

**Whitehall Township,
Lehigh County, Pennsylvania**

**Financial Statements and
Supplementary Information**

December 31, 2017



Whitehall Township

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December 31, 2017

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Independent Auditor's Report

To the Board of Commissioners and Deputy Mayor
Whitehall Township
Lehigh County, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Whitehall Township (the Township), Lehigh County, Pennsylvania, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Adverse Opinion

As discussed in Note 2 to the financial statements, the Township has not recorded the retroactive cost of general infrastructure capital assets and has not recorded depreciation expense on those assets. Governmental Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, required the retroactive recognition of general infrastructure capital assets on the date of implementation and subsequent depreciation of those assets. The amount by which this departure affects the assets, liabilities, net position, and changes in net position is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the statement of net position - governmental activities and statement of activities - governmental activities do not present fairly the financial position of the governmental activities of the Township as of December 31, 2017, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the balance sheet - governmental funds, statement of revenues, expenditures, and changes in fund balances - governmental funds, statement of fiduciary net position - fiduciary funds, and statement of changes in fiduciary net position - fiduciary fund - pension trust fund present fairly, in all material respects, the respective financial position of Whitehall Township as of December 31, 2017 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information on Pages 4 to 10 and Pages 54 to 62, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Whitehall Township's basic financial statements. The accompanying financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 25, 2018, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Handwritten signature in black ink that reads "RKL LLP". The letters are cursive and somewhat stylized.

October 25, 2018
Wyomissing, Pennsylvania

Whitehall Township

Management's Discussion and Analysis

December 31, 2017

Our discussion and analysis of Whitehall Township's (the Township) financial performance provides an overview of the Township's financial activities for the year ended December 31, 2017. Please read it in conjunction with the Township's financial statements that begin on Page 11.

Financial Highlights

- The assets and deferred outflows of resources of the Township exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$19,653,213. Of this amount, \$3,322,034 is unrestricted and may be used to meet the government's on-going obligations to citizens and creditors.
- The Township's net position increased by \$296,295 for the year ended December 31, 2017.
- As of the close of fiscal year 2017, the Township's governmental funds reported combined ending fund balances of \$11,785,044. Approximately 66% of this total amount is available for spending at the government's discretion. The remaining 34% is held for specific capital expenditures, transportation needs, property maintenance, recreation purposes, and debt service.
- During 2017, the Township refinanced its outstanding debt with General Obligation Note, Series 2017. The Township's long-term debt decreased by \$192,564 during 2017.

Overview of the Financial Statements

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements and notes to the financial statements, required supplementary information, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the Township:

Government-Wide Financial Statements - The statement of net position - governmental activities presents information on the Township's assets (excluding the retroactive cost of general infrastructure capital assets) and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The statement of activities - governmental activities presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes).

Whitehall Township

Management's Discussion and Analysis

December 31, 2017

Overview of the Financial Statements (continued)

Fund Financial Statements - Fund financial statements focus on the individual parts of the Township's government. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant (major) funds. For governmental activities, these statements tell how these services were financed in the short-term, as well as what remains for future spending.

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

Required Supplementary Information - The management's discussion and analysis, pension funding information, and the budgetary comparison schedules represent financial information required by Governmental Accounting Standards Board (GASB) to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as the "basic financial statements").

Other Supplementary Information - Combining statements for the nonmajor government funds are presented as other supplementary information.

Reporting the Township as a Whole

The Township's Reporting Entity Presentation

This annual report includes all activities for which the Township is responsible. Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In evaluating how to define the reporting entity, we have considered all potential component units. The decision to include a potential component unit in the reporting entity was made based upon the significance of their operational or financial relationships with the Township. There are no agencies or entities that should be presented with the Township.

Government-Wide Financial Analysis

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

Whitehall Township

Management's Discussion and Analysis
December 31, 2017

Government-Wide Financial Analysis (continued)

Government-Wide Financial Statements

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets and deferred outflows of resources exceeded liabilities and deferred inflow of resources by \$19,653,213 at the close of the fiscal year 2017. Of this amount, \$14,885,621 or 76% is accounted for by capital assets (e.g. land, buildings and equipment, construction in progress), net of accumulated depreciation, less any related debt used to acquire those assets that are still outstanding.

The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Township's net position at December 31, 2017 and 2016 is presented below:

	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents	\$ 11,791,122	\$ 10,834,221
Other current assets	3,152,651	2,223,181
Capital assets	<u>16,109,953</u>	<u>16,026,657</u>
Total Assets	<u>31,053,726</u>	<u>29,084,059</u>
Deferred Outflows of Resources, Pension	<u>2,159,373</u>	<u>3,322,680</u>
Liabilities		
Current liabilities	2,442,674	1,390,168
Long-term liabilities	<u>10,200,255</u>	<u>10,943,716</u>
Total Liabilities	<u>12,642,929</u>	<u>12,333,884</u>
Deferred Inflows of Resources, Pension	<u>916,957</u>	<u>715,937</u>
Net Position		
Net investment in capital assets	14,885,621	14,566,388
Restricted	1,445,558	1,220,608
Unrestricted	<u>3,322,034</u>	<u>3,569,922</u>
Total Net Position	<u>\$ 19,653,213</u>	<u>\$ 19,356,918</u>

Net position is shown as restricted if it can only be used for a specific purpose. Net position of the Township's State Highway Aid Fund and Traffic Impact Fund are considered restricted. The remaining net position is invested in capital assets or unrestricted.

Whitehall Township

Management's Discussion and Analysis
December 31, 2017

Government-Wide Financial Analysis (continued)

Government-Wide Financial Statements (continued)

The Township's change in net position for the years ended December 31, 2017 and 2016 is presented below:

	<u>2017</u>	<u>2016</u>
Revenues		
Program revenues		
Charges for services	\$ 4,332,693	\$ 4,225,412
Operating grants and contributions	1,447,109	1,123,959
Capital grants and contributions	1,956,987	858,469
General revenues		
Real estate taxes	6,269,608	6,234,278
Earned income taxes	6,394,714	6,300,797
Business privilege taxes	1,862,558	1,826,132
Other taxes levied for specific purposes	1,328,032	1,219,340
Interest income and rents	194,654	138,351
Fines and forfeits	149,874	166,882
Proceeds from sale of capital assets	3,525	13,806
Miscellaneous income	<u>207,667</u>	<u>307,710</u>
Total Revenues	<u>24,147,421</u>	<u>22,415,136</u>
Expenditures		
General government	1,682,521	1,498,148
Public safety	8,565,120	8,244,949
Public works	6,130,539	5,255,823
Culture and recreation	2,018,648	906,843
Insurance, employee benefits, and miscellaneous	4,045,487	3,524,926
Depreciation - unallocated	1,372,555	1,146,258
Interest	<u>36,256</u>	<u>65,745</u>
Total Expenditures	<u>23,851,126</u>	<u>20,642,692</u>
Change in Net Position	296,295	1,772,444
Net Position at Beginning of Year	<u>19,356,918</u>	<u>17,584,474</u>
Net Position at End of Year	<u>\$ 19,653,213</u>	<u>\$ 19,356,918</u>

Whitehall Township

Management's Discussion and Analysis
December 31, 2017

Government-Wide Financial Analysis (continued)

Government-Wide Financial Statements (continued)

Government-wide revenues for 2017 were primarily derived from property tax collections at 26% and earned income tax collections at 27% of the total. Charges for services, at 18%, are the third largest source of revenue.

Total expenses for all programs in 2017 were \$23,851,126. The expenses reflect the delivery of a wide range of services, with the largest being public safety at 36%. The second largest program is highways and streets at 26%.

Net Program Expenses (Revenues)

	<u>2017</u>	<u>2016</u>
General government	\$ (549,534)	\$ 502,464
Public safety	7,518,815	7,453,271
Public works - highways and streets	2,582,670	1,686,981
Culture and recreation	1,773,385	755,150
Insurance, employee benefits, and miscellaneous	3,380,190	2,824,983
Depreciation and interest	<u>1,408,811</u>	<u>1,212,003</u>
Total Net Program Expenses (Revenues)	<u>\$ 16,114,337</u>	<u>\$ 14,434,852</u>

Net program expenses/revenues indicate the amount of support required from taxes and other general revenues for the year. Public safety expenses required the most general revenues for support, needing approximately \$7.5 million in 2017. Insurance, employee benefits, and miscellaneous expenses required approximately \$3.4 million in general revenues for support.

Capital Assets and Debt Administration

Capital Assets

The Township's investment in capital assets for its governmental activities as of December 31, 2017 and 2016 totals \$16,109,953 and \$16,026,657 (net of accumulated depreciation), respectively. The Township's investment in capital assets includes land, buildings and improvements, machinery and equipment, traffic signals, and infrastructure acquired after 2003. Infrastructure includes land improvements, roads, bridges, and storm water lines.

This year's major additions included:

Vehicles	\$ 916,694
Various road projects	414,049

Whitehall Township

Management's Discussion and Analysis
December 31, 2017

Capital Assets and Debt Administration (continued)

Capital Assets (continued)

Governmental Activities		
Summary of Capital Assets (Net of Accumulated Depreciation) at December 31		
	<u>2017</u>	<u>2016</u>
Capital assets not being depreciated		
Land	\$ 2,419,613	\$ 2,419,613
Construction in progress	<u>336,688</u>	<u>325,688</u>
	<u>2,756,301</u>	<u>2,745,301</u>
Capital assets being depreciated		
Buildings and improvements	5,131,160	5,352,560
Machinery and equipment	1,714,388	1,060,656
Traffic signals	528,769	652,583
Infrastructure	<u>5,979,335</u>	<u>6,215,557</u>
	<u>13,353,652</u>	<u>13,281,356</u>
Total Capital Assets	<u>\$ 16,109,953</u>	<u>\$ 16,026,657</u>

All assets of the primary government are depreciated using the straight-line method.

Additional information on the Township's capital assets can be found in Note 6 of the financial statements.

Long-Term Debt

At December 31, 2017, the Township had \$1,224,332 of general obligation debt outstanding. This was a decrease of \$192,564 or 14% from the previous year. The following table details the activity related to the general obligation debt outstanding during 2017:

Governmental Activities		
Summary of General Obligation Debt at December 31		
	<u>2017</u>	<u>2016</u>
General obligation bonds/notes		
Note, Series of 2017	\$ 1,224,332	\$ -
Note, Series of 2001	-	116,896
Bonds, Series of 2011	<u>-</u>	<u>1,300,000</u>
	<u>\$ 1,224,332</u>	<u>\$ 1,416,896</u>

Additional information on the Township's long-term debt can be found in Note 8 of the financial statements.

Whitehall Township

Management's Discussion and Analysis

December 31, 2017

Economic Factors and Next Year's Budget and Rates

Economic Factors

Management and the Board of Commissioners were able to recognize a financial benefit from their prior decisions to increase revenues to offset annual expenditure increases. By ensuring that revenue totals ran consistent with expenses, the Township was able to increase its end of year General Fund fund balance from \$7.37 million to \$7.82 million. This enabled the Township to keep taxes at the same rate as that of 2016. The real estate tax millage rate remains at 2.80 mills.

2018 Budget

The 2018 budget was adopted by the Township with total General Fund expenditures equaling \$22,475,347 and revenues equaling \$19,196,400. Overall expenditures increased marginally over the prior year with the greatest increases found in employee benefits.

2018 Rates

As noted above, the real estate tax millage rate remained at 2.80 mills. The earned income tax rate remains at the statutory maximum of 1.00%.

All other tax rates and user fee charges remained at prior year levels.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the Township.

Whitehall Township

Statement of Net Position - Governmental Activities

December 31, 2017

Assets

Cash and cash equivalents	\$ 11,791,122
Accounts receivable	1,613,736
Taxes receivable	789,532
Grants receivable	724,277
Other assets	221
Due from other funds	24,885
Capital assets not being depreciated	2,756,301
Capital assets being depreciated, net	<u>13,353,652</u>
Total Assets	<u>31,053,726</u>

Deferred Outflows of Resources

Pension	<u>2,159,373</u>
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Liabilities

Accounts payable	1,784,639
Accrued salaries and withholdings	394,099
Accrued interest	1,866
Current portion of long-term debt	262,070
Compensated absences payable	300,798
Long-term debt, net of current portion	962,262
Net pension liability	3,763,110
Other postemployment benefits	<u>5,174,085</u>
Total Liabilities	<u>12,642,929</u>

Deferred Inflows of Resources

Pension	<u>916,957</u>
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Net Position

Net investment in capital assets	14,885,621
Restricted	1,445,558
Unrestricted	<u>3,322,034</u>
Total Net Position	<u>\$ 19,653,213</u>

Whitehall Township

Statement of Activities - Governmental Activities

Year Ended December 31, 2017

<i>Functions/Programs</i>	Program Revenues			Governmental Activities Net (Expenses) Revenues and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities					
General government	\$ 1,682,521	\$ 1,046,959	\$ 28,822	\$ 1,156,274	\$ 549,534
Public safety	8,565,120	521,941	524,364	-	(7,518,815)
Public works	6,130,539	2,616,288	130,868	800,713	(2,582,670)
Culture and recreation	2,018,648	147,505	97,758	-	(1,773,385)
Insurance, employee benefits, and miscellaneous	4,045,487	-	665,297	-	(3,380,190)
Depreciation - unallocated	1,372,555	-	-	-	(1,372,555)
Interest	36,256	-	-	-	(36,256)
Total Governmental Activities	\$ 23,851,126	\$ 4,332,693	\$ 1,447,109	\$ 1,956,987	(16,114,337)
General Revenues					
					6,269,608
					6,394,714
					1,862,558
					678,530
					567,589
					81,913
					194,654
					149,874
					3,525
					207,667
					16,410,632
					296,295
					19,356,918
					\$ 19,653,213

See accompanying notes.

Whitehall Township

Balance Sheet - Governmental Funds
December 31, 2017

	General Fund	State Highway Aid Fund	Traffic Impact Fund	Capital Reserve Fund	Lafarge Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets								
Cash and cash equivalents	\$ 7,800,834	\$ 234,403	\$ 1,226,792	\$ 1,096,948	\$ 1,124,358	\$ 19,268	\$ 288,519	\$ 11,791,122
Accounts receivable	1,615,633	-	-	(1,897)	-	-	-	1,613,736
Taxes receivable	789,532	-	-	-	-	-	-	789,532
Grants receivable	-	-	-	724,277	-	-	-	724,277
Other assets	221	-	-	-	-	-	-	221
Due from other funds	19,782	35,700	-	12,151	97,758	-	-	165,391
Total Assets	\$ 10,226,002	\$ 270,103	\$ 1,226,792	\$ 1,831,479	\$ 1,222,116	\$ 19,268	\$ 288,519	\$ 15,084,279
Liabilities								
Accounts payable	\$ 581,185	\$ 51,337	\$ -	\$ 799,027	\$ 18,203	\$ -	\$ -	\$ 1,449,752
Accrued expenses	400,439	-	-	-	-	-	-	400,439
Returnable deposits	92,841	-	-	-	-	-	-	92,841
Other liabilities	235,706	-	-	-	-	-	-	235,706
Due to other funds	111,111	-	-	25,000	-	-	4,395	140,506
Total Liabilities	1,421,282	51,337	-	824,027	18,203	-	4,395	2,319,244
Deferred Inflow of Resources								
Unavailable revenue - property taxes	180,590	-	-	-	-	-	-	180,590
Unavailable revenue - per capita taxes	24,385	-	-	-	-	-	-	24,385
Unavailable revenue - garbage charges	775,016	-	-	-	-	-	-	775,016
Total Deferred Inflow of Resources	979,991	-	-	-	-	-	-	979,991
Fund Balances								
Restricted	-	218,766	1,226,792	-	-	-	-	1,445,558
Committed	-	-	-	1,007,452	-	19,268	194,112	1,220,832
Assigned	-	-	-	-	1,203,913	-	90,012	1,293,925
Unassigned	7,824,729	-	-	-	-	-	-	7,824,729
Total Fund Balances	7,824,729	218,766	1,226,792	1,007,452	1,203,913	19,268	284,124	11,785,044
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	\$ 10,226,002	\$ 270,103	\$ 1,226,792	\$ 1,831,479	\$ 1,222,116	\$ 19,268	\$ 288,519	\$ 15,084,279

See accompanying notes.

Whitehall Township

Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
December 31, 2017

Total Fund Balances, Governmental Funds **\$ 11,785,044**

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

Capital assets used in governmental activities are not financial resources and, therefore, not reported as assets in the governmental funds. The cost of the capital assets is \$40,234,959 and the accumulated depreciation is \$24,125,006. **16,109,953**

Taxes receivable will be collected next year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred inflows in the funds. **979,991**

Deferred outflows and inflows of resources related to the pension plans will not be paid or received in the current period and, therefore, are not reported in the funds. **1,242,416**

Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances at December 31, 2017 are as follows

Bonds payable	(1,224,332)
Accrued interest on bonds payable	(1,866)
Compensated absences	(300,798)
Net pension liability	(3,763,110)
Other postemployment benefits (OPEB) obligation	(5,174,085)

Total Net Position, Governmental Activities **\$ 19,653,213**

Whitehall Township

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

Year Ended December 31, 2017

	General Fund	State Highway Aid Fund	Traffic Impact Fund	Capital Reserve Fund	Lafarge Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues								
Taxes	\$ 15,844,577	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,844,577
Licenses and permits	652,710	-	-	-	-	-	-	652,710
Fines and forfeits	149,874	-	-	-	-	-	-	149,874
Interest, rents, and royalties	158,999	6,275	11,634	3,325	11,168	208	3,045	194,654
Intergovernmental revenue	1,218,483	800,713	-	1,156,274	97,758	-	-	3,273,228
Charges for services	3,739,819	-	-	-	-	-	-	3,739,819
Contributions	-	-	130,868	-	-	-	-	130,868
Miscellaneous revenue	207,667	-	-	-	-	-	-	207,667
Total Revenues	21,972,129	806,988	142,502	1,159,599	108,926	208	3,045	24,193,397
Expenditures								
Current								
General government	1,637,255	-	-	-	-	-	-	1,637,255
Public safety	7,805,405	-	-	125,573	-	-	-	7,930,978
Public works	5,294,029	335,403	15,220	449,400	-	-	21,866	6,115,918
Culture and recreation	927,190	-	-	1,078,449	-	-	13,009	2,018,648
Insurance, employee benefits, and other	3,865,643	-	-	-	-	-	-	3,865,643
Debt service								
Principal	-	-	-	-	-	245,000	-	245,000
Interest	-	-	-	-	-	59,119	-	59,119
Fiscal agent fees	-	-	-	-	-	33,631	-	33,631
Capital outlay	-	-	-	1,455,851	-	-	-	1,455,851
Total Expenditures	19,529,522	335,403	15,220	3,109,273	-	337,750	34,875	23,362,043
Excess (Deficiency) of Revenues over (under) Expenditures	2,442,607	471,585	127,282	(1,949,674)	108,926	(337,542)	(31,830)	831,354

Whitehall Township

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (continued)

Year Ended December 31, 2017

	General Fund	State Highway Aid Fund	Traffic Impact Fund	Capital Reserve Fund	Lafarge Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)								
Debt issuance proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,224,332	\$ -	\$ 1,224,332
Payment to refunded bond escrow agent	-	-	-	-	-	(1,175,000)	-	(1,175,000)
Proceeds from sale of capital assets	-	-	-	3,525	-	-	-	3,525
Transfers in	-	-	-	2,073,917	-	288,418	-	2,362,335
Transfers out	(1,988,418)	(373,917)	-	-	-	-	-	(2,362,335)
Total Other Financing Sources (Uses)	(1,988,418)	(373,917)	-	2,077,442	-	337,750	-	52,857
Net Change in Fund Balances	454,189	97,668	127,282	127,768	108,926	208	(31,830)	884,211
Fund Balances at Beginning of Year	7,370,540	121,098	1,099,510	879,684	1,094,987	19,060	315,954	10,900,833
Fund Balances at End of Year	\$ 7,824,729	\$ 218,766	\$ 1,226,792	\$ 1,007,452	\$ 1,203,913	\$ 19,268	\$ 284,124	\$ 11,785,044

Whitehall Township

Reconciliation of the Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended December 31, 2017

Net Change in Fund Balances, Governmental Funds **\$ 884,211**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities - governmental activities, the costs of those assets are allocated over their estimated lives and reported as depreciation expense. The net effects of these differences in the current period are

Capital outlays	\$ 1,455,851
Depreciation	<u>(1,372,555)</u>

83,296

Governmental funds report interest paid on bonds payable as expenditures. However, in the statement of activities - governmental activities, interest is matched to the period in which it was incurred. This amount is the net effect of matching interest expense to the proper period.

16,225

Some taxes will not be collected for several months after year-end. They are not considered as "available" revenues in the governmental funds. Deferred inflow of resources increased by this amount during the year.

(49,501)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt uses current financial resources. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities - governmental activities. The net effect of these differences in the current period are

Principal proceeds	(1,224,332)
Principal repayments	1,420,000
Accreted interest	(3,105)
Amortization of premium on bond issue	<u>43,373</u>

235,936

Some expenses reported in the statement of activities - governmental activities do not require the use of current financial resources and are not reported as expenditures in governmental funds

Compensated absences payable	(46,694)
Net pension expense	(373,559)
Other postemployment benefits (OPEB) obligation	<u>(453,619)</u>

(873,872)

Change in Net Position, Governmental Activities

\$ 296,295

Whitehall Township

Statement of Fiduciary Net Position - Fiduciary Funds

December 31, 2017

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 507,628	\$ 1,523,797	\$ 2,031,425
Investments	<u>29,989,991</u>	<u>-</u>	<u>29,989,991</u>
Total Assets	<u>30,497,619</u>	<u>1,523,797</u>	<u>32,021,416</u>
Liabilities			
Due to other funds	-	24,885	24,885
Returnable deposits	<u>-</u>	<u>1,498,912</u>	<u>1,498,912</u>
Total Liabilities	<u>-</u>	<u>1,523,797</u>	<u>1,523,797</u>
Net Position			
Assets held in trust for pension benefits	<u><u>\$ 30,497,619</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 30,497,619</u></u>

Whitehall Township

Statement of Changes in Fiduciary Net Position - Fiduciary Fund - Pension Trust Fund

Year Ended December 31, 2017

Additions

Contributions	
Employer	\$ 763,966
Employee	<u>210,893</u>
Total contributions	<u>974,859</u>
Investment income	
Net increase in value of investments	4,028,364
Interest and dividends	<u>528,318</u>
Total investment income	<u>4,556,682</u>
Total Additions	<u>5,531,541</u>

Deductions

Benefit payments	1,509,451
Administrative expenses	<u>168,742</u>
Total Deductions	<u>1,678,193</u>

Change in Net Position **3,853,348**

Net Position of Assets Held in Trust for Pension

 Benefits at Beginning of Year 26,644,271

Net Position of Assets Held in Trust for Pension

 Benefits at End of Year \$ 30,497,619

Whitehall Township

Note to Financial Statements

December 31, 2017

Note 1 - Nature of Activity

Whitehall Township (the Township), Lehigh County, Pennsylvania, operates under a Home Rule Charter approved by voter referendum in 1974. The Township has an approximate population of 26,000, based on a 2010 census report, living within an area of 12.8 square miles. The Township is in the southeastern portion of the Commonwealth of Pennsylvania and is located in Lehigh County.

Note 2 - Summary of Significant Accounting Policies

Except for not recording the retroactive cost of general infrastructure capital assets and related depreciation, the Township follows the practice of presenting its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). Accounting principles generally accepted in the United States of America include all relevant GASB pronouncements.

The Financial Reporting Entity

The Township is a Pennsylvania First Class Township which operates under a Board of Commissioners-Mayor form of government. Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In addition, the primary government may determine through the exercise of management's professional judgment that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that organization should be included as a component unit if the nature and significance of their relationship with the primary government or other component units, are such that 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. There are no agencies or entities which should be presented with the Township.

Related Organization

The Township's Board of Commissioners is responsible for appointing the members of the governing board of the Whitehall Township Authority and the Whitehall Township Industrial and Commercial Development Authority, but the Township's accountability for these organizations does not extend beyond making the appointments.

Whitehall Township

Note to Financial Statements

December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Jointly Governed Organization

Coplay Whitehall Sewer Authority

The Township, in conjunction with the Borough of Coplay, has created the Coplay Whitehall Sewer Authority. The Coplay Whitehall Sewer Authority Board is composed of four members appointed by the Whitehall Township Commissioners and three members appointed by the Coplay Borough Council. The primary purpose of the Authority is to provide sewage service to the entire areas of Coplay and Whitehall.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position - governmental activities and the statement of activities - governmental activities display information about the reporting government as a whole. The statements include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. An emphasis is placed on major funds. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

Total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10% of the corresponding total for all funds of that category or type, and total assets, liabilities, revenues, or expenditures of the individual governmental fund are at least 5% of the corresponding total for all governmental funds combined.

The Township may also report as a major fund any fund it believes to be of particular importance to the financial statement users.

The funds of the financial reporting entity are described below:

Governmental Funds

Governmental funds are those through which most governmental functions of the Township are financed. The acquisition, use, and balance of the Township's expendable financial resources and the related liabilities (except for those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is based upon determination of changes in financial position rather than upon net income determination.

General Fund - is the primary operating fund of the Township and is always classified as a major fund. It is used to account for and report all financial resources not accounted for and reported in another fund.

Whitehall Township

Note to Financial Statements

December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Fund Financial Statements (continued)

Governmental Funds (continued)

Special Revenue Funds - are used to account for and report the proceeds of specific revenue sources that are restricted, committed, or assigned to expenditures for specified purposes other than debt service or capital projects. The term "proceeds of specific revenue sources" establishes that one or more specific restricted, committed, or assigned revenues should be the foundation for a special revenue fund. The Township reports the following special revenue funds as major funds:

State Highway Aid 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. Expenditures are legally restricted to expenditures for highway purposes in accordance with the Department of Transportation regulations. County liquid fuels tax payments to the local government are not accounted for in this Fund.

Traffic Impact Fund - is used to account for fees collected by the Township, thus ensuring that new development bears a proportionate share of the cost of capital expenditures necessary to meet the transportation needs of the Township.

The Township reports the following special revenue funds as nonmajor funds:

Recreation Escrow Fund - is used to account for money received from developers of residential subdivisions required to be expended for recreation capital improvements.

Perpetual Maintenance Fund - is used to account for fees collected by the Township for future maintenance of dedicated development property.

Capital Projects Funds - are used to account for and report financial resources that are restricted, committed, or assigned expenditures for capital outlays, including the acquisition or construction of major capital improvements. Capital project funds exclude those types of capital related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. The Township reports the following capital projects funds as major funds:

Capital Reserve Fund - is used to account for resources to be used to construct or acquire capital assets from resources derived from budgetary transfers, investment earnings, and the sale of fixed assets.

Lafarge Fund - is used to account for funds received from a settlement for relocation of a road. The funds are used to purchase equipment.

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Fund Financial Statements (continued)

Governmental Funds (continued)

Debt Service Fund - is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest (debt service) resources. This Fund includes financial resources that are being accumulated for principal and interest maturing in future years and also includes financial resources that are legally mandated to be accounted for and reported in a debt service fund. The Township reports the following debt service fund as a major fund:

Debt Service Fund - is used for the payment of debt related to the Township's General Obligation Bonds and Notes.

Fiduciary Fund Types

The Township also reports the following fund types:

Pension Trust Fund - is used to account for assets held for the Township's police pension plan which is funded by employer and employee contributions. This Fund accounts for fiduciary resources legally held in trust for the receipt and distribution of retirement benefits.

Agency Funds - are used to account for assets held in trust for the benefit of others, with the Township having no equity or ownership in the assets. The reporting entity includes the following agency funds:

Developers Escrow Fund - is used to record receipt of developer escrow deposits to be used as expense reimbursement for legal and engineering fees.

Firemen's Length of Service Award Fund - is used to record receipt of money appropriated from the General Fund for volunteer firemen's length of service awards.

Flex 125 Plan and Worker's Compensation Funds - are used to record receipt of money appropriated for nonrisk associated worker's compensation claims and insurance premiums and employee benefits.

Treasurer's Accounts Fund - is used for the collection of various taxes from residents and employers in the Township and disbursement to the Township and to local governments.

Note 2 - Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting

The basic financial statements of the Township are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements
- Required supplementary information

Government-Wide Financial Statements

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of activities - governmental activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (a) fees, fines, and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The fund financial statements are presented on a current financial resource and modified accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliations are presented which briefly explain the adjustments necessary to reconcile the fund financial statements to the governmental activities of the government-wide financial statements.

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred except for unmatured interest on long-term debt, claims, judgments, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Note 2 - Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

Fund Financial Statements (continued)

In applying the susceptible-to-accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one type, funds must be expended for the specific purpose or project before any amounts will be paid to the Township, therefore, revenues are recognized based upon the expenditures incurred. In the other type, funds are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reported as revenues at the time of receipt or earlier, if the susceptible-to-accrual criteria are met.

Licenses and permits, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment income is recognized as earned.

The Township's Fiduciary Funds are presented in the fund financial statements by type (pension and agency). Since, by definition, these assets are being held for the benefit of a third party (other local governments, litigants, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Assets and Liabilities

Cash

The Township considers all cash accounts that are not subject to withdrawal restrictions or penalties to be cash. Cash held in pension plans trust accounts is classified as an investment.

Investments

The Board of Commissioners is authorized by statutes to invest its funds as defined in the Township Code. Authorized types of investments include the following:

- A. U.S. Treasury Bills.
- B. Short-term obligations of the U.S. Government or its agencies or instrumentalities.
- C. Insured savings and checking accounts and certificates of deposit in banks, savings and loan associations, and credit unions.
- D. General obligation bonds of the federal government, the Commonwealth of Pennsylvania or any state agency, or of any Pennsylvania political subdivision.
- E. Bills of exchange or time drafts drawn on and accepted by a commercial bank not to exceed 180 days.
- F. Short-term, unsecured obligations of corporations or other business entities organized in accordance with federal or state law.
- G. Shares of mutual funds whose investments are restricted to the above categories.

Whitehall Township

Note to Financial Statements

December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Assets and Liabilities (continued)

Investments (continued)

Investments are carried at fair value.

Investments of pension trust funds are pursuant to the guidelines established by the Police Pension Board.

Accounts Receivable

Accounts receivable are shown net of allowances for uncollectible amounts.

Due To and From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Capital Assets

Capital assets, which include building and improvements, machinery and equipment, traffic signals, and infrastructure assets, are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at the estimated fair value on the date of donation.

The cost of normal maintenance and repairs that does not add to the value of the asset, or materially extend its useful life, is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. 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 the financial statements.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	31½ to 39 years
Machinery and equipment	5 years
Traffic signals	7 years
Infrastructure	15 years

GASB Statement No. 34 requires the Township to report and depreciate new infrastructure assets effective beginning 2003. Infrastructure assets include roads, bridges, traffic signals, etc. Except for traffic signals, neither the historical cost, nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure was subject to an extended implementation period and was first effective for fiscal years ending 2007. Management has not recorded the retroactive reporting of general infrastructure assets and the depreciation on those assets.

Note 2 - Summary of Significant Accounting Policies (continued)

Assets and Liabilities (continued)

Bond Premiums and Discounts

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

Returnable Deposits

The Township requires deposits from developers for site development. Unexpended deposits are returned to developers.

Deferred Outflows of Resources and Deferred Inflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period not recognized as an outflow of resources until that future period. A deferred inflow of resources represents an acquisition of net position that applies to a future period not recognized as an inflow of resources until that future period.

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position - governmental activities. Bonds and notes payable are reported net of the applicable premium or discount.

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

Compensated Absences

The Township accrues accumulated compensation and sick pay benefits when earned, or estimated to be earned, by the employee. Accrued vacation must be used during the calendar year without carryover to future years, except with advance approval of the Township Executive.

Equity

Government-Wide Statements

Net position is classified into the following three components:

Net investment in capital assets - This component of net position consists of the cost of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

Whitehall Township

Note to Financial Statements

December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Equity (continued)

Government-Wide Statements (continued)

Restricted - This component of net position consists of constraints placed on net position use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments or (b) law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

It is the Township's policy to first use restricted net position prior to the use of unrestricted net position when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available.

Governmental Fund Financial Statements

Fund balances are classified into specifically designed classifications as follows:

Nonspendable - This classification consists of amounts that cannot be spent because they are either not in spendable form or are legally required to be maintained intact.

Restricted - This classification consists of amounts that are restricted to specific purposes either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments or (b) law through constitutional provisions or enabling legislation. The restriction is binding unless removed with the consent of the resource provider.

Committed - This classification consists of amounts used for specific purposes imposed by formal action of the Township's highest level of decision-making authority. The commitment is binding unless removed in the same manner imposed. Formal action must occur prior to fiscal year-end, however, the amount may be determined subsequent to year-end.

Assigned - This classification consists of amounts constrained by the Township's intent to be used for specific purposes that are neither restricted, nor committed.

Unassigned - This classification consists of amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance.

Note 2 - Summary of Significant Accounting Policies (continued)

Revenues and Expenditures

Program Revenues

All revenues are recognized when received.

In the statement of activities - governmental activities, revenues that are derived directly from each activity or from parties outside the Township's taxpayers are program revenues. Amounts reported as program revenues include (a) charges to customers or applicants for goods and services or privileges provided, (b) operating grants and contributions, and (c) capital grants and contributions, including special assessments.

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

Intergovernmental Revenues

Intergovernmental revenues are received from the Commonwealth of Pennsylvania, federal agencies, and local governmental units, generally to fund specific programs, and are recognized when received.

Property Taxes

The Township is permitted by its Home Rule Charter to levy real estate taxes up to 20 mills of assessed valuation for general purposes. The millage rate levied by the Township for 2017 was 2.8 mills as established by the Board of Commissioners. Current tax collections for the Township were approximately 98% of the total tax levy.

The Township's real estate taxes are based on assessed value established by the County's Board of Assessments. The real estate taxes are collected by an elected tax collector. Real estate taxes attach an enforceable lien on property when levied on March 1. A discount of 2% is applied to payments made prior to April 30. A penalty of 10% is added to the face amount of taxes paid after July 1.

In the government-wide financial statements, taxes receivable and related revenue include all amounts due to the Township regardless of when the cash is received. Over time, substantially all property taxes are collected.

In the fund financial statements, delinquent property taxes not paid within 60 days of December 31 are recorded as deferred inflow of resources.

Note 2 - Summary of Significant Accounting Policies (continued)

Internal and Interfund Balances and Activities

Fund Financial Statements

Interfund activity, if any, within and among the governmental fund category, is reported as follows in the fund financial statements:

Interfund Services

Sales or purchases of goods and services between funds are reported as revenues and expenditures.

Interfund Reimbursements

Repayments from funds responsible for certain expenditures to the funds that initially paid for them are not reported as reimbursements, but as adjustments to expenditures in the respective funds.

Interfund Transfers

Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*. This Statement amends and financial accounting and reporting requirements for sponsors (employers) of OPEB plans. GASB Statement No. 75 is effective for periods beginning after June 15, 2017.

In March 2016, the GASB issued Statement No. 82, *Pension Issues*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not within the Scope of GASB Statements 67 and 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (a) the presentation of payroll-related measures in required supplementary information, (b) the selection of assumptions and treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (c) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. GASB Statement No. 82 is effective for fiscal years beginning after June 15, 2016. The Township adopted Statement No. 74 for its December 31, 2017 financial statements.

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes guidance for determining the timing and pattern of recognition for liabilities and deferred outflows of resources related to certain asset retirement obligations. Statement No. 83 is effective for periods beginning after June 15, 2018.

On January 1, 2017, the Township adopted the provisions of GASB Statement No. 82, *Pension Issues-An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement amends and clarifies certain pension disclosures promulgated by Statements No. 67, 68, and 73. Adoption of this guidance did not have a material effect on the Township's financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes, and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB Statement No. 84 is effective for periods beginning after December 15, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). GASB Statement No. 85 is effective for periods beginning after June 15, 2017.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt, by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, and improves accounting and financial reporting for prepaid insurance on debt that is extinguished, and notes to financial statements for debt that is defeased in substance. GASB Statement No. 83 is effective for periods beginning after June 15, 2017.

In June 2017, the GASB issued 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. GASB Statement No. 87 is effective for periods beginning after December 15, 2019.

Whitehall Township

Note to Financial Statements

December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

In March 2018, the GASB issued Statement No 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. GASB Statement No. 88 is effective for reporting periods beginning after June 15, 2018.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement No. 89 is effective for periods beginning after December 15, 2019.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statement No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies the reported requirements thereof. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Note 3 - Stewardship, Compliance, and Accountability

Compliance with Finance-Related Legal and Contractual Provisions

The Township had no material violations of finance-related legal and contractual provisions.

Excess of Expenditures over Appropriations in Individual Funds

No individual fund, which was budgeted as required by the Commonwealth of Pennsylvania, contained an excess of expenditures over appropriations that was not covered by the cash balance at December 31, 2016 and the cash received for the year ended December 31, 2017.

For the year ended December 31, 2017, expenditures exceeded appropriations in the Capital Reserve Fund by approximately \$978,000.

Whitehall Township

Note to Financial Statements

December 31, 2017

Note 4 - Deposits and Investments

The Township's available cash is invested in demand deposit accounts. Pension fund assets are invested in cash, common stock, fixed income mutual funds, corporate bonds, and exchange traded mutual funds. The carrying amounts of cash and investments consist of the following at December 31, 2017:

Cash Demand Deposits	<u>\$ 13,821,777</u>
Investments	
Money market funds	1,047,605
Equity securities	7,348,064
Fixed income mutual funds	7,182,291
Equity mutual funds	13,715,181
Other	<u>696,850</u>
	<u>29,989,991</u>
Petty Cash	<u>770</u>
	<u><u>\$ 43,812,538</u></u>

Reconciliation to Statement of Net Position/Balance Sheet

Cash	
Governmental activities, checking	\$ 11,791,122
Fiduciary funds	<u>2,031,425</u>
	13,822,547
Investments	
Fiduciary	<u>29,989,991</u>
	<u><u>\$ 43,812,538</u></u>

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a financial institution failure, the Township's deposits may not be returned. At December 31, 2017, the carrying amounts of the Township's bank deposits were \$13,821,777 and the corresponding bank balances were \$13,894,896, of which \$260,000 was covered by Federal Depository Insurance. Deposits totaling \$13,634,896 were exposed to custodial risk because they were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

Whitehall Township

Note to Financial Statements

December 31, 2017

Note 4 - Deposits and Investments (continued)

Investments

The Township's pension fund has the following investments in debt securities as of December 31, 2017:

	Fair Value	Investment Maturities (in Years)		Ratings as of Year-End
		Less Than One Year	One to Five Year	
Fixed income mutual funds	\$ 7,182,291	\$ 7,182,291	\$ -	3 to 4 stars by Morningstar

Credit Risk

The Township limits the type of investments permitted as defined in the Township Code. Permitted investments are defined in Note 2. When making investments, the Township can combine monies from more than one fund under the Township's control for the purchase of a single investment and join with other political subdivisions in the purchase of a single investment.

Interest Rate Risk

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

Custodial Credit Risk - Investments

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 securities that are in the possession of an outside party. As of December 31, 2017, \$29,989,991 is held by the investment's counterparties, not in the name of the Township.

Note 5 - Fair Value Measurements

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy sets out a fair value hierarchy with the highest priority being quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurement). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Whitehall Township

Note to Financial Statements

December 31, 2017

Note 5 - Fair Value Measurements (continued)

Fair value measurements will be classified and disclosed in one of the following three categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

The following table presents the balances of fair value measurements on a recurring basis by level within the hierarchy as of December 31, 2017:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments Measured at Fair Value				
Equities				
Consumer discretionary	\$ 1,015,636	\$ -	\$ -	\$ 1,015,636
Consumer staples	636,046	-	-	636,046
Energy	258,094	-	-	258,094
Financial	1,131,231	-	-	1,131,231
Health care	1,045,879	-	-	1,045,879
Industrials	940,063	-	-	940,063
Information technology	1,757,084	-	-	1,757,084
Materials	363,690	-	-	363,690
Utilities	200,341	-	-	200,341
Total Equities	7,348,064	-	-	7,348,064
Mutual Funds				
Fixed income	7,182,291	-	-	7,182,291
Equities	13,715,181	-	-	13,715,181
Total Mutual Funds	20,897,472	-	-	20,897,472
Money Market	1,047,605	-	-	1,047,605
Other				
Fixed rate capital security	696,850	-	-	696,850
	\$ 29,989,991	\$ -	\$ -	\$ 29,989,991

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Whitehall Township

Note to Financial Statements

December 31, 2017

Note 6 - Capital Assets

Capital asset activity was as follows for the year ended December 31, 2017:

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,419,613	\$ -	\$ -	\$ 2,419,613
Construction in progress	325,688	95,627	84,627	336,688
Total capital assets not being depreciated	<u>2,745,301</u>	<u>95,627</u>	<u>84,627</u>	<u>2,756,301</u>
Capital assets being depreciated				
Buildings and improvements	14,896,627	36,630	-	14,933,257
Machinery and equipment	8,355,307	1,070,338	12,300	9,413,345
Traffic signals	3,061,652	-	-	3,061,652
Infrastructure	9,732,523	337,881	-	10,070,404
Total capital assets being depreciated	<u>36,046,109</u>	<u>1,444,849</u>	<u>12,300</u>	<u>37,478,658</u>
Less accumulated depreciation for				
Buildings and improvements	9,544,067	258,031	-	9,802,098
Machinery and equipment	7,294,651	416,606	12,300	7,698,957
Traffic signals	2,409,069	123,813	-	2,532,882
Infrastructure	3,516,966	574,103	-	4,091,069
Total accumulated depreciation	<u>22,764,753</u>	<u>1,372,553</u>	<u>12,300</u>	<u>24,125,006</u>
Total capital assets being depreciated, net	<u>13,281,356</u>	<u>72,296</u>	<u>-</u>	<u>13,353,652</u>
Total governmental activities capital assets, net	<u>\$ 16,026,657</u>	<u>\$ 167,923</u>	<u>\$ 84,627</u>	<u>\$ 16,109,953</u>

Depreciation expense charged to governmental activities was \$1,372,555 for the year ended December 31, 2017.

Whitehall Township

Note to Financial Statements

December 31, 2017

Note 7 - Interfund Transfers and Balances

Transfers between funds were as follows for the year ended December 31, 2017:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 1,988,418
State Highway Aid Fund	-	373,917
Capital Reserve Fund	2,073,917	-
Debt Service Fund	288,418	-
	<u>\$ 2,362,335</u>	<u>\$ 2,362,335</u>

In general, transfers are used to allocate revenues collected in one fund to finance capital expenditures and debt service accounted for in other funds.

The composition of interfund balances is as follows as of December 31, 2017:

	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
General Fund	\$ 111,111	\$ 19,782
State Highway Aid Fund	-	35,700
Capital Reserve Fund	25,000	12,151
Lafarge Fund	-	97,758
Recreation Escrow Fund	4,395	-
Agency Funds	24,885	-
	<u>\$ 165,391</u>	<u>\$ 165,391</u>

Outstanding balances between funds may result from the time lag between the dates (a) interfund goods and services are provided or reimbursable expenditures occur, (b) transactions are recorded in the accounting system, and (c) payments between funds are made.

Whitehall Township

Note to Financial Statements

December 31, 2017

Note 8 - Long-Term Debt

Long-term debt consists of the following at December 31, 2017:

	Balance Outstanding January 1, 2017	Additions	Deletions	Balance Outstanding December 31, 2017
General Obligation Note, Series of 2001, original amount \$5,160,289 (\$4,215,000 Current Interest Notes and \$945,289 Capital Appreciation Notes), due in semiannual installments of principal plus interest ranging from 3.000% to 5.310% through 2017. This note was satisfied in 2017	\$ 116,896	\$ -	\$ 116,896	\$ -
General Obligation Bonds, Series of 2011, original amount \$4,295,000, due in semiannual installments of principal plus interest ranging from 1.000% to 3.850% through 2025. This bond was satisfied with proceeds from the General Obligation Note Series of 2017	1,300,000	-	1,300,000	-
General Obligation Note, Series of 2017, two year draw note with a maximum principal amount of \$3,037,000 due in annual installments of principal plus semiannual installments interest fixed at 1.98%% through 2027	-	1,224,332	-	1,224,332
	<u>\$ 1,416,896</u>	<u>\$ 1,224,332</u>	<u>\$ 1,416,896</u>	<u>\$ 1,224,332</u>

In 2017, the Township issued General Obligation Bonds with a maximum draw of \$3,037,000. The bonds were used to refund the General Obligation Bond Series of 2011 (aggregate principal amount of \$1,175,000) and pay issuance costs and accrued interest. As a result of the refunding, the County reduced its total debt service requirements by approximately \$59,000, which results in an economic gain (difference between present value of the debt service payment on the old and new debt) of approximately \$66,000.

Whitehall Township

Note to Financial Statements

December 31, 2017

Note 8 - Long-Term Debt (continued)

Aggregate maturities required on long-term debt are as follows at December 31, 2017:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	\$ 262,070	\$ 22,947	\$ 285,017
2019	320,240	19,053	339,293
2020	327,530	12,712	340,242
2021	314,492	6,227	320,719
	1,224,332	<u>\$ 60,939</u>	<u>\$ 1,285,271</u>
Current maturities	<u>(262,070)</u>		
	<u>\$ 962,262</u>		

Changes in long-term liabilities are as follows for the year ended December 31, 2017:

	<u>Balance January 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2017</u>	<u>Current Portion</u>
General obligation debt					
Note, Series of 2001	\$ 116,896	\$ -	\$ 116,896	\$ -	\$ -
Bonds, Series of 2011	1,300,000	-	1,300,000	-	-
	<u>-</u>	<u>1,224,332</u>	<u>-</u>	<u>1,224,332</u>	<u>262,070</u>
	1,416,896	1,224,332	1,416,896	1,224,332	262,070
Compensated absences	254,104	46,694	-	300,798	-
Net pension liability	4,753,878	6,298,375	7,289,143	3,763,110	-
Other postemployment benefits	<u>4,720,465</u>	<u>803,201</u>	<u>349,581</u>	<u>5,174,085</u>	<u>-</u>
Total long-term liabilities	<u>\$ 11,145,343</u>	<u>\$ 8,372,602</u>	<u>\$ 9,055,620</u>	<u>\$ 10,462,325</u>	<u>\$ 262,070</u>

Compensated absences have been liquidated in the General Fund in prior years.

Whitehall Township

Note to Financial Statements

December 31, 2017

Note 9 - Fund Balances

Fund balances of the Township's governmental funds consist of the following at December 31, 2017:

	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total Fund Balance</u>
Reported in					
General Fund	\$ -	\$ -	\$ -	\$ 7,824,729	\$ 7,824,729
State Highway Aid Fund, highways and streets	<u>218,766</u>	-	-	-	<u>218,766</u>
Traffic Impact Fund, transportation needs	<u>1,226,792</u>	-	-	-	<u>1,226,792</u>
Capital Reserve Fund, capital improvements	-	<u>1,007,452</u>	-	-	<u>1,007,452</u>
Lafarge Fund, capital expenditures	-	-	<u>1,203,913</u>	-	<u>1,203,913</u>
Debt Service Fund, debt service	-	<u>19,268</u>	-	-	<u>19,268</u>
Other governmental funds					
Maintenance of dedicated property	-	-	<u>90,012</u>	-	<u>90,012</u>
Recreational services	-	<u>194,112</u>	-	-	<u>194,112</u>
	-	<u>194,112</u>	<u>90,012</u>	-	<u>284,124</u>
	<u>\$ 1,445,558</u>	<u>\$ 1,220,832</u>	<u>\$ 1,293,925</u>	<u>\$ 7,824,729</u>	<u>\$ 11,785,044</u>

Fund Balance Policy

The Township establishes fund balance in 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.

Spending Policy

The Township's policy is to first use restricted fund balance when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

The Township's policy is to use unrestricted fund balance in the following order: committed, assigned, and unassigned, when expenditure is incurred for purposes for which each of these fund balance classifications are available.

Whitehall Township

Note to Financial Statements

December 31, 2017

Note 9 - Fund Balances (continued)

Minimum Fund Balance Policy

The Township has not formally adopted a minimum fund balance policy.

Committed Fund Balance

The Board of Commissioners is the Township's highest level of decision-making authority. The Township has not formally adopted a policy as to the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment.

Assigned Fund Balance

The Township has not formally adopted a policy regarding the body or official authorized to assign amounts to a specific purpose and the policy established by the governing body pursuant to which that authorization is given.

Reservations of Fund Balance

Restricted - State Highway Aid Fund

The Township established the following restricted fund balance reserve in the State Highway Aid Fund:

Highways and Streets Reserve - the Township's restricted fund balance in the State Highway Aid Fund consists of proceeds from the State Motor License Fund accounted for in the State Liquid Fuels Highway Aid Fund. Expenditure of these funds is legally restricted to expenditures for highway purposes in accordance with Department of Transportation regulations.

Restricted - Traffic Impact Fund

The Township established the following restricted fund balance reserve in the Traffic Impact Fund:

Traffic Impact Reserve - is restricted by the Township Board of Commissioners, as set forth by Township Ordinance and Pennsylvania Act 209, to provide funds for expenditures necessary to meet specific transportation needs of the Township.

Committed - Capital Reserve Fund

The Township established the following committed fund balance reserve in the Capital Reserve Fund:

Capital Improvements Reserve - is committed by the Board of Commissioners, as set forth in the annual budget and any amendments thereto, to provide funds for capital improvements.

Whitehall Township

Note to Financial Statements

December 31, 2017

Note 9 - Fund Balances (continued)

Reservations of Fund Balance (continued)

Committed - Debt Service Fund

The Township established the following committed fund balance reserve in the Debt Service Fund:

Debt Service Reserve - is committed by the Board of Commissioners, as set forth in the annual budget and any amendments thereto, to provide funds for the repayment of principal and interest.

Committed - Other Governmental Funds

The Township established the following committed fund balance reserves in the Other Governmental Funds:

Recreation - is committed by the Township Board of Commissioners, as set forth by Township Ordinance, to provide recreational services to residents.

Assigned - Lafarge Fund

The Township established the following assigned fund balance reserve in the Lafarge Fund:

Capital Expenditure Reserve - is assigned by the Township Board of Commissioners to provide funds for capital expenditure purposes.

Assigned - Other Governmental Funds

The Township established the following assigned fund balance reserve in the Other Governmental Funds:

Perpetual Maintenance Reserve - is assigned by the Township Board of Commissioners to provide funds for the future maintenance of property dedicated to the Township.

Disbursement of Fund Balance Reserves

No formal policy has been adopted by the Township regarding disbursement of funds within the fund balance reserves, however, disbursement is approved by the Board of Commissioners by inclusion in the approved annual budget and amendments thereto.

Annual Review and Determination of Fund Balance Reserve Amounts

Compliance with the provisions of this policy shall be reviewed as a part of the annual budget adoption process and the amounts of nonspendable, restricted, committed, assigned, and the minimum level of unassigned fund balance shall be determined during this process.

Whitehall Township

Note to Financial Statements

December 31, 2017

Note 10 - Whitehall Township Police Pension Plan

Plan Description

The Whitehall Township Police Pension Plan (the Police Plan) is a single-employer defined benefit pension plan that covers all full-time uniform employees of the police force. The Police Plan provides pension benefits for normal retirement date at the age 50 with 25 years of credited service. Separately issued financial statements are not available.

Benefits Provided

Benefits are equal to 50% of the participant's average monthly compensation based upon the last 36 months of employment plus a service increment of \$100 per month for each completed year of benefit service in excess of 25, not to exceed \$500 per month. The Police Plan also provides death and disability benefits. The authority for benefit provisions under the Police Plan rests with the Township's Board of Commissioners. The Police Plan does not issue stand-alone financial statements.

Employees Covered by Benefit Terms

At December 31, 2017, the following employees were covered by the Police Plan:

Active employees	43
Retirees and beneficiaries currently receiving benefits	41
Terminated employees entitled to benefits, but not yet receiving them	<u>2</u>
	<u>86</u>

Contributions

Pennsylvania Act 205 requires that annual contributions to the Police Plan be based upon the Police Plan's Minimum Municipal Obligation (MMO), which is based on the Police Plan's biennial actuarial valuation. Investment expenses, including investment manager and custodial services, are funded through investment earnings. Administrative expenses, including actuarial and consultant services, are funded through investment earnings and/or contributions. Participants are required to contribute a 5% of total compensation. The Township is required to contribute amounts necessary to fund the Police Plan using the actuarial basis specified by statute.

Net Pension Liability

The Township's net pension liability was measured as of December 31, 2017, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2017. Changes in the assumption of average expected service lives of all active and inactive employees occurred between the valuation date and the fiscal year-end.

Whitehall Township

Note to Financial Statements

December 31, 2017

Note 10 - Whitehall Township Police Pension Plan (continued)

Actuarial Assumptions

The total pension liability in the January 1, 2017 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	5.00%, average, including inflation
Investment rate of return	8.00%, including inflation
Postretirement cost of living increase	3.00%

Mortality rates were based on the IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected seven years and rates for nonannuitants projects fifteen years using Scale AA to reflect mortality improvement.

The long-term expected rate of return on pension 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 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.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	55.00%	5.50 - 7.50%
International equity	20.00	4.50 - 6.50%
Fixed income	15.00	1.00 - 3.00%
Cash	10.00	0.00 - 1.00%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that municipal contributions will be made each year as required under Pennsylvania Act 205. Based on this assumption, the Police Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Police Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Whitehall Township

Note to Financial Statements

December 31, 2017

Note 10 - Whitehall Township Police Pension Plan (continued)

Changes in Net Pension Liability

The following table shows the changes in net pension liability for the year ended December 31, 2017.

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2016	\$ 29,610,828	\$ 26,650,762	\$ 2,960,066
Changes for the year			
Service cost	588,828	-	588,828
Interest cost	2,446,280	-	2,446,280
Changes in experience	188,858	-	188,858
Changes in assumptions	947,323	-	947,323
Contributions - employer	-	763,966	(763,966)
Contributions - member	-	219,028	(219,028)
Net investment income	-	4,392,674	(4,392,674)
Benefit payments, including refunds of member contributions	(1,514,677)	(1,514,677)	-
Administrative expense	-	(7,900)	7,900
Balance at December 31, 2017	\$ 32,267,440	\$ 30,503,853	\$ 1,763,587

Changes in assumptions relate to average expected service lives of all active and inactive employees.

Net Pension Liability Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 8.00% as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%) or one percentage point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability (asset)	\$ 5,606,674	\$ 1,763,587	\$ (1,468,509)

Whitehall Township

Note to Financial Statements

December 31, 2017

Note 10 - Whitehall Township Police Pension Plan (continued)

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

For the year ended December 31, 2017, the Township recognized pension expense of \$907,681. The Township reported deferred outflows of resources and deferred inflows of resources related to the Pension Plan from the following sources at December 31, 2017:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual experience	\$ -	\$ 14,139
Net difference between projected and actual earnings on pension plan investments	-	592,438
Change of assumptions	<u>649,981</u>	<u>-</u>
	<u>\$ 649,981</u>	<u>\$ 606,577</u>

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

2018	\$ 194,179
2019	194,179
2020	(375,448)
2021	(294,128)
2022	162,312
2023	162,308

Note 11 - Whitehall Township Nonuniformed Pension Plan

Plan Description

The Whitehall Township Nonuniformed Pension Plan (the Nonuniformed Plan) is a single-employer defined benefit pension plan administered by the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate publicly available financial report that includes financial statements and required supplementary information for the Nonuniformed Plan. A copy of that report can be obtained by contacting the PMRS accounting office.

Benefits Provided

The Nonuniformed Plan provides retirement, disability, and death benefits to Nonuniformed Plan members and beneficiaries. Cost of living allowances are provided at the discretion of the Nonuniformed Plan.

Whitehall Township

Note to Financial Statements

December 31, 2017

Note 11 - Whitehall Township Nonuniformed Pension Plan (continued)

Employees Covered by Benefit Terms

At December 31, 2016, the date of the most recent actuarial valuation, the following employees were covered by the Nonuniformed Plan:

Inactive employees or beneficiaries currently receiving benefits	36
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>57</u>
	<u>94</u>

Contributions

Pennsylvania Act 205 requires that annual contributions to the Nonuniformed Plan be based upon the Nonuniformed Plan's MMO, which is based on the Nonuniformed Plan's biennial actuarial valuation. Investment expenses, including investment manager and custodial services, are funded through investment earnings. Administrative expenses, including actuarial and consultant services, are funded through investment earnings and/or contributions. In accordance with the Nonuniformed Plan's governing resolution, members are required to contribute 1.50% to the Nonuniformed Plan. The Nonuniformed Plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program, which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the Township in accordance with Pennsylvania Act 205.

Net Pension Liability

The Township's net pension liability was measured as of December 31, 2016, and the total pension liability was determined based upon the actuarial valuation as of December 31, 2016, with liabilities rolled forward to December 31, 2017 and reflecting the impact of the assumption changes. No significant events or changes in assumptions occurred between the valuation date and the fiscal year-end.

Actuarial Assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	Age-related scale with merit and inflation component
Investment rate of return	5.25%; compounded annually, net of expenses
Cost of living increases	3.0% for those eligible for a cost of living adjustment

Preretirement mortality rates were based on the RP-2000 Mortality Table, males with one year set back and females with five year set back. Postretirement mortality rates were based on the RP-2000 Sex Distinct Mortality Table.

Whitehall Township

Note to Financial Statements

December 31, 2017

Note 11 - Whitehall Township Nonuniformed Pension Plan (continued)

Actuarial Assumptions (continued)

The actuarial assumptions used for the December 31, 2016 measurement date were based on the PMRS Experience Study for the period covering January 1, 2009 through December 31, 2013 issued by the actuary in July 2015, as well as subsequent Board approved assumption changes.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return are developed for each major asset class, for the portfolio as a whole and at different levels of probability or confidence. 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. Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equities (large capitalized firms)	25%	6.4%
Domestic equities (small capitalized firms)	15	7.0%
International equities (international developed markets)	15	3.7%
International equities (emerging markets)	10	7.9%
Real estate	20	7.0%
Fixed income	15	2.4%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 5.25%. The projection of cash flows used to determine the discount rate assumed that municipal contributions will be made each year as required under Pennsylvania Act 205. Based on this assumption, the Nonuniformed Plan's 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 Nonuniformed Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Whitehall Township

Note to Financial Statements

December 31, 2017

Note 11 - Whitehall Township Nonuniformed Pension Plan (continued)

Changes in Net Pension Liability

The following table shows the changes in net pension liability for the year ended December 31, 2017.

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2016	\$ 21,665,491	\$ 19,871,679	\$ 1,793,812
Changes for the year			
Service cost	317,087	-	317,087
Interest cost	1,187,189	-	1,187,189
Changes in assumptions	555,265	-	555,265
Changes in experience	(166,947)	-	(166,947)
Contributions - employer	-	357,435	(357,435)
Contributions - member	-	53,491	(53,491)
PMRS investment income	-	1,177,449	(1,177,449)
Market value investment income (loss)	-	158,153	(158,153)
Benefit payments	(805,410)	(805,410)	-
PMRS administrative expense	-	(1,960)	1,960
Additional administrative expense	-	(57,685)	57,685
Balance at December 31, 2017	\$ 22,752,675	\$ 20,753,152	\$ 1,999,523

Net Pension Liability Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 5.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.25%) or one percentage point higher (6.25%) than the current rate:

	1% Decrease (4.25%)	Discount Rate (5.25%)	1% Increase (6.25%)
Net pension liability (asset)	\$ 4,444,077	\$ 1,999,523	\$ (101,339)

Whitehall Township

Note to Financial Statements

December 31, 2017

Note 11 - Whitehall Township Nonuniformed Pension Plan (continued)

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

For the year ended December 31, 2017, Township recognized pension expense of \$578,303. The Township reported deferred outflows of resources and deferred inflows of resources related to the Pension Plan from the following sources at December 31, 2017:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	\$ -	\$ 310,380
Changes in assumptions	561,025	-
Net difference between projected and actual earnings on pension plan investments	599,908	-
Township contributions subsequent to the measurement date	348,459	-
	<u>\$ 1,509,392</u>	<u>\$ 310,380</u>

The Township reported \$348,459 as deferred outflows of resources resulting from Township contributions, subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the year ended December 31:

2018	\$ 245,322
2019	245,325
2020	313,873
2021	46,033

Note 12 - Postemployment Benefits Other than Pensions (OPEB)

Plan Description

The Township provides medical, prescription drug, dental, and vision insurance benefits to eligible retired police officers and spouses through a single-employer defined benefit plan. For officers hired on or before January 1, 2014 and not retiring under service-related disability, the Township will pay 100% of the cost of benefits for the retiree and spouse. For officers hired after January 1, 2014 or retiring under service-related disability, the Township will pay 100% of the cost of benefits for the officer only. The officer will pay 100% of the cost to cover any dependents not paid for by the Township. Coverage discontinues upon the earlier of the officer attaining Medicare eligibility and the officer's death. For spouses, coverage discontinues upon the spouse attaining Medicare eligibility, if earlier.

Whitehall Township

Note to Financial Statements

December 31, 2017

Note 12 - Postemployment Benefits Other than Pensions (OPEB) (continued)

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2016, the most recent actuarial valuation date, was as follows:

Actuarial present value at attained age (APVAA)	
Active members	\$ 10,431,416
Retired members	<u>1,800,375</u>
Total APVAA	<u>\$ 12,231,791</u>
Actuarial accrued liability (AAL)	<u>\$ 8,213,816</u>
Actuarial value of assets (AVA)	<u>\$ -</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 8,213,816</u>
Funded ratio	<u>-%</u>
Covered payroll	<u>\$ 4,214,084</u>
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	<u>194.9%</u>
Annual required contribution (ARC)	
Normal cost	\$ 376,318
30-year amortization of UAAL	<u>504,258</u>
Total ARC	<u>\$ 880,576</u>

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedules of funding progress, presented as supplementary information, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the historical pattern of sharing benefit costs between the Township and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Whitehall Township

Note to Financial Statements

December 31, 2017

Note 12 - Postemployment Benefits Other than Pensions (OPEB) (continued)

Actuarial Methods and Assumptions (continued)

Significant methods and assumptions are as follows:

Actuarial valuation date	January 1, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, 30 year open period
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions	
Investment rate of return	4.5% per annum
Salary increases	5.0% per annum
Healthcare inflation rate	6.5% in 2016, 6.0% in 2017, and 5.5% in 2018 through 2020. Rates gradually decrease from 5.4% in 2021 to 3.8% in 2075 and later

Note 13 - Deferred Compensation

The Township offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, available to those employees who meet the eligibility requirements set forth in the plan, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, disability, or unforeseeable emergency.

The Township has no liability for losses under the plan arising from expense charges of any kind, or from depreciation or shrinkage in the value of assets of the plan, but does have the duty of due care that would be required of an ordinary prudent investor.

Note 14 - Nonuniformed Employees Defined Contribution Plan

The Township provides pension benefits for its nonuniformed employees through a defined contribution money purchase plan. In a defined contribution money purchase plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees who were hired after April 1, 2013 are eligible to participate. The Township contributes an amount equal to 3% of each covered employee's annual compensation plus 1.5% for each percent of optional contributions submitted by the employee, not to exceed a total of 6.0% of the employee's compensation. Employees who are active members may make voluntary contributions within the legal limits. The Township's contributions for each employee (and interest allocated to the employee's account) are vested upon the completion of 12 years of service.

Whitehall Township

Note to Financial Statements

December 31, 2017

Note 15 - Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The Township purchases commercial insurance as protection against those losses.

The Township also participates in a self-funded minimum premium plan with several other municipalities to cover workers' compensation claims. The plan is administered by a third-party administrator and requires the payment of quarterly premiums based on the Township's payroll. Costs related to claims are expensed as incurred. For the year ended December 31, 2017, claims settled were not in excess of insurance coverage.

For the year ended December 31, 2017, there has been no significant reduction in insurance coverage from coverage in the prior year. Settled claims have not exceeded the insurance coverage purchased for the years ended December 31, 2017, 2016, and 2015.

Note 16 - Contingencies

Litigation

The Township is a defendant in several lawsuits that have been referred to the Township's insurance carrier. While it is not feasible to determine the outcome of these matters, in the opinion of management, any total ultimate liability would not have a material effect on the Township's financial position.

Concentration of Labor

The Township entered into a collective bargaining agreement with the Whitehall Township Police Bargaining Unit Association through December 31, 2019. Of the Township's total workforce, approximately 41% is covered by the agreement.

The Township entered into a collective bargaining agreement with the Whitehall Township Teamsters Local Unit #773 through December 31, 2019. Of the Township's total workforce, approximately 42% is covered by the agreement.

Note 17 - Subsequent Events

The Township has evaluated subsequent events through October 25, 2018. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2017 were noted.

Whitehall Township

Budgetary Comparison Schedule - General Fund

Year Ended December 31, 2017

	Budgeted Amounts Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	\$ 14,242,000	\$ 14,242,000	\$ 15,844,577	\$ 1,602,577
Licenses and permits	577,550	577,550	652,710	75,160
Fines and forfeits	155,000	155,000	149,874	(5,126)
Interest, rents, and royalties	80,000	80,000	158,999	78,999
Intergovernmental revenue	880,850	880,850	1,218,483	337,633
Charges for services	3,112,000	3,112,000	3,739,819	627,819
Miscellaneous revenue	66,000	66,000	207,667	141,667
Total Revenues	19,113,400	19,113,400	21,972,129	2,858,729
Expenditures				
Current				
General government	1,499,402	1,499,402	1,637,255	(137,853)
Public safety	7,145,250	7,145,250	7,805,405	(660,155)
Public works	5,536,212	5,536,212	5,294,029	242,183
Culture and recreation	952,468	952,468	927,190	25,278
Insurance, employee benefits, and other	5,101,083	5,101,083	3,865,643	1,235,440
Total Expenditures	20,234,415	20,234,415	19,529,522	704,893
Excess (Deficiency) of Revenues over (under) Expenditures	(1,121,015)	(1,121,015)	2,442,607	3,563,622
Other Financing Sources (Uses)				
Transfers out	(1,988,418)	(1,988,418)	(1,988,418)	-
Net Change in Fund Balances	\$ (3,109,433)	\$ (3,109,433)	454,189	\$ 3,563,622
Fund Balance at Beginning of Year			7,370,540	
Fund Balance at End of Year			\$ 7,824,729	

Whitehall TownshipBudgetary Comparison Schedule - State Highway Aid Fund
Year Ended December 31, 2017

	<u>Budgeted Amounts Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues				
Interest, rents, and royalties	\$ 1,000	\$ 1,000	\$ 6,275	\$ 5,275
Intergovernmental revenue	<u>766,469</u>	<u>766,469</u>	<u>800,713</u>	<u>34,244</u>
Total Revenues	<u>767,469</u>	<u>767,469</u>	<u>806,988</u>	<u>39,519</u>
Expenditures				
Current, public works	<u>365,000</u>	<u>365,000</u>	<u>335,403</u>	<u>29,597</u>
Total Expenditures	<u>365,000</u>	<u>365,000</u>	<u>335,403</u>	<u>29,597</u>
Excess of Revenues over Expenditures	402,469	402,469	471,585	69,116
Other Financing Sources (Uses)				
Transfers out	<u>(450,000)</u>	<u>(450,000)</u>	<u>(373,917)</u>	<u>76,083</u>
Net Change in Fund Balance	<u>\$ (47,531)</u>	<u>\$ (47,531)</u>	97,668	<u>\$ 145,199</u>
Fund Balance at Beginning of Year			<u>121,098</u>	
Fund Balance at End of Year			<u>\$ 218,766</u>	

Whitehall Township

Note to Budgetary Comparison Schedules
December 31, 2017

Note 1 - Budget Matters

The Board of Commissioners annually adopts the budgets for all funds.

Budgetary control is legally maintained at the line-item level.

Budgets are prepared at the department level. Departments for budgetary purposes include general government, public safety, public works - highways and streets, and culture and recreation.

The Township Home Rule Charter provides for the modification of budgets and supplemental appropriations and transfers. All changes to the budgets must be approved by the Board of Commissioners.

Appropriations, except open project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year.

The budgets are prepared on the modified accrual basis of accounting.

There were no supplemental appropriations to the 2017 budgets.

Whitehall Township**Schedule of Changes in Net Pension Liability and Related Ratios - Police Pension Plan
Last Ten Fiscal Years***

	Years Ended December 31,		
	2017	2016	2015
Total Pension Liability			
Service cost	\$ 588,828	\$ 592,580	\$ 564,362
Interest cost	2,446,280	2,242,784	2,119,366
Difference between expected and actual experience	188,858	-	(352,033)
Change of assumptions	947,323	-	(324,022)
Benefit payments, including refunds of member contributions	<u>(1,514,677)</u>	<u>(1,333,515)</u>	<u>(1,004,933)</u>
Net Change in Total Pension Liability	2,656,612	1,501,849	1,002,740
Total Pension Liability, Beginning	<u>29,610,828</u>	<u>28,108,979</u>	<u>27,106,239</u>
Total Pension Liability, Ending	<u>\$ 32,267,440</u>	<u>\$ 29,610,828</u>	<u>\$ 28,108,979</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 763,966	\$ 753,888	\$ 1,092,439
Contributions - member	219,028	224,900	216,509
Net investment income (loss)	4,392,674	1,842,426	(783,252)
Benefit payments, including refunds of member contributions	<u>(1,514,677)</u>	<u>(1,333,515)</u>	<u>(1,004,933)</u>
Administrative expense	<u>(7,900)</u>	<u>(8,500)</u>	<u>(8,300)</u>
Net Change in Plan Fiduciary Net Position	3,853,091	1,479,199	(487,537)
Plan Fiduciary Net Position, Beginning	<u>26,650,762</u>	<u>25,171,563</u>	<u>25,659,100</u>
Plan Fiduciary Net Position, Ending	<u>\$ 30,503,853</u>	<u>\$ 26,650,762</u>	<u>\$ 25,171,563</u>
Township's Net Pension Liability	<u>\$ 1,763,587</u>	<u>\$ 2,960,066</u>	<u>\$ 2,937,416</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>94.5%</u>	<u>90.0%</u>	<u>89.5%</u>
Covered Employee Payroll	<u>\$ 4,312,153</u>	<u>\$ 3,940,604</u>	<u>\$ 4,214,084</u>
Township's Net Pension Liability as a Percentage of Covered Employee Payroll	<u>40.9%</u>	<u>75.1%</u>	<u>69.7%</u>

* This Schedule is to present the information for ten years. However, until a full ten-year trend is compiled, information for those years, for which information is available, is shown.

Whitehall TownshipSchedule of Changes in Net Pension Liability and Related Ratios - Nonuniformed Pension Plan
Last Ten Fiscal Years*

	Years Ended December 31,		
	2017	2016	2015
Total Pension Liability			
Service cost	\$ 317,087	\$ 368,707	\$ 390,209
Interest cost	1,187,189	1,130,642	1,095,566
Difference between expected and actual experience	(166,947)	194,687	(442,058)
Change of assumptions	555,265	-	-
Benefit payments, including refunds of member contributions	(805,410)	(428,207)	(341,897)
Net Change in Total Pension Liability	1,087,184	1,265,829	701,820
Total Pension Liability, Beginning	21,665,491	20,399,662	19,697,842
Total Pension Liability, Ending	\$ 22,752,675	\$ 21,665,491	\$ 20,399,662
Plan Fiduciary Net Position			
Contributions - employer	\$ 357,435	\$ 347,426	\$ 262,072
Contributions - member	53,491	53,915	54,131
Net investment income (loss)	1,335,602	(43,044)	968,734
Benefit payments, including refunds of member contributions	(805,410)	(428,207)	(341,897)
Administrative expense	(59,645)	(47,897)	(42,960)
Net Change in Plan Fiduciary Net Position	881,473	(117,807)	900,080
Plan Fiduciary Net Position, Beginning	19,871,679	19,989,486	19,089,406
Plan Fiduciary Net Position, Ending	\$ 20,753,152	\$ 19,871,679	\$ 19,989,486
Township's Net Pension Liability	\$ 1,999,523	\$ 1,793,812	\$ 410,176
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	91.2%	91.7%	98.0%
Covered Employee Payroll	\$ 3,566,015	\$ 3,594,369	\$ 3,848,721
Township's Net Pension Liability as a Percentage of Covered Employee Payroll	56.1%	49.9%	10.7%

* This Schedule is to present the information for ten years. However, until a full ten-year trend is compiled, information for those years, for which information is available, is shown.

** Changes in assumptions relate to the average expected service lives of all active and inactive employees.

Whitehall Township

Schedule of Pension Contributions - Police Pension Plan
Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 763,966	\$ 753,888	\$ 1,092,439	\$ 966,663	\$ 979,580	\$ 884,170	\$ 894,656	\$ 448,020	\$ 410,887	\$ 398,359
Contributions in relation to the actuarially determined contribution	<u>763,966</u>	<u>753,888</u>	<u>1,092,439</u>	<u>966,663</u>	<u>979,590</u>	<u>884,170</u>	<u>901,332</u>	<u>451,435</u>	<u>466,302</u>	<u>398,359</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10)</u>	<u>\$ -</u>	<u>\$ (6,676)</u>	<u>\$ (3,415)</u>	<u>\$ (55,415)</u>	<u>\$ -</u>
Covered employee payroll	<u>\$ 4,312,153</u>	<u>\$ 3,940,604</u>	<u>\$ 4,214,084</u>	<u>\$ 4,309,341</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions as a percentage of covered employee payroll	<u>17.7%</u>	<u>19.1%</u>	<u>25.9%</u>	<u>22.4%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>

Valuation Date: Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates are as follows:

Actuarial Cost Method	Entry age normal
Amortization Method	Level dollar closed
Remaining Amortization Period	4 years
Asset Valuation Method	Market value of assets as determined by the trustee
Inflation	3.00%
Salary Increases	5.00%
Investment Rate of Return	8.00%
Retirement Age	Attainment of age 53 and completion of 25 years of service
Mortality	RP-2000 Mortality Table. This table does not include projected mortality improvements.

* This Schedule is to present the information for ten years. However, until a full ten-year trend is compiled, information for those years, for which information is available, is shown.

Whitehall Township

Schedule of Pension Contributions - Nonuniformed Pension Plan

Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 357,435	\$ 347,426	\$ 259,036
Contributions in relation to the actuarially determined contribution	<u>357,435</u>	<u>347,426</u>	<u>262,072</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,036)</u>
Covered employee payroll	<u>\$ 3,566,015</u>	<u>\$ 3,594,369</u>	<u>\$ 3,848,721</u>
Contributions as a percentage of covered employee payroll	<u>10.0%</u>	<u>9.7%</u>	<u>6.8%</u>

Actuarially determined contribution rates are calculated as of January 1 for the odd valuation year, at least two years prior to the end of the fiscal year in which the contributions were reported. Therefore, the actuarially determined contribution for calendar year 2015 is based upon the January 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates are as follows:

Actuarial Cost Method	Entry age
Amortization Method	Level dollar based upon the amortization periods in Act 205
Asset Valuation Method	Based upon the municipal reserves
Inflation	3.00%
Salary Increases	Age-related scale with merit and inflation component
Investment Rate of Return	5.50% compounded annually, net of expenses
Retirement Age	Normal retirement age
Mortality	Males: RP-2000 Mortality Table with one year set back Females: RP-2000 Mortality Tables with five year set back

* This Schedule is to present the information for ten years. However, until a full ten-year trend is compiled, information for those years, for which information is available, is shown.

Whitehall Township

Schedule of Funding Progress - Postemployment Benefits Other than Pensions - Police
Year Ended December 31, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2013	\$ -	\$ 6,942,145	\$ 6,942,145	- %	\$ 3,942,080	176.1 %
January 1, 2016	-	8,213,816	8,213,816	-	4,214,084	194.9

Whitehall Township

Schedule of Employer Contributions - Postemployment Benefits Other than Pensions - Police
Year Ended December 31, 2017

<u>Year</u>	<u>Annual Required Contribution</u>	<u>Contributions from Employer</u>	<u>Percentage Contributed</u>
2013	\$ 750,868	\$ 175,629	23.4 %
2014	750,868	216,742	28.9
2015	750,868	279,716	37.3
2016	880,576	293,089	33.3
2017	880,576	349,581	39.7

Whitehall Township

Combining Balance Sheet - Nonmajor Governmental Funds

December 31, 2017

	<u>Recreation Escrow</u>	<u>Perpetual Maintenance</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 198,507	\$ 90,012	\$ 288,519
Total Assets	<u>\$ 198,507</u>	<u>\$ 90,012</u>	<u>\$ 288,519</u>
Liabilities			
Due to other funds	\$ 4,395	\$ -	\$ 4,395
Total Liabilities	<u>\$ 4,395</u>	<u>\$ -</u>	<u>\$ 4,395</u>
Fund Balances			
Committed	\$ 194,112	\$ -	\$ 194,112
Assigned	-	90,012	90,012
Total Fund Balances	<u>\$ 194,112</u>	<u>\$ 90,012</u>	<u>\$ 284,124</u>

Whitehall Township

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended December 31, 2017

	<u>Recreation Escrow</u>	<u>Perpetual Maintenance</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Interest, rents, and royalties	\$ 2,044	\$ 1,001	\$ 3,045
Total Revenues	<u>2,044</u>	<u>1,001</u>	<u>3,045</u>
Expenditures			
Public works	-	21,866	21,866
Culture and recreation	<u>13,009</u>	<u>-</u>	<u>13,009</u>
Total Expenditures	<u>13,009</u>	<u>21,866</u>	<u>34,875</u>
Net Change in Fund Balances	(10,965)	(20,865)	(31,830)
Fund Balances at Beginning of Year	<u>205,077</u>	<u>110,877</u>	<u>315,954</u>
Fund Balances at End of Year	<u>\$ 194,112</u>	<u>\$ 90,012</u>	<u>\$ 284,124</u>