

**Whitehall Township,  
Lehigh County, Pennsylvania**

**Financial Statements and  
Supplementary Information**

**December 31, 2019**



# Whitehall Township

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December 31, 2019

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## **Whitehall Township**

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## **Independent Auditor's Report**

To the Board of Commissioners and 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, 2019, 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 of 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 (GASB) Statement 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, 2019, 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 the Township as of December 31, 2019, 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.

## **Other Matters - Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and required supplementary information on Pages 4 to 10 and Pages 57 to 65, 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 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.

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

October 1, 2020  
Wyomissing, Pennsylvania

## Whitehall Township

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### Management's Discussion and Analysis

December 31, 2019

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, 2019. 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 \$14,841,031. Of this amount, \$6,695,972 of unrestricted net assets may be used to meet the government's on-going obligations to citizens and creditors.
- The Township's net position decreased by \$816,011 for the year ended December 31, 2019.
- As of the close of fiscal year 2019, the Township's governmental funds reported combined ending fund balances of \$21,562,761. Approximately 36% of this total amount is available for spending at the government's discretion. The remaining 64% is held for specific capital expenditures, transportation needs, property maintenance, recreation purposes, and debt service.

### 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 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).

**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.

## Whitehall Township

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### Management's Discussion and Analysis

December 31, 2019

#### Overview of the Financial Statements (continued)

**Notes to Financial Statements** - The notes to 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.

- The 2018 financial information presented in this discussion has been restated to reflect a reduction in net position of \$203,354 as a result of adjusting the balance of capital lease payable.

**Required Supplementary Information** - The management's discussion and analysis, pension funding information, and the budgetary comparison schedules represent financial information required by the 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 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.

##### 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 \$14,841,031 at the close of the fiscal year 2019. Of this amount, \$6,210,845 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.



# Whitehall Township

Management's Discussion and Analysis  
December 31, 2019

## Government-Wide Financial Analysis (continued)

### Government-Wide Financial Statements (continued)

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 is presented below at December 31:

	<u>2019</u>	<u>2018</u> (Restated)
<b>Assets</b>		
Cash and cash equivalents	\$ 23,458,688	\$ 13,212,439
Other current assets	1,798,702	2,069,921
Capital assets	<u>18,553,118</u>	<u>17,012,842</u>
<b>Total Assets</b>	<u>43,810,508</u>	<u>32,295,202</u>
<b>Deferred Outflows of Resources</b>		
Pension	5,350,289	5,620,966
Other postemployment benefits	<u>3,167,107</u>	<u>3,508,046</u>
<b>Total Deferred Outflows of Resources</b>	<u>8,517,396</u>	<u>9,129,012</u>
<b>Liabilities</b>		
Current liabilities	2,244,375	1,727,618
Long-term liabilities	<u>30,498,066</u>	<u>20,662,498</u>
<b>Total Liabilities</b>	<u>32,742,441</u>	<u>22,390,116</u>
<b>Deferred Inflows of Resources</b>		
Pension	4,314,821	3,377,056
Other postemployment benefits	<u>429,611</u>	<u>-</u>
<b>Total Deferred Inflows of Resources</b>	<u>4,744,432</u>	<u>3,377,056</u>
<b>Net Position</b>		
Net investment in capital assets	6,210,845	15,100,581
Restricted	1,934,214	2,034,465
Unrestricted	<u>6,695,972</u>	<u>(1,478,004)</u>
<b>Total Net Position</b>	<u>\$ 14,841,031</u>	<u>\$ 15,657,042</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, 2019

## Government-Wide Financial Analysis (continued)

### Government-Wide Financial Statements (continued)

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

	<u>2019</u>	<u>2018</u> (Restated)
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 5,124,244	\$ 4,044,097
Operating grants and contributions	1,589,403	1,789,094
Capital grants and contributions	944,601	939,650
General revenues		
Real estate taxes	6,301,293	6,271,164
Earned income taxes	6,850,041	6,588,077
Business privilege taxes	1,675,703	1,776,954
Other taxes levied for specific purposes	1,308,043	1,529,433
Interest income and rents	573,927	319,461
Fines and forfeits	193,562	165,206
Proceeds (loss) from sale of capital assets	71,069	(263,258)
Refunds of prior year expenses	<u>709,533</u>	<u>306,052</u>
<b>Total Revenues</b>	<u><b>25,341,419</b></u>	<u><b>23,465,930</b></u>
<b>Expenditures</b>		
General government	2,586,993	1,685,041
Public safety	10,198,774	13,155,298
Public works	5,758,964	5,673,927
Culture and recreation	1,006,160	946,933
Insurance, employee benefits, and miscellaneous	4,449,921	3,705,522
Depreciation, unallocated	1,780,244	1,541,950
Interest	399,952	31,958
Transfers	<u>(23,578)</u>	<u>110,914</u>
<b>Total Expenditures</b>	<u><b>26,157,430</b></u>	<u><b>26,851,543</b></u>
<b>Change in Net Position</b>	<b>(816,011)</b>	<b>(3,385,613)</b>
<b>Net Position at Beginning of Year</b>	<u><b>15,657,042</b></u>	<u><b>19,042,655</b></u>
<b>Net Position at End of Year</b>	<u><b>\$ 14,841,031</b></u>	<u><b>\$ 15,657,042</b></u>

## Whitehall Township

Management's Discussion and Analysis  
December 31, 2019

### Government-Wide Financial Analysis (continued)

#### Government-Wide Financial Statements (continued)

Government-wide revenues for 2019 were primarily derived from earned income tax collections at 27% and property tax collections at 25% of the total. Charges for services, at 10%, are the third largest source of revenue.

Total expenses for all programs in 2019 were \$26,157,430. The expenses reflect the delivery of a wide range of services, with the largest being public safety at 39%. The second largest program is highways and streets at 22%.

#### Net Program Expenses (Revenues)

	<u>2019</u>	<u>2018</u>
General government	\$ 1,255,928	\$ 391,246
Public safety	8,869,969	11,880,855
Public works - highways and streets	1,736,778	2,522,417
Culture and recreation	823,645	610,551
Insurance, employee benefits, and miscellaneous	3,632,666	3,099,725
Depreciation and interest	<u>2,180,196</u>	<u>1,573,908</u>
<b>Total Net Program Expenses (Revenues)</b>	<b><u>\$ 18,499,182</u></b>	<b><u>\$ 20,078,702</u></b>

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 \$8.9 million in 2019. Insurance, employee benefits, and miscellaneous expenses required approximately \$3.6 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, 2019 and 2018 totals \$18,553,118 and \$17,012,842 (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:

Building and improvements	\$ 1,248,000
Various road projects	1,108,000

## Whitehall Township

Management's Discussion and Analysis  
December 31, 2019

### Capital Assets and Debt Administration (continued)

#### Capital Assets (continued)

<b>Governmental Activities</b>		
<b>Summary of Capital Assets (Net of Accumulated Depreciation) at December 31</b>		
	<u>2019</u>	<u>2018</u>
Capital assets not being depreciated		
Land	\$ 2,419,613	\$ 2,419,613
Construction in progress	<u>2,077,396</u>	<u>977,863</u>
	<u>4,497,009</u>	<u>3,397,476</u>
Capital assets being depreciated		
Buildings and improvements	4,992,156	4,963,539
Machinery and equipment	2,333,373	2,317,772
Traffic signals	320,574	426,196
Infrastructure	<u>6,410,006</u>	<u>5,907,859</u>
	<u>14,056,109</u>	<u>13,615,366</u>
<b>Total Capital Assets</b>	<b><u>\$ 18,553,118</u></b>	<b><u>\$ 17,012,842</u></b>

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, 2019, the Township had \$12,342,273 of general obligation debt outstanding. This was an increase of \$10,472,428 from the previous year. The following table details the activity related to the general obligation debt outstanding during 2019:

<b>Governmental Activities</b>		
<b>Summary of General Obligation Debt at December 31</b>		
	<u>2019</u>	<u>2018</u>
General obligation bonds/notes		
Note, Series of 2017	\$ 2,454,690	\$ 1,912,261
General obligation bonds/notes		
Note, Series of 2019	<u>9,930,000</u>	<u>-</u>
<b>Total General Obligation Debt</b>	<b><u>\$ 12,384,690</u></b>	<b><u>\$ 1,912,261</u></b>

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

## **Whitehall Township**

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### Management's Discussion and Analysis

December 31, 2019

## **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 decision to increase revenues to offset annual expenditure increases. Costs exceed the increase in revenue therefore, the Township recognized a decrease in its end of year General Fund fund balance from \$8.5 million to \$7.7 million. To offset the increase in costs and generate funds to improve the infrastructure in the Township, the Board of Commissioners approved a real estate tax rate increase from 2.80 mills to 3.80 mills for 2020.

### **2020 Budget**

The 2020 budget was adopted by the Township with total General Fund expenditures equaling approximately \$24,792,325 and revenues equaling \$23,118,996. Overall expenditures increased marginally over the prior year with the greatest increases found in employee benefits and debt service.

### **2020 Rates**

As noted above, the real estate tax millage rate increased from 2.80 mills to 3.80 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, 2019

### **Assets**

Cash and cash equivalents	\$ 23,458,688
Accounts receivable	1,281,198
Taxes receivable	431,445
Grants receivable	21,929
Due from other funds	64,130
Capital assets not being depreciated	4,497,009
Capital assets being depreciated, net	14,056,109

**Total Assets** 43,810,508

### **Deferred Outflows of Resources**

Pension	5,350,289
Other postemployment benefits	3,167,107

**Total Deferred Outflows of Resources** 8,517,396

### **Liabilities**

Accounts payable	1,164,054
Accrued salaries and withholdings	561,023
Accrued interest	33,488
Current portion of capital lease	133,280
Current portion of long-term debt	352,530
Compensated absences payable	556,829
Capital leases, net of current portion	250,664
Long-term debt, net of current portion	11,989,743
Net pension liability	4,656,741
Other postemployment benefits	13,044,089

**Total Liabilities** 32,742,441

### **Deferred Inflows of Resources**

Pension	4,314,821
Other postemployment benefits	429,611

**Total Deferred Inflow of Resources** 4,744,432

### **Net Position**

Net investment in capital assets	6,210,845
Restricted	1,934,214
Unrestricted	6,695,972

**Total Net Position** \$ 14,841,031

# Whitehall Township

## Statement of Activities - Governmental Activities

Year Ended December 31, 2019

<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
<b>Governmental Activities</b>					
General government	\$ 2,586,993	\$ 1,222,446	\$ 23,957	\$ 84,662	\$ (1,255,928)
Public safety	10,198,774	729,754	599,051	-	(8,869,969)
Public works	5,758,964	3,016,529	145,718	859,939	(1,736,778)
Culture and recreation	1,006,160	155,515	27,000	-	(823,645)
Insurance, employee benefits, and miscellaneous	4,449,921	-	793,677	-	(3,656,244)
Depreciation, unallocated	1,780,244	-	-	-	(1,780,244)
Interest	399,952	-	-	-	(399,952)
Transfers	(23,578)	-	-	-	23,578
<b>Total Governmental Activities</b>	<b>\$ 26,157,430</b>	<b>\$ 5,124,244</b>	<b>\$ 1,589,403</b>	<b>\$ 944,601</b>	<b>(18,499,182)</b>
<b>General Revenues</b>					
Real estate taxes					6,301,293
Earned income taxes					6,850,041
Business privilege taxes					1,675,703
Real estate transfer tax					677,246
Local services taxes					562,212
Per capita taxes					68,585
Interest income and rents					573,927
Fines and forfeits					193,562
Gain on sale of capital assets					71,069
Refunds of prior year expenses					709,533
<b>Total General Revenues</b>					<b>17,683,171</b>
<b>Change in Net Position</b>					<b>(816,011)</b>
<b>Net Position at Beginning of Year, As Restated</b>					<b>15,657,042</b>
<b>Net Position at End of Year</b>					<b>\$ 14,841,031</b>

See accompanying notes.

## Whitehall Township

Balance Sheet - Governmental Funds

December 31, 2019

	General Fund	State Highway Aid Fund	Traffic Impact Fund	Capital Reserve Fund	Lafarge Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>								
Cash and cash equivalents	\$ 9,256,690	\$ 494,840	\$ 1,456,335	\$ 10,664,043	\$ 1,071,981	\$ 20,043	\$ 494,756	\$ 23,458,688
Accounts receivable	1,281,198	-	-	-	-	-	-	1,281,198
Taxes receivable	431,445	-	-	-	-	-	-	431,445
Grants receivable	21,929	-	-	-	-	-	-	21,929
Due from other funds	69,385	1,000	-	15,181	105,254	-	-	190,820
<b>Total Assets</b>	<b>\$ 11,060,647</b>	<b>\$ 495,840</b>	<b>\$ 1,456,335</b>	<b>\$ 10,679,224</b>	<b>\$ 1,177,235</b>	<b>\$ 20,043</b>	<b>\$ 494,756</b>	<b>\$ 25,384,080</b>
<b>Liabilities</b>								
Accounts payable	\$ 355,512	\$ 17,961	\$ -	\$ 460,490	\$ -	\$ -	\$ -	\$ 833,963
Accrued expenses	658,866	-	-	-	-	-	-	658,866
Returnable deposits	33,605	-	-	-	-	-	-	33,605
Other liabilities	198,643	-	-	-	-	-	-	198,643
Due to other funds	114,799	-	-	7,496	-	-	4,395	126,690
<b>Total Liabilities</b>	<b>1,361,425</b>	<b>17,961</b>	<b>-</b>	<b>467,986</b>	<b>-</b>	<b>-</b>	<b>4,395</b>	<b>1,851,767</b>
<b>Deferred Inflow of Resources</b>								
Unavailable revenue, property taxes	247,107	-	-	-	-	-	-	247,107
Unavailable revenue, per capita taxes	30,240	-	-	-	-	-	-	30,240
Unavailable revenue, garbage charges	1,692,205	-	-	-	-	-	-	1,692,205
<b>Total Deferred Inflow of Resources</b>	<b>1,969,552</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,969,552</b>
<b>Fund Balances</b>								
Restricted	-	477,879	1,456,335	-	-	-	-	1,934,214
Committed	-	-	-	10,211,238	-	20,043	396,996	10,628,277
Assigned	-	-	-	-	1,177,235	-	93,365	1,270,600
Unassigned	7,729,670	-	-	-	-	-	-	7,729,670
<b>Total Fund Balances</b>	<b>7,729,670</b>	<b>477,879</b>	<b>1,456,335</b>	<b>10,211,238</b>	<b>1,177,235</b>	<b>20,043</b>	<b>490,361</b>	<b>21,562,761</b>
<b>Total Liabilities, Deferred Inflow of Resources, and Fund Balances</b>	<b>\$ 11,060,647</b>	<b>\$ 495,840</b>	<b>\$ 1,456,335</b>	<b>\$ 10,679,224</b>	<b>\$ 1,177,235</b>	<b>\$ 20,043</b>	<b>\$ 494,756</b>	<b>\$ 25,384,080</b>

See accompanying notes.



## Whitehall Township

Reconciliation of the Governmental Funds  
Balance Sheet to the Statement of Net Position  
December 31, 2019

**Total Fund Balances, Governmental Funds** **\$ 21,562,761**

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 \$45,029,073 and the accumulated depreciation is \$26,475,955 **18,553,118**

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 **1,969,552**

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 **1,035,468**

Deferred outflows and inflows of resources related to the other postemployment benefit plans will not be paid in the current period and; therefore, are not reported in the funds **2,737,496**

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, 2019 are as follows

Bonds payable	<b>(12,342,273)</b>
Capital lease payable	<b>(383,944)</b>
Accrued interest on bonds payable	<b>(33,488)</b>
Compensated absences	<b>(556,829)</b>
Net pension liability	<b>(4,656,741)</b>
Other postemployment benefits (OPEB) obligation	<b>(13,044,089)</b>

**Total Net Position, Governmental Activities** **\$ 14,841,031**

## Whitehall Township

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

Year Ended December 31, 2019

	General Fund	State Highway Aid Fund	Traffic Impact Fund	Capital Reserve Fund	Lafarge Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>								
Taxes	\$ 16,086,164	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,086,164
Licenses and permits	724,577	-	-	-	-	-	-	724,577
Fines and forfeits	193,562	-	-	-	-	-	-	193,562
Interest, rents, and royalties	289,551	26,620	29,791	161,546	23,645	32,143	10,631	573,927
Intergovernmental revenue	1,416,685	859,939	-	84,662	-	-	-	2,361,286
Charges for services	3,637,974	-	-	-	-	-	-	3,637,974
Contributions	-	-	145,718	-	-	-	27,000	172,718
Miscellaneous revenue	586,074	86,281	-	-	-	-	-	672,355
<b>Total Revenues</b>	<b>22,934,587</b>	<b>972,840</b>	<b>175,509</b>	<b>246,208</b>	<b>23,645</b>	<b>32,143</b>	<b>37,631</b>	<b>24,422,563</b>
<b>Expenditures</b>								
Current								
General government	2,518,041	-	-	-	-	-	-	2,518,041
Public safety	9,177,257	-	-	94,468	-	-	-	9,271,725
Public works	5,224,388	331,101	35,957	167,518	-	-	156	5,759,120
Culture and recreation	869,785	-	-	131,608	-	-	4,767	1,006,160
Insurance, employee benefits, and other	4,141,989	-	-	-	-	-	-	4,141,989
Debt service								
Principal	108,295	-	-	-	-	320,240	-	428,535
Interest	15,250	-	-	-	-	274,738	-	289,988
Bond issuance costs	-	-	-	-	-	122,032	-	122,032
Capital outlay	446,472	-	-	2,801,545	-	-	18,000	3,266,017
<b>Total Expenditures</b>	<b>22,501,477</b>	<b>331,101</b>	<b>35,957</b>	<b>3,195,139</b>	<b>-</b>	<b>717,010</b>	<b>22,923</b>	<b>26,803,607</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>433,110</b>	<b>641,739</b>	<b>139,552</b>	<b>(2,948,931)</b>	<b>23,645</b>	<b>(684,867)</b>	<b>14,708</b>	<b>(2,381,044)</b>

**Whitehall Township**

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

Year Ended December 31, 2019

	<u>General Fund</u>	<u>State Highway Aid Fund</u>	<u>Traffic Impact Fund</u>	<u>Capital Reserve Fund</u>	<u>Lafarge Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Other Financing Sources (Uses)</b>								
Debt issuance proceeds	\$ 288,885	\$ -	\$ -	\$ 862,667	\$ -	\$ 9,930,000	\$ -	\$ 11,081,552
Proceeds from sale of capital assets	-	-	-	108,247	-	-	-	108,247
Transfers in	21,714	-	-	11,909,968	-	594,978	-	12,526,660
Transfers out	(1,510,879)	(881,542)	-	(234,099)	(88,834)	(9,839,592)	-	(12,554,946)
<b>Total Other Financing Sources (Uses)</b>	<u>(1,200,280)</u>	<u>(881,542)</u>	<u>-</u>	<u>12,646,783</u>	<u>(88,834)</u>	<u>685,386</u>	<u>-</u>	<u>11,161,513</u>
<b>Net Change in Fund Balances</b>	<b>(767,170)</b>	<b>(239,803)</b>	<b>139,552</b>	<b>9,697,852</b>	<b>(65,189)</b>	<b>519</b>	<b>14,708</b>	<b>8,780,469</b>
<b>Fund Balances at Beginning of Year</b>	<u>8,496,840</u>	<u>717,682</u>	<u>1,316,783</u>	<u>513,386</u>	<u>1,242,424</u>	<u>19,524</u>	<u>475,653</u>	<u>12,782,292</u>
<b>Fund Balances at End of Year</b>	<u>\$ 7,729,670</u>	<u>\$ 477,879</u>	<u>\$ 1,456,335</u>	<u>\$ 10,211,238</u>	<u>\$ 1,177,235</u>	<u>\$ 20,043</u>	<u>\$ 490,361</u>	<u>\$ 21,562,761</u>

## 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, 2019

**Net Change in Fund Balances, Governmental Funds** **\$ 8,780,469**

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	\$ 3,320,520
Depreciation	<u>(1,780,244)</u>

1,540,276

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

(30,347)

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

807,970

The issuance of long-term debt and capital leases provide 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. The net effect of these differences in the current period are

Principal proceeds of long-term debt	(10,750,252)
Principal repayments of long-term debt	320,240
Principal proceeds from capital lease	(288,885)
Principal repayments of capital leases	<u>108,295</u>

(10,610,602)

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	(46,796)
Net pension expense	(485,511)
Other postemployment benefits (OPEB) obligation	<u>(771,470)</u>

(1,303,777)

**Change in Net Position, Governmental Activities** **\$ (816,011)**

## Whitehall Township

### Statement of Fiduciary Net Position - Fiduciary Funds

December 31, 2019

	<u>Pension Trust Fund</u>	<u>Custodial Funds</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,045,493	\$ 1,431,463	\$ 2,476,956
Investments	<u>32,626,658</u>	<u>-</u>	<u>32,626,658</u>
<b>Total Assets</b>	<b><u>\$ 33,672,151</u></b>	<b><u>\$ 1,431,463</u></b>	<b><u>\$ 35,103,614</u></b>
<b>Liabilities</b>			
Due to other funds	\$ -	\$ 64,130	\$ 64,130
Returnable deposits	<u>-</u>	<u>271,069</u>	<u>271,069</u>
<b>Total Liabilities</b>	<b><u>-</u></b>	<b><u>335,199</u></b>	<b><u>335,199</u></b>
<b>Net Position</b>			
Assets held in trust for pension benefits	33,672,151	-	33,672,151
Funds held in escrow	<u>-</u>	<u>1,096,264</u>	<u>1,096,264</u>
<b>Total Net Position</b>	<b><u>33,672,151</u></b>	<b><u>1,096,264</u></b>	<b><u>34,768,415</u></b>
<b>Toal Liabilities and Net Position</b>	<b><u>\$ 33,672,151</u></b>	<b><u>\$ 1,431,463</u></b>	<b><u>\$ 35,103,614</u></b>

## Whitehall Township

### Statement of Changes in Fiduciary Net Position - Fiduciary Funds

Year Ended December 31, 2019

	<u>Pension Trust Fund</u>	<u>Custodial Funds</u>
<b>Additions</b>		
Escrow assessments	\$ -	\$ -
Contributions		
Employer	1,319,057	-
Employee	238,922	-
	<u>1,557,979</u>	<u>-</u>
Total contributions		
	<u>1,557,979</u>	<u>-</u>
Investment income		
Net decrease in value of investments	5,110,152	-
Interest and dividends	745,588	-
	<u>5,855,740</u>	<u>-</u>
Total investment loss		
	<u>5,855,740</u>	<u>-</u>
<b>Total Additions</b>	<u>7,413,719</u>	<u>-</u>
<b>Deductions</b>		
Benefit payments	1,625,886	-
Administrative expenses	163,508	-
Escrow payments	-	-
	<u>1,789,394</u>	<u>-</u>
<b>Total Deductions</b>	<u>1,789,394</u>	<u>-</u>
<b>Change in Net Position</b>	5,624,325	-
<b>Net Position of Assets Held in Trust for Pension Benefits at Beginning of Year</b>	<u>28,047,826</u>	<u>-</u>
<b>Net Position of Assets Held in Trust for Pension Benefits at End of Year</b>	<u>\$ 33,672,151</u>	<u>\$ -</u>

## **Whitehall Township**

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### Notes to Financial Statements

December 31, 2019

#### **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 Governmental Accounting Standards Board (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**

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### Notes to Financial Statements

December 31, 2019

#### **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.



**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:

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

## Whitehall Township

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### Notes to Financial Statements

December 31, 2019

#### 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

All accounts receivable are shown net of an allowance for uncollectibles, as applicable. Accounts receivable in excess of 90 days are evaluated for collectibility and an allowance is established, as deemed necessary, based on the best information available and in an amount that management believes is adequate. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. The allowance at December 31, 2019 was \$981,848.

###### 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

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Assets and Liabilities (continued)**

**Capital Assets (continued)**

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.

**Escrow and 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.

**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 2019 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 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. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The Township adopted this Statement as of January 1, 2019. This Statement did not have a material impact on the Township's financial statements.

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Recent Accounting Pronouncements (continued)**

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. The Township adopted this Statement as of January 1, 2019, resulting in an increase in custodial fund net position of \$1,158,854.

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 June 15, 2021.

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, 2020.

The Township is currently evaluating what effect the adoption of these GASB statements will have on its financial statements.

**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, 2018 and the cash received for the year ended December 31, 2019.

## Whitehall Township

### Notes to Financial Statements

December 31, 2019

#### Note 3 - Stewardship, Compliance, and Accountability (continued)

##### Excess of Expenditures over Appropriations in Individual Funds (continued)

For the year ended December 31, 2019, expenditures exceeded appropriations in the following funds:

General	\$ 3,522,720
Capital Reserve	378,199
Debt Service	337,285
Lafarge	88,834
Recreation	4,767

#### 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, 2019:

<b>Cash Demand Deposits</b>	<b>\$ 25,935,474</b>
<b>Investments</b>	
Money market funds	1,295,333
Equity securities	8,947,575
Fixed income mutual funds	6,999,413
Equity mutual funds	13,733,019
Other	1,651,318
	<u>32,626,658</u>
<b>Petty Cash</b>	<u>170</u>
	<u><b>\$ 58,562,302</b></u>

#### Reconciliation to Statement of Net Position/Balance Sheet

<b>Cash</b>	
Governmental activities	\$ 23,458,688
Fiduciary funds	2,476,956
	<u>25,935,644</u>
<b>Investments</b>	
Fiduciary	<u>32,626,658</u>
	<u><b>\$ 58,562,302</b></u>

## Whitehall Township

### Notes to Financial Statements

December 31, 2019

#### Note 4 - Deposits and Investments (continued)

##### 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, 2019, the carrying amounts of the Township's bank deposits were \$26,675,035 and the corresponding bank balances were \$26,985,926, of which \$500,000 was covered by Federal Depository Insurance. Deposits totaling \$26,485,926 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.

##### Investments

The Township's pension fund has the following investments in debt securities as of December 31, 2019:

	Fair Value	Investment Maturities (in Years)			Ratings as of Year-End
		Less Than One Year	One to Five Year	Five to Ten Year	
Corporate bonds	\$ 796,080	\$ -	\$ 796,080	\$ -	3 to 4 stars by Morningstar
Fixed income mutual funds	6,999,413	-	6,999,413	-	
	<u>\$ 7,795,493</u>	<u>\$ -</u>	<u>\$ 7,795,493</u>	<u>\$ -</u>	

##### 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, 2019, \$32,626,658 is held by the investment's counterparties, not in the name of the Township.

## Whitehall Township

### Notes to Financial Statements

December 31, 2019

#### 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.

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, 2019:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Investments Measured at Fair Value</b>				
<b>Equities</b>				
Consumer discretionary	\$ 886,100	\$ -	\$ -	\$ 886,100
Consumer staples	653,070	-	-	653,070
Energy	268,602	-	-	268,602
Financial	920,146	-	-	920,146
Health care	1,300,159	-	-	1,300,159
Industrials	1,496,679	-	-	1,496,679
Information technology	2,269,494	-	-	2,269,494
Materials	344,878	-	-	344,878
Utilities	96,086	-	-	96,086
Telecommunication services	484,055	-	-	484,055
Miscellaneous	228,306	-	-	228,306
<b>Total Equities</b>	<b>8,947,575</b>	<b>-</b>	<b>-</b>	<b>8,947,575</b>

## Whitehall Township

### Notes to Financial Statements

December 31, 2019

#### Note 5 - Fair Value Measurements (continued)

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Mutual Funds</b>				
Fixed income	\$ 6,999,413	\$ -	\$ -	\$ 6,999,413
Equities	13,733,019	-	-	13,733,019
<b>Total Mutual Funds</b>	<b>20,732,432</b>	<b>-</b>	<b>-</b>	<b>20,732,432</b>
<b>Money Market</b>	<b>1,295,333</b>	<b>-</b>	<b>-</b>	<b>1,295,333</b>
<b>Corporate Bonds</b>	<b>796,080</b>	<b>-</b>	<b>-</b>	<b>796,080</b>
<b>Other</b>				
Alternative securities	855,238	-	-	855,238
	<b>\$ 32,626,658</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 32,626,658</b>

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**

## Notes to Financial Statements

December 31, 2019

**Note 6 - Capital Assets**

Capital asset activity was as follows for the year ended December 31, 2019:

	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,419,613	\$ -	\$ -	\$ 2,419,613
Construction in progress	977,863	1,129,820	(30,287)	2,077,396
Total capital assets not being depreciated	<u>3,397,476</u>	<u>1,129,820</u>	<u>(30,287)</u>	<u>4,497,009</u>
Capital assets being depreciated				
Buildings and improvements	14,999,542	248,842	-	15,248,384
Machinery and equipment	10,397,084	839,482	(775,854)	10,460,712
Traffic signals	3,086,555	24,749	-	3,111,304
Infrastructure	10,603,751	1,107,914	-	11,711,665
Total capital assets being depreciated	<u>39,086,932</u>	<u>2,220,987</u>	<u>(775,854)</u>	<u>40,532,065</u>
Less accumulated depreciation for				
Buildings and improvements	10,036,004	220,224	-	10,256,228
Machinery and equipment	8,079,312	823,881	(775,854)	8,127,339
Traffic signals	2,660,359	130,371	-	2,790,730
Infrastructure	4,695,891	605,768	-	5,301,659
Total accumulated depreciation	<u>25,471,566</u>	<u>1,780,244</u>	<u>(775,854)</u>	<u>26,475,956</u>
Total capital assets being depreciated, net	<u>13,615,366</u>	<u>440,743</u>	<u>-</u>	<u>14,056,109</u>
Total governmental activities capital assets, net	<u>\$ 17,012,842</u>	<u>\$ 1,570,563</u>	<u>\$ (30,287)</u>	<u>\$ 18,553,118</u>

Depreciation expense charged to governmental activities was \$1,780,244 for the year ended December 31, 2019.

## Whitehall Township

### Notes to Financial Statements

December 31, 2019

#### Note 7 - Interfund Transfers and Balances

Transfers between funds were as follows for the year ended December 31, 2019:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 21,714	\$ 1,510,879
State Highway Aid Fund	-	881,542
Capital Reserve Fund	11,909,968	234,099
Lafarge Fund	-	88,834
Debt Service Fund	594,978	9,839,592
Custodial Funds	50,000	21,714
	<u>\$ 12,576,660</u>	<u>\$ 12,576,660</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, 2019:

	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
General Fund	\$ 114,799	\$ 69,385
State Highway Aid Fund	-	1,000
Capital Reserve Fund	7,496	15,181
Lafarge Fund	4,395	105,254
Custodial Funds	64,989	859
	<u>\$ 191,679</u>	<u>\$ 191,679</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

## Notes to Financial Statements December 31, 2019

### Note 8 - Long-Term Debt

Long-term debt consists of the following at December 31, 2019:

	Balance Outstanding January 1, 2019	Additions	Deletions	Balance Outstanding December 31, 2019	Due Within One Year
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	\$ 1,912,261	\$ 862,669	\$ (320,240)	\$ 2,454,690	\$ 327,530
General Obligation Note, Series of 2019, with maximum principal advances of \$9,930,000 due in annual installments of principal plus semiannual installments interest fixed at 4.00% through 2024; 3.50% through 2026; 3.25% through 2028; 3.00% through 2033; 3.05% through 2034; 3.15% through 2035; 3.20% through 2036; 3.25% through 2037; 3.30% through 2038; 3.50% through 2044	-	9,930,000	-	9,930,000	25,000
	<u>\$ 1,912,261</u>	<u>\$ 10,792,669</u>	<u>\$ (320,240)</u>	<u>\$ 12,384,690</u>	<u>\$ 352,530</u>

Aggregate maturities required on long-term debt are as follows at December 31, 2019:

	Principal	Interest	Total Debt Service
2020	\$ 352,530	\$ 375,253	\$ 727,783
2021	359,400	367,768	727,168
2022	366,230	360,147	726,377
2023	377,670	352,289	729,959
2024	383,970	344,205	728,175
Thereafter	10,544,890	4,050,859	14,595,749
	<u>\$ 12,384,690</u>	<u>\$ 5,850,521</u>	<u>\$ 18,235,211</u>

The Township's outstanding debt from direct borrowings and direct placements are secured by pledge of the taxing power of the Township. The Township is required to annual budget all debt service requirements under the loan agreement.

## Whitehall Township

### Notes to Financial Statements

December 31, 2019

#### Note 8 - Long-Term Debt (continued)

	<u>2019</u>
Total long-term debt	\$ 12,384,690
Current maturities, long-term debt	(352,530)
Unamortized bond discount	(106,397)
Unamortized bond premium	63,980
	<u>\$ 11,989,743</u>

The Township leases vehicles under capital lease agreements. The Township is financing the acquisition of the assets through the leases. The leases contain interest rates from 3.380% to 4.569%. Principal and interest paid under these agreements amounted to \$123,545 for the year ended December 31, 2019.

Future minimum lease payments, including principal and interest, under existing lease agreements at December 31, 2019 are as follows:

2020	\$ 147,537
2021	142,291
2022	74,143
2023	23,992
	<u>19,433</u>
Total minimum lease payments	407,396
Amount representing interest	<u>(23,452)</u>
Net present value of minimum lease payments	<u>\$ 383,944</u>

Changes in long-term liabilities are as follows for the year ended December 31, 2019:

	<u>Balance January 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2019</u>	<u>Current Portion</u>
General obligation debt					
Note G.O., Series of 2017	\$ 1,912,261	\$ 862,668	\$ (320,239)	\$ 2,454,690	\$ 327,530
General obligation debt	-	9,930,000	-	9,930,000	25,000
Note G.O., Series of 2019					
Capital leases payable	203,354	288,885	(108,295)	383,944	133,280
Compensated absences	510,033	46,796	-	556,829	-
Net pension liability	5,379,672	-	(722,928)	4,656,744	-
Other postemployment benefits	13,043,169	920	-	13,044,089	-
Total long-term liabilities	<u>\$ 21,048,489</u>	<u>\$ 11,129,269</u>	<u>\$ (1,151,462)</u>	<u>\$ 31,026,296</u>	<u>\$ 485,810</u>

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

## Whitehall Township

### Notes to Financial Statements

December 31, 2019

#### Note 9 - Fund Balances

Fund balances of the Township's governmental funds consist of the following at December 31, 2019:

	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total Fund Balance</u>
Reported in General Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,289,142</u>	<u>\$ 8,289,142</u>
State Highway Aid Fund, highways and streets	<u>477,879</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>477,879</u>
Traffic Impact Fund, transportation needs	<u>1,456,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,456,335</u>
Capital Reserve Fund, capital improvements	<u>-</u>	<u>10,211,238</u>	<u>-</u>	<u>-</u>	<u>10,211,238</u>
Lafarge Fund, capital expenditures	<u>-</u>	<u>-</u>	<u>1,270,600</u>	<u>-</u>	<u>1,270,600</u>
Debt Service Fund, debt service	<u>-</u>	<u>126,439</u>	<u>-</u>	<u>-</u>	<u>126,439</u>
Other governmental funds Recreational services	<u>-</u>	<u>396,996</u>	<u>-</u>	<u>-</u>	<u>396,996</u>
	<u>\$ 1,934,214</u>	<u>\$ 10,734,673</u>	<u>\$ 1,270,600</u>	<u>\$ 8,289,142</u>	<u>\$ 22,228,629</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**

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Notes to Financial Statements

December 31, 2019

### **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**

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Notes to Financial Statements

December 31, 2019

### **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

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### Notes to Financial Statements

December 31, 2019

#### 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, 2019, the following employees were covered by the Police Plan:

Active employees	48
Retirees and beneficiaries currently receiving benefits	42
Terminated employees entitled to benefits, but not yet receiving them	<u>1</u>
	<u>91</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, 2019, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2019. 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

### Notes to Financial Statements

December 31, 2019

#### Note 10 - Whitehall Township Police Pension Plan (continued)

##### Actuarial Assumptions

The total pension liability in the January 1, 2019 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 PubS-2010 mortality table including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2018 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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
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

### Notes to Financial Statements

December 31, 2019

#### 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, 2019.

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balance at December 31, 2018</b>	<b>\$ 33,876,546</b>	<b>\$ 28,057,552</b>	<b>\$ 5,818,994</b>
Changes for the year			
Service cost	734,741	-	734,741
Interest cost	2,766,151	-	2,766,151
Changes for experience	96,015	-	96,015
Changes of assumptions	682,313	-	682,313
Contributions, employer	-	1,319,057	(1,319,057)
Contributions, member	-	238,922	(238,922)
Net investment income	-	5,706,023	(5,706,023)
Benefit payments, including refunds of member contributions	(1,625,451)	(1,625,451)	-
Administrative expense	-	(7,700)	7,700
<b>Balance at December 31, 2019</b>	<b>\$ 36,530,315</b>	<b>\$ 33,688,403</b>	<b>\$ 2,841,912</b>

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	<b>\$ 7,274,477</b>	<b>\$ 2,841,912</b>	<b>\$ (856,255)</b>



## Whitehall Township

### Notes to Financial Statements

December 31, 2019

#### 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, 2019, the Township recognized pension expense of \$1,496,636. The Township reported deferred outflows of resources and deferred inflows of resources related to the Pension Plan from the following sources at December 31, 2019:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	\$ 190,217	\$ (58,673)
Net difference between projected and actual earnings on pension plan investments	2,599,591	(3,684,420)
Change of assumptions	1,126,167	(54,002)
	<u>\$ 3,915,975</u>	<u>\$ (3,797,095)</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:

2020	\$ (101,065)
2021	(19,745)
2022	436,695
2023	(419,383)
2024	111,189
2025	111,189

#### 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

### Notes to Financial Statements

December 31, 2019

#### Note 11 - Whitehall Township Nonuniformed Pension Plan (continued)

##### Employees Covered by Benefit Terms

At December 31, 2018, the date of the most recent actuarial valuation, the following employees were covered by the Nonuniformed Plan:

Inactive employees or beneficiaries currently receiving benefits	40
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>46</u>
	<u>87</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, 2018, and the total pension liability was determined based upon the actuarial valuation as of December 31, 2018, with liabilities rolled forward to December 31, 2018 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, 2018 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	5.50%
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 Combined Healthy Mortality Table.

## Whitehall Township

### Notes to Financial Statements

December 31, 2019

#### Note 11 - Whitehall Township Nonuniformed Pension Plan (continued)

##### Actuarial Assumptions (continued)

The actuarial assumptions used for the December 31, 2018 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:

<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic equities (large capitalized firms)	25%	4.6%
Domestic equities (small capitalized firms)	15	7.3%
International equities (international developed markets)	15	3.5%
International equities (emerging markets)	10	8.3%
Real estate	20	5.4%
Fixed income	15	1.1%
	<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

### Notes to Financial Statements

December 31, 2019

#### Note 11 - Whitehall Township Nonuniformed Pension Plan (continued)

##### Changes in Net Pension Liability (Asset)

The following table shows the changes in net pension liability (asset) for the year ended December 31, 2019.

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
<b>Balance at December 31, 2018</b>	<b>\$ 23,504,765</b>	<b>\$ 23,944,087</b>	<b>\$ (439,322)</b>
Changes for the year			
Service cost	286,673	-	286,673
Interest cost	1,230,156	-	1,230,156
Changes of benefits	165,040	-	165,040
Differences between expected and actual experience	(601,261)	-	(601,261)
Contributions, employer	-	316,106	(316,106)
Contributions, member	-	45,018	(45,018)
PMRS investment income	-	1,165,209	(1,165,209)
Market value investment income (loss)	-	(2,645,978)	2,645,978
Benefit payments	(729,122)	(729,122)	-
PMRS administrative expense	-	(1,900)	1,900
Additional administrative expense	-	(51,998)	51,998
<b>Balance at December 31, 2019</b>	<b>\$ 23,856,251</b>	<b>\$ 22,041,422</b>	<b>\$ 1,814,829</b>

##### Net Pension Liability (Asset) Sensitivity

The following is a sensitivity analysis of the net pension liability (asset) to changes in the discount rate. The table below presents the net pension liability (asset) calculated using the discount rate of 5.250%, 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)	<b>\$ 4,282,667</b>	<b>\$ 1,814,829</b>	<b>\$ (313,583)</b>

## Whitehall Township

### Notes to Financial Statements

December 31, 2019

#### 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, 2019, Township recognized pension expense of \$403,416. The Township reported deferred outflows of resources and deferred inflows of resources related to the Pension Plan from the following sources at December 31, 2019:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	\$ 517,726	\$ -
Changes in assumptions	-	261,045
Net difference between projected and actual earnings on pension plan investments	-	799,986
Township contributions subsequent to the measurement date	373,283	-
	<u>\$ 891,009</u>	<u>\$ 1,061,031</u>

The Township reported \$373,283 as deferred outflows of resources resulting from Township contributions, subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. 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:

2020	\$ 198,608
2021	(69,232)
2022	(115,265)
	529,194

#### 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

### Notes to Financial Statements

December 31, 2019

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

##### Retiree Contributions

The retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.

##### Funding Policy

The Township currently funds OPEB costs as they occur.

##### Employees Covered by Benefit Terms

Active participants	44
Vested former participants	-
Retired participants	<u>18</u>
	<u>62</u>

##### Postemployment Benefits Liability, Postemployment Benefit Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Postemployment Benefits

At December 31, 2019, the Township reported a liability of \$13,044,089 for its postemployment benefit liability. The net postemployment benefit liability was measured as of December 31, 2019 and the total postemployment benefit liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2018. For the year ended December 31, 2019, the Township recognized postemployment benefit expense of \$1,376,619 related to this plan. At December 31, 2019, the Township reported deferred outflows and inflows of resources related to the Whitehall Township Police Postemployment Benefits Plan from the following sources:

##### Deferred Outflows of Resources

Differences between expected and actual experience	\$ 2,070,488
Changes of assumptions	491,470
Benefit payments made subsequent to the measurement date	<u>605,149</u>
	<u>\$ 3,167,107</u>

##### Deferred Inflows of Resources

Changes of assumptions	<u>\$ 429,611</u>
------------------------	-------------------

The Township reported \$605,149 as deferred outflows of resources resulting from Township benefit payments subsequent to the measurement date which will be recognized as a reduction of net OPEB liability in the year ended December 31, 2019.

## Whitehall Township

### Notes to Financial Statements

December 31, 2019

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

##### Postemployment Benefits Liability, Postemployment Benefit Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Postemployment Benefits (continued)

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

2020	\$	312,293
2021		312,293
2022		312,293
2023		312,293
2024		312,293
Thereafter		570,882

##### 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 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. Significant methods and assumptions are as follows:

<b>Actuarial Valuation Date</b>	January 1, 2018
<b>Actuarial Cost Method</b>	Entry age normal
<b>Asset Valuation Method</b>	Market value
<b>Interest Rate</b>	3.64% per annum based on S&P Municipal Bond 20 year high grade rate index at January 1, 2019
<b>Healthcare Inflation Rate</b>	6.00% in 2018, and 5.50% in 2019 through 2021. Rates gradually decrease from 5.40% in 2022 to 3.8% in 2075 based on the Society of Actuaries Long-Run Medical Cost Trend Model
<b>Salary</b>	Assumptions for salary increases is used only for spreading contributions over future pay under entry age normal cost method. For this purpose salary increases are assumed to be 5.00%
<b>Mortality</b>	IRS 2017 Static Combined Table for Small Plans
<b>Retirement</b>	Latest of age 53, age at the completion of 25 years of service, or age on the valuation date

**Whitehall Township**

## Notes to Financial Statements

December 31, 2019

**Note 12 - Postemployment Benefits Other than Pensions (OPEB) (continued)****Actuarial Methods and Assumptions (continued)**

<b>Election of Coverage</b>	Employees hired prior to January 1, 2014: 100% medical and prescription, drug, dental, vision coverage for retiree and spouses  Employees hired after to January 1, 2014: 100% medical and prescription, drug, dental, vision coverage for retiree only
<b>Percent Married at Retirement</b>	75% are assumed married and have a covered spouse at retirement

**Changes in the Net Postemployment Benefit Liability**

	Increase (Decrease)		
	Total Postemployment Benefit Liability (a)	Plan Fiduciary Net Position (b)	Net Postemployment Benefit Liability (a) - (b)
<b>Balance at December 31, 2018</b>	\$ 13,043,169	\$ -	\$ 13,043,169
Changes for the year			
Service cost	641,811	-	641,811
Interest cost	422,515	-	422,515
Benefit payments	(483,312)	-	(483,312)
Other changes	(580,094)	-	(580,094)
<b>Balance at December 31, 2019</b>	<u>\$ 13,044,089</u>	<u>\$ -</u>	<u>\$ 13,044,089</u>

Changes in assumptions included the discount rate changed from 3.16% to 3.64%. The trend assumption was updated and the mortality assumption was updated.



## Whitehall Township

### Notes to Financial Statements

December 31, 2019

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

##### Sensitivity of the Township's Net Postemployment Benefit Liability to Changes in the Discount Rate

The following is a sensitivity analysis of the net postemployment benefit liability to changes in the discount rate. The table below presents the net postemployment benefit liability calculated using the discount rate of 3.64%, as well as what the net postemployment benefit liability would be if it were calculated using a discount rate that is one percentage point lower (2.64%) or one percentage point higher (4.64%) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
<b>Net Postemployment Benefit Liability</b>	<b>\$ 14,074,778</b>	<b>\$ 13,044,089</b>	<b>\$ 12,101,635</b>

##### Sensitivity of the Township's Net Postemployment Benefit Liability to Changes in the Healthcare Cost Trend Rate

The following is a sensitivity analysis of the net postemployment benefit liability to changes in the healthcare cost trend rate. The table below presents the net postemployment benefit liability calculated using the healthcare cost trend rate of 5.50%, as well as what the net postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (4.50%) or one percentage point higher (6.50%) than the current rate:

	1% Decrease (4.50%)	Healthcare Cost Trend Rate (5.50%)	1% Increase (6.50%)
<b>Net Postemployment Benefit Liability</b>	<b>\$ 11,706,718</b>	<b>\$ 13,044,089</b>	<b>\$ 14,590,396</b>

#### 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.

## **Whitehall Township**

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### Notes to Financial Statements

December 31, 2019

#### **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.

#### **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, 2019, claims settled were not in excess of insurance coverage.

For the year ended December 31, 2019, 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, 2019, 2018, and 2017.

#### **Note 16 - Commitments and Contingencies**

##### **Commitments**

As of December 31, 2019, the Township had remaining commitments for the construction of the Whitehall Township Police Headquarters of \$14,652,950. The project is being funded by proceeds from the General Obligation Bond, Series 2019.

##### **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.

In the Spring of 2019, the Township detected a misappropriation of funds that occurred at the Office of the Tax Collector in 2018. While the amount has not been fully quantified, the misappropriation is estimated to not be material to the financial statements. The Townships intends to file a Fidelity Bond Claim and recover a significant portion of the loss.

## **Whitehall Township**

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### Notes to Financial Statements

December 31, 2019

#### **Note 16 - Commitments and Contingencies (continued)**

##### **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 50% 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 32% is covered by the agreement.

#### **Note 17 - Prior Period Adjustment**

Net position, as of January 1, 2019, on the statement of activities - governmental funds was reduced by \$203,354 as a result of adjusting the balance of capital leases payable.

#### **Note 18 - Subsequent Events**

The Township has evaluated subsequent events through October 1, 2020. This date is the date the financial statements were available to be issued. The following event subsequent to December 31, 2019 was noted:

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economy, financial markets, and the geographical area of the Township. It is unknown how long these conditions will last and what the complete financial effect will be to the Township.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

No other material events subsequent to December 31, 2019 were noted.

## Whitehall Township

Budgetary Comparison Schedule - General Fund  
Year Ended December 31, 2019

	Budgeted Amounts Original	Final	Actual Amounts	Variance with Final Budget
<b>Revenues</b>				
Taxes	\$ 14,802,000	\$ 14,802,000	\$ 16,086,164	\$ 1,284,164
Licenses and permits	579,500	579,500	724,577	145,077
Fines and forfeits	155,000	155,000	193,562	38,562
Interest, rents, and royalties	145,000	145,000	289,551	144,551
Intergovernmental revenue	1,057,561	1,057,561	1,416,685	359,124
Charges for services	3,210,000	3,210,000	3,637,974	427,974
Miscellaneous revenue	66,000	66,000	586,074	520,074
<b>Total Revenues</b>	<b>20,015,061</b>	<b>20,015,061</b>	<b>22,934,587</b>	<b>2,919,526</b>
<b>Expenditures</b>				
Current				
General government	1,531,513	1,531,513	2,518,041	(986,528)
Public safety	7,373,108	7,373,108	9,177,257	(1,804,149)
Public works	3,696,207	3,696,207	5,224,388	(1,528,181)
Culture and recreation	1,001,975	1,001,975	869,785	132,190
Insurance, employee benefits, and other	5,375,954	5,375,954	4,141,989	1,233,965
Debt service	-	-	123,545	(123,545)
Capital outlay	-	-	446,472	(446,472)
<b>Total Expenditures</b>	<b>18,978,757</b>	<b>18,978,757</b>	<b>22,501,477</b>	<b>(3,522,720)</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>1,036,304</b>	<b>1,036,304</b>	<b>433,110</b>	<b>(603,194)</b>
<b>Other Financing Sources (Uses)</b>				
Debt issue proceeds	-	-	288,885	288,885
Transfers in	-	-	21,714	21,714
Transfers out	(1,912,310)	(1,912,310)	(1,510,879)	401,431
<b>Total Other Financing Sources (Uses)</b>	<b>(1,912,310)</b>	<b>(1,912,310)</b>	<b>(1,200,280)</b>	<b>712,030</b>
<b>Net Change in Fund Balances</b>	<b>\$ (876,006)</b>	<b>\$ (876,006)</b>	<b>(767,170)</b>	<b>\$ 108,836</b>
<b>Fund Balance at Beginning of Year</b>			<b>8,496,840</b>	
<b>Fund Balance at End of Year</b>			<b>\$ 7,729,670</b>	

**Whitehall Township**Budgetary Comparison Schedule - State Highway Aid Fund  
Year Ended December 31, 2019

	<b>Budgeted Amounts Original</b>	<b>Final</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>Revenues</b>				
Interest, rents, and royalties	\$ 1,000	\$ 1,000	\$ 26,620	\$ 25,620
Intergovernmental revenue	800,713	800,713	859,939	59,226
Miscellaneous revenue	-	-	86,281	86,281
<b>Total Revenues</b>	<b>801,713</b>	<b>801,713</b>	<b>972,840</b>	<b>171,127</b>
<b>Expenditures</b>				
Current, public works	360,000	360,000	331,101	28,899
Insurance, employee benefits, and other	-	-	-	-
<b>Total Expenditures</b>	<b>360,000</b>	<b>360,000</b>	<b>331,101</b>	<b>28,899</b>
<b>Excess of Revenues over Expenditures</b>	<b>441,713</b>	<b>441,713</b>	<b>641,739</b>	<b>200,026</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	(950,000)	(950,000)	(881,542)	68,458
<b>Net Change in Fund Balance</b>	<b>\$ (508,287)</b>	<b>\$ (508,287)</b>	<b>(239,803)</b>	<b>\$ 268,484</b>
<b>Fund Balance at Beginning of Year</b>			<b>717,682</b>	
<b>Fund Balance at End of Year</b>			<b>\$ 477,879</b>	

## **Whitehall Township**

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Note to Budgetary Comparison Schedules  
December 31, 2019

### **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 2019 budgets.

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

	Years Ended December 31,				
	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>					
Service cost	\$ 734,741	\$ 618,269	\$ 588,828	\$ 592,580	\$ 564,362
Interest cost	2,766,151	2,567,779	2,446,280	2,242,784	2,119,366
Difference between expected and actual experience	96,015	-	188,858	-	(352,033)
Change of assumptions	682,313	-	947,323	-	(324,022)
Benefit payments, including refunds of member contributions	(1,625,451)	(1,576,942)	(1,514,677)	(1,333,515)	(1,004,933)
<b>Net Change in Total Pension Liability</b>	<b>2,653,769</b>	<b>1,609,106</b>	<b>2,656,612</b>	<b>1,501,849</b>	<b>1,002,740</b>
<b>Total Pension Liability, Beginning</b>	<b>33,876,546</b>	<b>32,267,440</b>	<b>29,610,828</b>	<b>28,108,979</b>	<b>27,106,239</b>
<b>Total Pension Liability, Ending</b>	<b>\$ 36,530,315</b>	<b>\$ 33,876,546</b>	<b>\$ 32,267,440</b>	<b>\$ 29,610,828</b>	<b>\$ 28,108,979</b>
<b>Plan Fiduciary Net Position</b>					
Contributions, employer	\$ 1,319,057	\$ 766,310	\$ 763,966	\$ 753,888	\$ 1,092,439
Contributions, member	238,922	233,934	219,028	224,900	216,509
Net investment income (loss)	5,706,023	(1,863,403)	4,392,674	1,842,426	(783,252)
Benefit payments, including refunds of member contributions	(1,625,451)	(1,576,942)	(1,514,677)	(1,333,515)	(1,004,933)
Administrative expense	(7,700)	(6,200)	(7,900)	(8,500)	(8,300)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>5,630,851</b>	<b>(2,446,301)</b>	<b>3,853,091</b>	<b>1,479,199</b>	<b>(487,537)</b>
<b>Plan Fiduciary Net Position, Beginning</b>	<b>28,057,552</b>	<b>30,503,853</b>	<b>26,650,762</b>	<b>25,171,563</b>	<b>25,659,100</b>
<b>Plan Fiduciary Net Position, Ending</b>	<b>\$ 33,688,403</b>	<b>\$ 28,057,552</b>	<b>\$ 30,503,853</b>	<b>\$ 26,650,762</b>	<b>\$ 25,171,563</b>
<b>Township's Net Pension Liability</b>	<b>\$ 2,841,912</b>	<b>\$ 5,818,994</b>	<b>\$ 1,763,587</b>	<b>\$ 2,960,066</b>	<b>\$ 2,937,416</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>92.2%</b>	<b>82.8%</b>	<b>94.5%</b>	<b>90.0%</b>	<b>89.5%</b>
<b>Covered Employee Payroll</b>	<b>\$ 5,156,312</b>	<b>\$ 4,724,702</b>	<b>\$ 4,312,153</b>	<b>\$ 3,940,604</b>	<b>\$ 4,214,084</b>
<b>Township's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<b>55.1%</b>	<b>123.2%</b>	<b>40.9%</b>	<b>75.1%</b>	<b>69.7%</b>

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

	Years Ended December 31,				
	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>					
Service cost	\$ 286,673	\$ 312,916	\$ 317,087	\$ 368,707	\$ 390,209
Interest cost	1,230,156	1,191,449	1,187,189	1,130,642	1,095,566
Change of benefits	165,040	-	-	-	-
Difference between expected and actual experience	(601,261)	-	(166,947)	194,687	(442,058)
Change of assumptions	-	-	555,265	-	-
Benefit payments, including refunds of member contributions	(729,122)	(752,275)	(805,410)	(428,207)	(341,897)
<b>Net Change in Total Pension Liability</b>	<b>351,486</b>	<b>752,090</b>	<b>1,087,184</b>	<b>1,265,829</b>	<b>701,820</b>
<b>Total Pension Liability, Beginning</b>	<b>23,504,765</b>	<b>22,752,675</b>	<b>21,665,491</b>	<b>20,399,662</b>	<b>19,697,842</b>
<b>Total Pension Liability, Ending</b>	<b>\$ 23,856,251</b>	<b>\$ 23,504,765</b>	<b>\$ 22,752,675</b>	<b>\$ 21,665,491</b>	<b>\$ 20,399,662</b>
<b>Plan Fiduciary Net Position</b>					
Contributions, employer	\$ 316,106	\$ 346,539	\$ 357,435	\$ 347,426	\$ 262,072
Contributions, member	45,018	51,050	53,491	53,915	54,131
Net investment income (loss)	(1,480,769)	3,599,450	1,335,602	(43,044)	968,734
Benefit payments, including refunds of member contributions	(729,122)	(752,275)	(805,410)	(428,207)	(341,897)
Administrative expense	(53,898)	(53,829)	(59,645)	(47,897)	(42,960)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(1,902,665)</b>	<b>3,190,935</b>	<b>881,473</b>	<b>(117,807)</b>	<b>900,080</b>
<b>Plan Fiduciary Net Position, Beginning</b>	<b>23,944,087</b>	<b>20,753,152</b>	<b>19,871,679</b>	<b>19,989,486</b>	<b>19,089,406</b>
<b>Plan Fiduciary Net Position, Ending</b>	<b>\$ 22,041,422</b>	<b>\$ 23,944,087</b>	<b>\$ 20,753,152</b>	<b>\$ 19,871,679</b>	<b>\$ 19,989,486</b>
<b>Township's Net Pension (Asset) Liability</b>	<b>\$ 1,814,829</b>	<b>\$ (439,322)</b>	<b>\$ 1,999,523</b>	<b>\$ 1,793,812</b>	<b>\$ 410,176</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>92.4%</b>	<b>101.9%</b>	<b>91.2%</b>	<b>91.7%</b>	<b>98.0%</b>
<b>Covered Employee Payroll</b>	<b>\$ 2,985,554</b>	<b>\$ 3,275,916</b>	<b>\$ 3,566,015</b>	<b>\$ 3,594,369</b>	<b>\$ 3,848,721</b>
<b>Township's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<b>60.8%</b>	<b>-13.4%</b>	<b>56.1%</b>	<b>49.9%</b>	<b>10.7%</b>

\* 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 Changes in Net Other Postemployment Benefits Other than Pension  
Liability and Related Ratios  
Last Ten Fiscal Years\*  
Year Ended December 31, 2019

<b>Total OPEB Liability</b>	
Service cost	\$ 641,811
Interest cost	422,515
Difference between expected and actual experience	-
Change of assumptions	(483,312)
Benefit payments, including refunds of member contributions	<u>(580,094)</u>
<b>Net Change in Total OPEB Liability</b>	<b>920</b>
<b>Total Pension Liability, Beginning</b>	<u>13,043,169</u>
<b>Total Pension Liability, Ending</b>	<u><u>\$ 13,044,089</u></u>
<b>Plan Fiduciary Net Position</b>	
Contributions, employer	\$ -
Contributions, member	-
Net investment income	-
Benefit payments, including refunds of member contributions	-
Administrative expense	<u>-</u>
<b>Net Change in Plan Fiduciary Net Position</b>	<b>-</b>
<b>Plan Fiduciary Net Position, Beginning</b>	<u>-</u>
<b>Plan Fiduciary Net Position, Ending</b>	<u><u>\$ -</u></u>
<b>Township's Net Pension Liability</b>	<u><u>\$ 13,044,089</u></u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<u><u>0.0%</u></u>
<b>Covered Employee Payroll</b>	<u><u>\$ 4,341,055</u></u>
<b>Township's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<u><u>300.5%</u></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 Township**

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contribution	\$ 1,319,057	\$ 766,310	\$ 763,966	\$ 753,888	\$ 1,092,439	\$ 966,663	\$ 979,580	\$ 884,170	\$ 894,656	\$ 448,020
Contributions in relation to the actuarially determined contribution	<u>1,319,057</u>	<u>766,310</u>	<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>
<b>Contribution Excess</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10)</u>	<u>\$ -</u>	<u>\$ (6,676)</u>	<u>\$ (3,415)</u>
Covered employee payroll	<u>\$ 5,156,312</u>	<u>\$ 4,724,702</u>	<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>
Contributions as a percentage of covered employee payroll	<u>25.6%</u>	<u>16.2%</u>	<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>

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:

<b>Actuarial Cost Method</b>	Entry age normal
<b>Amortization Method</b>	Level dollar closed
<b>Remaining Amortization Period</b>	4 years
<b>Asset Valuation Method</b>	Market value of assets as determined by the trustee
<b>Inflation</b>	3.00%
<b>Salary Increases</b>	5.00%
<b>Investment Rate of Return</b>	8.00%
<b>Retirement Age</b>	Attainment of age 53 and completion of 25 years of service
<b>Mortality</b>	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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 316,106	\$ 348,459	\$ 357,435	\$ 347,426	\$ 259,036
Contributions in relation to the actuarially determined contribution	<u>316,106</u>	<u>348,459</u>	<u>357,435</u>	<u>347,426</u>	<u>262,072</u>
<b>Contribution Excess</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,036)</u>
Covered employee payroll	<u>\$ 2,985,554</u>	<u>\$ 3,275,916</u>	<u>\$ 3,566,015</u>	<u>\$ 3,594,369</u>	<u>\$ 3,848,721</u>
Contributions as a percentage of covered employee payroll	<u>10.6%</u>	<u>10.6%</u>	<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:

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

Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-
<b>Contribution Excess</b>	<b>\$ -</b>	<b>\$ -</b>
Covered employee payroll	<b>\$ 4,341,055</b>	<b>\$ 4,341,055</b>
Contributions as a percentage of covered employee payroll	<b>0.0%</b>	<b>0.0%</b>

Valuation Date: Actuarially determined contribution rates are calculated as of January 1, 2018.

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

<b>Actuarial Cost Method</b>	Entry age normal
<b>Asset Valuation Method</b>	Market value of assets
<b>Healthcare Inflation Rate</b>	Declining scale from 6.00% in 2018, and 5.50% in 2019 through 2021. Rates gradually decrease from 5.40% in 2022 to 3.80% in 2075.
<b>Salary Increases</b>	5.00%
<b>Investment Rate of Return</b>	3.64%
<b>Retirement Age</b>	Latest of age 53, age at the completion of 25 years of service, or age on the valuation date.
<b>Mortality</b>	IRS 2017 Static Combined Table for Small Plans

\* 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

Combining Balance Sheet - Nonmajor Governmental Funds

December 31, 2019

	<u>Recreation Escrow</u>	<u>Perpetual Maintenance</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 401,391	\$ 93,365	\$ 494,756
<b>Total Assets</b>	<b>\$ 401,391</b>	<b>\$ 93,365</b>	<b>\$ 494,756</b>
<b>Liabilities</b>			
Due to other funds	\$ 4,395	\$ -	\$ 4,395
<b>Total Liabilities</b>	<b>\$ 4,395</b>	<b>\$ -</b>	<b>\$ 4,395</b>
<b>Fund Balances</b>			
Committed	\$ 396,996	\$ -	\$ 396,996
Assigned	-	93,365	93,365
<b>Total Fund Balances</b>	<b>\$ 396,996</b>	<b>\$ 93,365</b>	<b>\$ 490,361</b>

## Whitehall Township

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

Nonmajor Governmental Funds

Year Ended December 31, 2019

	<u>Recreation Escrow</u>	<u>Perpetual Maintenance</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues</b>			
Interest, rents, and royalties	\$ 8,613	\$ 2,018	\$ 10,631
Contributions	<u>27,000</u>	<u>-</u>	<u>27,000</u>
<b>Total Revenues</b>	<u>35,613</u>	<u>2,018</u>	<u>37,631</u>
<b>Expenditures</b>			
Public works	-	156	156
Culture and recreation	4,767	-	4,767
Capital outlay	<u>18,000</u>	<u>-</u>	<u>18,000</u>
<b>Total Expenditures</b>	<u>22,767</u>	<u>156</u>	<u>22,923</u>
<b>Net Change in Fund Balances</b>	12,846	1,862	14,708
<b>Fund Balances at Beginning of Year</b>	<u>384,150</u>	<u>91,503</u>	<u>475,653</u>
<b>Fund Balances at End of Year</b>	<u>\$ 396,996</u>	<u>\$ 93,365</u>	<u>\$ 490,361</u>