\$ 11,688,006	\$ 11,304,882	\$ 41,640,380
Prepaid benefits	<u>96,612</u>	<u>68,505</u>	<u>95,283</u>	<u>260,400</u>
TOTAL ASSETS	<u>18,744,104</u>	<u>11,756,511</u>	<u>11,400,165</u>	<u>41,900,780</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	<u><u>\$ 18,744,104</u></u>	<u><u>\$ 11,756,511</u></u>	<u><u>\$ 11,400,165</u></u>	<u><u>\$ 41,900,780</u></u>

SOUTH WHITEHALL TOWNSHIP
NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 9 - PENSION PLANS - CONTINUED

Single Employer Defined Benefit Pension Plans - continued

Pension Trust Fund Financial Information - continued

Changes in Plan Net Position

	<u>Police Employee Pension Fund</u>	<u>Public Works Union Employees' Pension Fund</u>	<u>Office Personnel Pension Fund</u>	<u>Total Defined Benefit Pension Trust Funds</u>
ADDITIONS				
Contributions:				
Employer (including state aid)	\$ 1,083,286	\$ 629,229	\$ 688,146	\$ 2,400,661
Employee	83,099	9,322	-	92,421
Investment income:				
Interest and dividends	946,134	591,175	578,605	2,115,914
Net appreciation in fair value of investments	<u>1,292,992</u>	<u>823,872</u>	<u>814,173</u>	<u>2,931,037</u>
TOTAL ADDITIONS	3,405,511	2,053,598	2,080,924	7,540,033
DEDUCTIONS				
Benefits, including tax withheld	1,159,353	773,101	1,114,420	3,046,874
Administrative expenses	<u>10,450</u>	<u>13,350</u>	<u>9,150</u>	<u>32,950</u>
TOTAL DEDUCTIONS	<u>1,169,803</u>	<u>786,451</u>	<u>1,123,570</u>	<u>3,079,824</u>
CHANGE IN NET POSITION	2,235,708	1,267,147	957,354	4,460,209
NET POSITION HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR				
	<u>16,508,396</u>	<u>10,489,364</u>	<u>10,442,811</u>	<u>37,440,571</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR				
	<u>\$ 18,744,104</u>	<u>\$ 11,756,511</u>	<u>\$ 11,400,165</u>	<u>\$ 41,900,780</u>

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 9 - 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 100 - 200% of all employee contributions up to a maximum of \$1,000. Employee contributions are voluntary. During the year ended December 31, 2021, the Township contributed \$198,945 to the plan.

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

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

The Township contributes 6% of members' compensation annually. A member's full account is payable upon retirement at age 65. If a member continues working after his or her normal retirement date, he or she will remain in the Plan as an active member. The member's account will become payable upon actual retirement from active employment. If a member dies while an active member of the Plan, his or her account will be payable to the designated beneficiary or beneficiaries. During the year ended December 31, 2021, the Township contributed \$202,183 to the plan, which included \$74,921 related to the year ended December 31, 2020 and \$127,262 related to the year ended December 31, 2021.

SOUTH WHITEHALL TOWNSHIP
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2021

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

Employee Defined Benefit Other Postemployment Benefits Plan

General Information About the OPEB Plan

Plan Description

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

Benefits Provided

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

Employees Covered by Benefit Terms

At January 1, 2020, the date of the most recent actuary valuation, the following employees were covered by the benefit terms:

	<u>Police</u>
Active participants	40
Vested former participants	-
Retired participants	<u>12</u>
Total	<u><u>52</u></u>

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

General Information About the OPEB Plan - continued

Actuarial Assumptions and Other Inputs

The total OPEB liability as of January 1, 2021, was determined by rolling forward the Township's total OPEB liability as of January 1, 2020 to January 1, 2021, using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method - Entry Age Normal.
- Salary increases - annual salary increases are assumed to be 5.0%
- Discount rate – 1.93% - based on the Standard & Poor's Municipal Bond 20 Year High Grade Rate Index at 1/1/21.
- Mortality rates - IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non-annuitants projected 15 years using Scale AA to reflect mortality improvement.
- Participation rates - 75% of employees are assumed to elect coverage.

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

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at January 1, 2020	\$ 307,326
Changes for the year:	
Service cost	14,662
Interest	9,999
Changes of assumptions or other inputs	26,521
Benefit payments	<u>(28,200)</u>
Net changes	<u>22,982</u>
Balance at January 1, 2021	<u>\$ 330,308</u>

Changes of assumptions or other inputs reflect the following changes: (1) the discount rate changed from 3.26% to 1.93%.

SOUTH WHITEHALL TOWNSHIP
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2021

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

Changes in Total OPEB Liability - continued

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

The following presents the total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower (0.93%) or one-percentage point higher (2.93%) than the current discount rate:

	1% Decrease (0.93%)	Current Discount Rate (1.93%)	1% Increase (2.93%)
Total OPEB Liability	\$ 352,405	\$ 330,308	\$ 310,080

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

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$ 330,308	\$ 330,308	\$ 330,308

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

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

For the year ended December 31, 2021, the Township recognized OPEB expense of \$31,596. At December 31, 2021, the Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 38,341	\$ 6,259
Differences between expected and actual experience	55,574	9,214
Benefit payments made subsequent to the measurement date	29,882	-
	\$ 123,797	\$ 15,473

The \$29,882 reported as deferred outflows of resources related to OPEB liabilities resulting from benefit payments made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending December 31:

2022	\$ 6,935
2023	6,935
2024	6,935
2025	6,935
2026	6,935
Thereafter	43,767
Total	\$ 78,442

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 11 - 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 2021 year. Settlement amounts have not exceeded insurance coverage for the current year or the 3 prior years. The Township has no unfunded liability.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

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 2021 and is effective through December 31, 2024. The South Whitehall Township Police's labor agreement was renewed in 2021 and is effective through December 31, 2026.

Intermunicipal Agreements

On October 1, 1997, South Whitehall Township entered into an agreement with the City of Allentown for the purchase of water. On the same day, this agreement was assigned to the South Whitehall Township Authority. Under Addendum #2 to the agreement, dated January 1, 2004, the Authority agrees to purchase a minimum of 850,000 gallons of water per day average per year from the City. Rates for purchase are determined as a percentage of current rates to City customers. Expenses under this agreement were \$1,171,545 for the year ended December 31, 2021.

On December 29, 1981, the Authority (through the South Whitehall Township) entered into an agreement with the City of Allentown for the transportation, treatment, and disposal of sewage collected by the South Whitehall Township Authority. The Authority pays the City of Allentown for sewer treatment charges, sewage transportation charges, and debt service charges on a quarterly basis. Final calculations are determined after year-end, with an adjustment billing in the following year. Expenses under this agreement were \$1,435,012 for the year ended December 31, 2021.

SOUTH WHITEHALL TOWNSHIP

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

NOTE 12 - 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, 2020 through December 31, 2022. Expenses under this agreement were \$2,491,100 for the year ended December 31, 2021.

Commitments - Bid Awards and Construction Contracts

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

<u>Project</u>	<u>Contracts/Bids Awarded</u>
Jordan Creek Greenway	\$ 29,378
Fire truck	290,964
Bridgeview Terrace water main and valve replacement	<u>393,147</u>
Total	<u>\$ 713,489</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, 2021

NOTE 13 - 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, 2021 were as follows:

General Fund: The general fund has nonspendable fund balance of \$403,065 related to prepaid insurance, assigned funds of \$172,903 which consist of \$100 assigned for emergency medical services and \$172,803 assigned for 2022 appropriations, and an unassigned fund balance of \$7,286,514.

Capital Projects Fund: The capital projects fund has assigned funds of \$81,332 to be used for future capital purchases and restricted funds of \$614,287 consisting of unspent debt proceeds, restricted for capital spending.

Nonmajor Funds:

Fire Tax Fund: The fire tax fund has nonspendable fund balance of \$317,766 related to a deposit towards a new fire truck and restricted funds of \$720,993, consisting of unspent real estate taxes assessed for fire protection services.

State Highway Aid Fund: The state highway aid fund has restricted funds of \$312,360, consisting of unspent highway state aid funds restricted by state law.

Open Space Fund: The open space fund has restricted funds of \$418,921, consisting of unspent open space contributions.

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, 2021

NOTE 14 - NEW ACCOUNTING STANDARDS

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH WHITEHALL TOWNSHIP

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Real estate taxes	\$ 6,730,237	\$ 6,730,237	\$ 6,738,311	\$ 8,074
Earned income taxes	3,250,000	3,250,000	3,859,375	609,375
Business privilege taxes	2,163,000	2,163,000	2,271,320	108,320
Amusement/admission taxes	800,000	800,000	1,340,465	540,465
Other taxes	1,315,000	1,315,000	1,547,881	232,881
Licenses, permits, and fines	489,330	489,330	483,764	(5,566)
Interest and rent	-	-	45,225	45,225
Intergovernmental	879,034	879,034	945,909	66,875
Charges for services	1,243,501	1,243,501	1,827,587	584,086
Other	14,000	14,000	463,991	449,991
TOTAL REVENUES	16,884,102	16,884,102	19,523,828	2,639,726
EXPENDITURES				
General government	6,896,100	7,248,529	5,139,635	2,108,894
Public safety:				
Police	5,868,228	5,906,476	6,617,523	(711,047)
Fire	-	-	141,889	(141,889)
Other	68,050	73,966	45,734	28,232
Public works	3,586,820	3,687,136	3,643,769	43,367
Culture and recreation	272,930	326,480	240,497	85,983
Community development	731,875	736,916	661,957	74,959
Debt service - principal	-	-	216,681	(216,681)
Debt service - interest	75,000	75,000	214,702	(139,702)
TOTAL EXPENDITURES	17,499,003	18,054,503	16,922,387	1,132,116
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(614,901)	(1,170,401)	2,601,441	3,771,842
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	10,000	10,000	31,620	21,620
Transfers out	(1,549,218)	(1,549,218)	(2,580,602)	(1,031,384)
TOTAL OTHER FINANCING SOURCES (USES)	(1,539,218)	(1,539,218)	(2,548,982)	(1,009,764)
NET CHANGE IN FUND BALANCE	\$ (2,154,119)	\$ (2,709,619)	52,459	\$ 2,762,078
FUND BALANCE - BEGINNING OF YEAR			7,810,023	
FUND BALANCE - END OF YEAR			\$ 7,862,482	

See notes to required supplementary information.

SOUTH WHITEHALL TOWNSHIP

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

LAST TEN FISCAL YEARS

	2021	2020	2019	2018	2017	2016
Total Pension Liability:						
Service cost	\$ 590,286	\$ 498,753	\$ 475,003	\$ 410,978	\$ 391,408	\$ 367,683
Interest	1,547,727	1,503,622	1,442,678	1,431,012	1,383,965	1,277,769
Differences between expected and actual experience	285,445	-	(577,652)	-	161,657	-
Changes of assumptions	40,675	-	236,670	-	496,272	-
Benefit payments, including refunds of employee contributions	<u>(1,159,353)</u>	<u>(1,149,278)</u>	<u>(1,593,038)</u>	<u>(999,660)</u>	<u>(1,118,525)</u>	<u>(1,055,423)</u>
Net change in total pension liability	1,304,780	853,097	(16,339)	842,330	1,314,777	590,029
Total pension liability, beginning	<u>20,033,113</u>	<u>19,180,016</u>	<u>19,196,355</u>	<u>18,354,025</u>	<u>17,039,248</u>	<u>16,449,219</u>
Total pension liability, ending	<u><u>\$ 21,337,893</u></u>	<u><u>\$ 20,033,113</u></u>	<u><u>\$ 19,180,016</u></u>	<u><u>\$ 19,196,355</u></u>	<u><u>\$ 18,354,025</u></u>	<u><u>\$ 17,039,248</u></u>
Plan Fiduciary Net Position:						
Contributions - employer	\$ 1,083,286	\$ 1,223,911	\$ 1,037,781	\$ 840,360	\$ 859,899	\$ 875,856
Contributions - employee	83,099	71,145	74,258	46,873	43,825	23,373
Net investment income	2,239,126	1,965,023	2,493,261	(896,934)	983,478	340,935
Benefit payments, including refunds of employee contributions	(1,159,353)	(1,149,278)	(1,593,038)	(999,660)	(1,118,525)	(1,055,423)
Administrative expenses	<u>(10,450)</u>	<u>(18,625)</u>	<u>(31,489)</u>	<u>(10,265)</u>	<u>(11,225)</u>	<u>(16,075)</u>
Net change in plan fiduciary net position	2,235,708	2,092,176	1,980,773	(1,019,626)	757,452	168,666
Plan fiduciary net position, beginning	<u>16,508,396</u>	<u>14,416,220</u>	<u>12,435,447</u>	<u>13,455,073</u>	<u>12,697,621</u>	<u>12,528,955</u>
Plan fiduciary net position, ending	<u><u>\$ 18,744,104</u></u>	<u><u>\$ 16,508,396</u></u>	<u><u>\$ 14,416,220</u></u>	<u><u>\$ 12,435,447</u></u>	<u><u>\$ 13,455,073</u></u>	<u><u>\$ 12,697,621</u></u>
Net Pension Liability	<u><u>\$ 2,593,789</u></u>	<u><u>\$ 3,524,717</u></u>	<u><u>\$ 4,763,796</u></u>	<u><u>\$ 6,760,908</u></u>	<u><u>\$ 4,898,952</u></u>	<u><u>\$ 4,341,627</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	<u>87.84%</u>	<u>82.41%</u>	<u>75.16%</u>	<u>64.78%</u>	<u>73.31%</u>	<u>74.52%</u>
Covered Employee Payroll	<u><u>\$ 3,820,206</u></u>	<u><u>\$ 3,597,398</u></u>	<u><u>\$ 3,748,891</u></u>	<u><u>\$ 3,306,211</u></u>	<u><u>\$ 3,175,209</u></u>	<u><u>\$ 2,814,122</u></u>
Net Pension Liability as a Percentage of Covered Employee Payroll	<u>67.90%</u>	<u>97.98%</u>	<u>127.07%</u>	<u>204.49%</u>	<u>154.29%</u>	<u>154.28%</u>

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

See notes to required supplementary information.

SOUTH WHITEHALL TOWNSHIP

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

LAST TEN FISCAL YEARS

	2021	2020	2019	2018	2017	2016
Total Pension Liability:						
Service cost	\$ 85,767	\$ 105,507	\$ 100,483	\$ 152,453	\$ 145,193	\$ 150,341
Interest	957,241	939,887	900,386	899,406	845,387	753,803
Differences between expected and actual experience	82,783	-	(576,326)	-	45,000	-
Changes of assumptions	201,589	-	141,833	-	497,535	-
Benefit payments, including refunds of employee contributions	<u>(773,101)</u>	<u>(593,983)</u>	<u>(415,242)</u>	<u>(348,264)</u>	<u>(296,948)</u>	<u>(296,510)</u>
Net change in total pension liability	554,279	451,411	151,134	703,595	1,236,167	607,634
Total pension liability, beginning	<u>12,570,390</u>	<u>12,118,979</u>	<u>11,967,845</u>	<u>11,264,250</u>	<u>10,028,083</u>	<u>9,420,449</u>
Total pension liability, ending	<u>\$ 13,124,669</u>	<u>\$ 12,570,390</u>	<u>\$ 12,118,979</u>	<u>\$ 11,967,845</u>	<u>\$ 11,264,250</u>	<u>\$ 10,028,083</u>
Plan Fiduciary Net Position:						
Contributions - employer	\$ 629,229	\$ 642,814	\$ 568,741	\$ 406,560	\$ 431,313	\$ 433,934
Contributions - employee	9,322	12,154	16,227	16,358	17,601	18,041
Net investment income	1,415,047	1,223,835	1,534,413	(533,228)	583,396	149,621
Benefit payments, including refunds of employee contributions	(773,101)	(593,983)	(415,242)	(348,264)	(296,948)	(296,510)
Administrative expenses	<u>(13,350)</u>	<u>(18,075)</u>	<u>(19,719)</u>	<u>(6,775)</u>	<u>(9,150)</u>	<u>(11,650)</u>
Net change in plan fiduciary net position	1,267,147	1,266,745	1,684,420	(465,349)	726,212	293,436
Plan fiduciary net position, beginning	<u>10,489,364</u>	<u>9,222,619</u>	<u>7,538,199</u>	<u>8,003,548</u>	<u>7,277,336</u>	<u>6,983,900</u>
Plan fiduciary net position, ending	<u>\$ 11,756,511</u>	<u>\$ 10,489,364</u>	<u>\$ 9,222,619</u>	<u>\$ 7,538,199</u>	<u>\$ 8,003,548</u>	<u>\$ 7,277,336</u>
Net Pension Liability	<u>\$ 1,368,158</u>	<u>\$ 2,081,026</u>	<u>\$ 2,896,360</u>	<u>\$ 4,429,646</u>	<u>\$ 3,260,702</u>	<u>\$ 2,750,747</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	<u>89.58%</u>	<u>83.45%</u>	<u>76.10%</u>	<u>62.99%</u>	<u>71.05%</u>	<u>72.57%</u>
Covered Employee Payroll	<u>\$ 711,066</u>	<u>\$ 1,181,318</u>	<u>\$ 1,303,969</u>	<u>\$ 1,586,857</u>	<u>\$ 1,759,824</u>	<u>\$ 1,781,978</u>
Net Pension Liability as a Percentage of Covered Employee Payroll	<u>192.41%</u>	<u>176.16%</u>	<u>222.12%</u>	<u>279.15%</u>	<u>185.29%</u>	<u>154.36%</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.

See notes to required supplementary information.

SOUTH WHITEHALL TOWNSHIP

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

LAST TEN FISCAL YEARS

	2021	2020	2019	2018	2017	2016
Total Pension Liability:						
Service cost	\$ 98,189	\$ 138,533	\$ 131,936	\$ 145,940	\$ 139,324	\$ 180,889
Interest	1,027,267	989,857	982,144	951,774	931,808	882,700
Differences between expected and actual experience	594,990	-	241,779	-	(6,430)	-
Changes of assumptions	321,526	-	148,861	-	393,499	-
Benefit payments, including refunds of employee contributions	<u>(1,114,420)</u>	<u>(1,073,310)</u>	<u>(972,264)</u>	<u>(843,273)</u>	<u>(813,404)</u>	<u>(776,741)</u>
Net change in total pension liability	927,552	55,080	532,456	254,441	644,797	286,848
Total pension liability, beginning	<u>13,014,854</u>	<u>12,959,774</u>	<u>12,427,318</u>	<u>12,172,877</u>	<u>11,528,080</u>	<u>11,241,232</u>
Total pension liability, ending	<u><u>\$ 13,942,406</u></u>	<u><u>\$ 13,014,854</u></u>	<u><u>\$ 12,959,774</u></u>	<u><u>\$ 12,427,318</u></u>	<u><u>\$ 12,172,877</u></u>	<u><u>\$ 11,528,080</u></u>
Plan Fiduciary Net Position:						
Contributions - employer	\$ 688,146	\$ 707,207	\$ 809,797	\$ 665,787	\$ 722,111	\$ 745,839
Net investment income	1,392,778	1,240,981	1,643,333	(577,983)	658,115	263,883
Benefit payments, including refunds of employee contributions	(1,114,420)	(1,073,310)	(972,264)	(843,273)	(813,755)	(776,741)
Administrative expenses	<u>(9,150)</u>	<u>(16,900)</u>	<u>(20,656)</u>	<u>(6,275)</u>	<u>(8,824)</u>	<u>(13,400)</u>
Net change in plan fiduciary net position	957,354	857,978	1,460,210	(761,744)	557,647	219,581
Plan fiduciary net position, beginning	<u>10,442,811</u>	<u>9,584,833</u>	<u>8,124,623</u>	<u>8,886,367</u>	<u>8,328,720</u>	<u>8,109,139</u>
Plan fiduciary net position, ending	<u><u>\$ 11,400,165</u></u>	<u><u>\$ 10,442,811</u></u>	<u><u>\$ 9,584,833</u></u>	<u><u>\$ 8,124,623</u></u>	<u><u>\$ 8,886,367</u></u>	<u><u>\$ 8,328,720</u></u>
Net Pension Liability	<u><u>\$ 2,542,241</u></u>	<u><u>\$ 2,572,043</u></u>	<u><u>\$ 3,374,941</u></u>	<u><u>\$ 4,302,695</u></u>	<u><u>\$ 3,286,510</u></u>	<u><u>\$ 3,199,360</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	<u><u>81.77%</u></u>	<u><u>80.24%</u></u>	<u><u>73.96%</u></u>	<u><u>65.38%</u></u>	<u><u>73.00%</u></u>	<u><u>72.25%</u></u>
Covered Employee Payroll	<u><u>\$ 531,450</u></u>	<u><u>\$ 710,416</u></u>	<u><u>\$ 833,379</u></u>	<u><u>\$ 1,172,873</u></u>	<u><u>\$ 1,206,762</u></u>	<u><u>\$ 1,386,068</u></u>
Net Pension Liability as a Percentage of Covered Employee Payroll	<u><u>478.36%</u></u>	<u><u>362.05%</u></u>	<u><u>404.97%</u></u>	<u><u>366.85%</u></u>	<u><u>272.34%</u></u>	<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.

See notes to required supplementary information.

SOUTH WHITEHALL TOWNSHIP

SCHEDULE OF TOWNSHIP CONTRIBUTIONS AND INVESTMENT RETURNS

LAST TEN FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Police Pension Plan										
Schedule of Township Contributions										
Actuarial determined contributions	\$ 1,083,286	\$ 1,223,911	\$ 1,037,781	\$ 840,360	\$ 837,979	\$ 875,856	\$ 966,966	\$ 715,489	\$ 712,818	\$ 569,967
Contributions in relation to the actuarially determined contribution	1,083,286	1,223,911	1,037,781	840,360	859,899	875,856	966,994	747,815	712,818	569,967
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ (21,920)	\$ -	\$ (28)	\$ (32,326)	\$ -	\$ -
Covered payroll	\$ 3,820,206	\$ 3,597,398	\$ 3,748,891	\$ 3,306,211	\$ 3,175,209	\$ 2,814,122	\$ 2,835,238	\$ 2,752,440		
Contribution as a percentage of covered payroll	28.36%	34.02%	27.68%	25.42%	27.07%	31.12%	34.11%	27.17%		
Investment Returns										
Annual money-weighted rate of return, net investment expense	14.17%	14.25%	21.07%	(6.58%)	8.31%	3.15%	(4.35%)	4.84%		
Public Works Union Employees' Pension Plan										
Schedule of Township Contributions										
Actuarial determined contributions	\$ 628,466	\$ 642,814	\$ 568,741	\$ 406,560	\$ 431,296	\$ 433,934	\$ 456,874	\$ 432,878	\$ 432,580	\$ 334,286
Contributions in relation to the actuarially determined contribution	793,466	642,814	404,504	406,560	431,313	433,934	456,902	452,470	432,580	334,286
Contribution deficiency (excess)	\$ (165,000) *	\$ -	\$ 164,237 *	\$ -	\$ (17)	\$ -	\$ (28)	\$ (19,592)	\$ -	\$ -
Covered payroll	\$ 711,066	\$ 1,181,318	\$ 1,303,969	\$ 1,586,857	\$ 1,759,824	\$ 1,781,978	\$ 1,777,401	\$ 1,790,358		
Contribution as a percentage of covered payroll	111.59%	54.41%	31.02%	25.62%	24.51%	24.35%	25.71%	25.27%		
Investment Returns										
Annual money-weighted rate of return, net investment expense	14.20%	14.09%	20.74%	(6.49%)	8.42%	2.58%	(5.83%)	3.71%		
Office Personnel Pension Plan										
Schedule of Township Contributions										
Actuarial determined contributions	\$ 688,146	\$ 707,207	\$ 803,614	\$ 665,787	\$ 704,611	\$ 745,839	\$ 782,792	\$ 606,253	\$ 578,467	\$ 461,415
Contributions in relation to the actuarially determined contribution	688,146	707,207	809,797	665,787	-	745,839	782,820	619,478	578,467	461,415
Contribution deficiency (excess)	\$ -	\$ -	\$ (6,183)	\$ -	\$ 704,611	\$ -	\$ (28)	\$ (13,225)	\$ -	\$ -
Covered payroll	\$ 531,450	\$ 710,416	\$ 833,379	\$ 1,172,873	\$ 1,206,762	\$ 1,386,068	\$ 1,659,343	\$ 1,803,986		
Contribution as a percentage of covered payroll	129.48%	99.55%	97.17%	56.77%	0.00%	53.81%	47.18%	34.34%		
Investment Returns										
Annual money-weighted rate of return, net investment expense	14.26%	13.86%	21.18%	(6.48)	8.51%	3.74%	(3.71%)	4.69%		

* Excess payment made in 2021 related to amount owed for 2019 plan year.

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

See notes to required supplementary information.

SOUTH WHITEHALL TOWNSHIP

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

LAST TEN FISCAL YEARS

	2021	2020	2019	2018
Total OPEB Liability:				
Service cost	\$ 14,662	\$ 12,934	\$ 13,594	\$ 11,952
Interest	9,999	8,493	7,539	8,809
Differences between expected and actual experience	-	65,678	-	(12,898)
Changes of assumptions	26,521	6,954	(7,966)	11,168
Benefit payments	(28,200)	(15,537)	(20,400)	(18,489)
	<u>22,982</u>	<u>78,522</u>	<u>(7,233)</u>	<u>542</u>
Net change in total OPEB liability				
Total OPEB liability, beginning	<u>307,326</u>	<u>228,804</u>	<u>236,037</u>	<u>235,495</u>
Total OPEB liability, ending	<u>\$ 330,308</u>	<u>\$ 307,326</u>	<u>\$ 228,804</u>	<u>\$ 236,037</u>
Covered employee payroll	<u>\$ 3,748,892</u>	<u>\$ 3,748,892</u>	<u>\$ 2,993,649</u>	<u>\$ 2,993,649</u>
Total OPEB liability as a percentage of covered employee payroll	8.81%	8.20%	7.64%	7.88%

NOTES TO SCHEDULE

Change to Benefit Terms

None.

Changes of Assumptions

Significant changes in assumptions for the January 1, 2021 measurement date are as follows:

- The discount rate changed from 3.26% to 1.93%.

Significant changes in assumptions for prior measurement dates are as follows:

- The discount rate was updated each year based on the S&P Municipal Bond 20-Year High Grade Index.

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

SOUTH WHITEHALL TOWNSHIP

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2021

NOTE 1 - BUDGETARY COMPARISON SCHEDULE

The budgetary comparison schedule for the general fund is prepared using the modified accrual basis of accounting which is the same basis used to report actual expenditures.

NOTE 2 - PENSION SCHEDULES

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

	Police Pension Plan	Public Works Union Employees' Pension Plan	Office Personnel Pension Plan
Actuarial valuation date	01/01/19	01/01/19	01/01/19
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	3 years	6 years	8 years
Asset valuation method	Smoothed value with a corridor of 80% to 120% of market value	Smoothed value with a corridor of 80% to 120% of market value	Smoothed value with a corridor of 80% to 120% of market value
Actuarial assumptions:			
Investment rate of return	7.88%	7.88%	7.88%
Projected salary increases	5%	5%	5%
Inflation rate	3%	3%	3%
Mortality table	IRS 2017 Static combined table for small plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non- annuitants projected 15 years using scale AA to reflect mortality improvement.	IRS 2017 Static combined table for small plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non- annuitants projected 15 years using scale AA to reflect mortality improvement.	IRS 2017 Static combined table for small plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non- annuitants projected 15 years using scale AA to reflect mortality improvement.

Change in Actuarial Assumptions

The remaining amortization period is adjusted each valuation based on the average remaining service life of plan members. The investment rate of return was changed from 8.00% to 7.88%.

Change in Benefits

No changes in benefits noted.

SUPPLEMENTARY INFORMATION

SOUTH WHITEHALL TOWNSHIP

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

December 31, 2021

	Fire Tax	State Highway Aid	Open Space	Debt Service	Total Nonmajor Governmental Funds
ASSETS					
Cash	\$ 810,659	\$ 336,357	\$ 418,826	\$ 614,287	\$ 2,180,129
Accounts receivable	6,925	-	95	-	7,020
Taxes receivable	51,522	-	-	-	51,522
Prepaid expenses	317,766	-	-	-	317,766
TOTAL ASSETS	<u>\$ 1,186,872</u>	<u>\$ 336,357</u>	<u>\$ 418,921</u>	<u>\$ 614,287</u>	<u>\$ 2,556,437</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Interfund payables	\$ -	\$ -	\$ -	\$ 614,287	\$ 614,287
Accounts payable	113,851	23,997	-	-	137,848
Accrued payroll and withholdings	4,039	-	-	-	4,039
TOTAL LIABILITIES	117,890	23,997	-	614,287	756,174
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	30,223	-	-	-	30,223
FUND BALANCES					
Nonspendable	317,766	-	-	-	317,766
Restricted for:					
Fire protection	720,993	-	-	-	720,993
Highways and streets	-	312,360	-	-	312,360
Open space	-	-	418,921	-	418,921
TOTAL FUND BALANCES	<u>1,038,759</u>	<u>312,360</u>	<u>418,921</u>	<u>-</u>	<u>1,770,040</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
	<u>\$ 1,186,872</u>	<u>\$ 336,357</u>	<u>\$ 418,921</u>	<u>\$ 614,287</u>	<u>\$ 2,556,437</u>

SOUTH WHITEHALL TOWNSHIP

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

Year Ended December 31, 2021

	Fire Tax	State Highway Aid	Open Space	Debt Service	Total Nonmajor Governmental Funds
REVENUES					
Real estate taxes	\$ 1,116,777	\$ -	\$ -	\$ -	\$ 1,116,777
Interest and rent	483	277	95	-	855
Intergovernmental	-	675,248	-	-	675,248
Other	-	-	80,625	-	80,625
TOTAL REVENUES	1,117,260	675,525	80,720	-	1,873,505
EXPENDITURES					
Current:					
Public safety:					
Fire	980,533	-	-	-	980,533
Public works	-	625,858	-	-	625,858
Community development	-	-	-	-	-
Debt service - principal	-	33,494	-	-	33,494
Debt service - interest	-	3,148	-	151,728	154,876
Other	-	-	-	187,855	187,855
TOTAL EXPENDITURES	980,533	662,500	-	339,583	1,982,616
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	136,727	13,025	80,720	(339,583)	(109,111)
OTHER FINANCING SOURCES (USES)					
Proceeds from issuance of long-term debt	-	-	-	10,367,358	10,367,358
Bond premium issuance	-	-	-	1,530,679	1,530,679
Payment to escrow for debt refunding	-	-	-	(10,944,167)	(10,944,167)
Transfers out	-	-	-	(614,287)	(614,287)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	339,583	339,583
NET CHANGE IN FUND BALANCES	136,727	13,025	80,720	-	230,472
FUND BALANCES - BEGINNING OF YEAR	902,032	299,335	338,201	-	1,539,568
FUND BALANCES - END OF YEAR	\$ 1,038,759	\$ 312,360	\$ 418,921	\$ -	\$ 1,770,040

SOUTH WHITEHALL TOWNSHIP

COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS - TRUST FUNDS

December 31, 2021

	<u>Police Employee Pension Fund</u>	<u>Public Works Union Employee Pension Fund</u>	<u>Office Personnel Pension Fund</u>	<u>Total Pension Trust Funds</u>
ASSETS				
Cash and investments	\$ 18,647,492	\$ 11,688,006	\$ 11,304,882	\$ 41,640,380
Prepaid benefits	<u>96,612</u>	<u>68,505</u>	<u>95,283</u>	<u>260,400</u>
TOTAL ASSETS	<u>18,744,104</u>	<u>11,756,511</u>	<u>11,400,165</u>	<u>41,900,780</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	<u><u>\$ 18,744,104</u></u>	<u><u>\$ 11,756,511</u></u>	<u><u>\$ 11,400,165</u></u>	<u><u>\$ 41,900,780</u></u>

SOUTH WHITEHALL TOWNSHIP

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

Year Ended December 31, 2021

	Police Employee Pension Fund	Public Works Union Employee Pension Fund	Office Personnel Pension Fund	Total Pension Trust Funds
ADDITIONS				
Contributions:				
Employer (including state aid)	\$ 1,083,286	\$ 629,229	\$ 688,146	\$ 2,400,661
Employees	83,099	9,322	-	92,421
Investment income:				
Interest and dividends	946,134	591,175	578,605	2,115,914
Net appreciation in fair value of investments	1,292,992	823,872	814,173	2,931,037
TOTAL ADDITIONS	3,405,511	2,053,598	2,080,924	7,540,033
DEDUCTIONS				
Benefits, including tax withheld	1,159,353	773,101	1,114,420	3,046,874
Administrative expenses	10,450	13,350	9,150	32,950
TOTAL DEDUCTIONS	1,169,803	786,451	1,123,570	3,079,824
CHANGE IN NET POSITION	2,235,708	1,267,147	957,354	4,460,209
NET POSITION HELD IN TRUST FOR PENSION BENEFITS - BEGINNING OF YEAR				
	16,508,396	10,489,364	10,442,811	37,440,571
NET POSITION HELD IN TRUST FOR PENSION BENEFITS - END OF YEAR				
	\$ 18,744,104	\$ 11,756,511	\$ 11,400,165	\$ 41,900,780