

**Whitehall Township,
Lehigh County, Pennsylvania**

**Financial Statements and
Supplementary Information**

December 31, 2015



REINSEL KUNTZ LESHER
certified public accountants & consultants

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Whitehall Township

Table of Contents

December 31, 2015

	Page
INDEPENDENT AUDITOR'S REPORT	1 to 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 to 10
FINANCIAL STATEMENTS	
Statement of Net Position - Governmental Activities	11
Statement of Activities - Governmental Activities	12
Balance Sheet - Governmental Funds	13
Reconciliation of the Governmental Funds, Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15 and 16
Reconciliation of the Governmental Funds, Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	17
Statement of Fiduciary Net Position - Fiduciary Funds	18
Statement of Changes in Fiduciary Net Position - Fiduciary Fund - Pension Trust Fund	19
Notes to Financial Statements	20 to 52
<hr/>	
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules:	
General Fund	53
State Highway Aid Fund	54
Note to Budgetary Comparison Schedules	55
Schedule of Changes in Net Pension Liability and Related Ratios	56
Schedule of Pension Contributions - Police Pension Plan	57
Schedule of Pension Contributions - Nonuniformed Pension Plan	58
Schedule of Funding Progress - Postemployment Benefits Other than Pensions - Police	59

Whitehall Township

Table of Contents (continued)
December 31, 2015

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

Schedule of Employer Contributions - Postemployment Benefits Other than Pensions - Police	60
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SUPPLEMENTARY INFORMATION

Combining Balance Sheet - Nonmajor Governmental Funds	61
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	62



Independent Auditor's Report

To the Board of Commissioners
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, 2015, 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 an opinion 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 opinion.

Basis for Adverse Opinion

As discussed in Note 2 to the financial statements, the Township has not recorded the retroactive cost of general infrastructure capital assets and has not recorded depreciation expense on those assets. Governmental Accounting Standards Board (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, 2015, 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 balance - governmental funds, statement of fiduciary net position - fiduciary funds and statement of changes in fiduciary net position - fiduciary fund present fairly, in all material respects, the respective financial position of Whitehall Township as of December 31, 2015 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.

Adoption of GASB Statement No. 68

As discussed in Note 2 to the financial statements, in 2015, the Township adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information on Pages 4 to 10 and Pages 53 to 60, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Whitehall Township's basic financial statements. The accompanying financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related 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.

Reinsel Kuntz Lesker LLP

June 3, 2016
Wyomissing, Pennsylvania

Whitehall Township

Management's Discussion and Analysis December 31, 2015

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, 2015. 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 \$16,863,007. Of this amount, \$2,868,633 is unrestricted and may be used to meet the government's on-going obligations to citizens and creditors.
- The Township's net position increased by \$1,648,576 for the year ended December 31, 2015.
- The Township's net position has been restated to reflect the effect of the adoption of Governmental Accounting Standards Board (GASB) Statement No. 68. The December 31, 2014 net position was reduced by \$2,055,575 to record the net pension liability in accordance with GASB Statement No. 68.
- As of the close of fiscal year 2015, the Township's governmental funds reported combined ending fund balances of \$9,892,760. Approximately 66% of this total amount is available for spending at the government's discretion. The remaining 34% is held for specific capital expenditures, transportation needs, property maintenance, recreation purposes and debt service.
- The Township's long-term debt decreased by \$859,427 during 2015.

Overview of the Financial Statements

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

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

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

Whitehall Township

Management's Discussion and Analysis
December 31, 2015

Overview of the Financial Statements (continued)

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

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

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

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

Reporting the Township as a Whole

The Township's Reporting Entity Presentation

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

Government-Wide Financial Analysis

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

Whitehall Township

Management's Discussion and Analysis

December 31, 2015

Government-Wide Financial Analysis (continued)

Government-Wide Financial Statements

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets and deferred outflows of resources exceeded liabilities and deferred inflow of resources by \$16,863,007 at the close of the fiscal year 2015. Of this amount, \$12,886,946 (or 76%) is accounted for by capital assets (e.g., land, buildings and equipment, construction in progress), net of accumulated depreciation, less any related debt used to acquire those assets that are still outstanding.

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

The Township's net position at December 31, 2015 and 2014 is presented below:

	<u>2015</u>	<u>2014</u>
Assets		
Cash and cash equivalents	\$ 9,674,549	\$ 8,299,180
Other current assets	2,137,816	2,098,542
Capital assets	<u>15,256,347</u>	<u>15,444,572</u>
Total Assets	<u>27,068,712</u>	<u>25,842,294</u>
Deferred Outflows of Resources, Pension	<u>2,360,709</u>	-
Liabilities		
Current liabilities	2,390,790	2,253,581
Long-term liabilities	<u>9,341,116</u>	<u>8,374,282</u>
Total Liabilities	<u>11,731,906</u>	<u>10,627,863</u>
Deferred Inflows of Resources, Pension	<u>834,508</u>	-
Net Position		
Net investment in capital assets	12,886,946	12,209,908
Restricted	1,107,428	1,059,804
Unrestricted	<u>2,868,633</u>	<u>1,944,719</u>
Total Net Position	<u>\$ 16,863,007</u>	<u>\$ 15,214,431</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, 2015****Government-Wide Financial Analysis (continued)****Government-Wide Financial Statements (continued)**

The Township's change in net position for the years ended December 31, 2015 and 2014 is presented below:

	<u>2015</u>	<u>2014</u>
Revenues		
Program revenues		
Charges for services	\$ 4,209,194	\$ 4,168,924
Operating grants and contributions	1,138,218	1,222,904
Capital grants and contributions	654,641	611,846
General revenues		
Real estate taxes	6,258,114	6,205,925
Earned income taxes	5,984,453	6,021,809
Business privilege taxes	1,813,099	1,840,423
Other taxes levied for specific purposes	1,323,469	1,215,862
Interest income and rents	68,590	52,374
Fines and forfeits	169,912	157,715
Proceeds from sale of capital assets	28,383	60,210
Miscellaneous income	<u>463,681</u>	<u>317,526</u>
Total Revenues	<u>22,111,754</u>	<u>21,875,518</u>
Expenditures		
General government	1,503,827	1,373,148
Public safety	8,033,445	8,150,323
Public works	6,002,451	6,076,836
Culture and recreation	855,640	865,951
Insurance, employee benefits and miscellaneous	2,865,487	2,742,970
Depreciation - unallocated	1,094,573	1,116,804
Interest	<u>107,755</u>	<u>142,915</u>
Total Expenditures	<u>20,463,178</u>	<u>20,468,947</u>
Change in Net Position	1,648,576	1,406,571
Net Position at Beginning of Year, as Restated	<u>15,214,431</u>	<u>13,807,860</u>
Net Position at End of Year	<u>\$ 16,863,007</u>	<u>\$ 15,214,431</u>

Whitehall Township

Management's Discussion and Analysis
December 31, 2015

Government-Wide Financial Analysis (continued)

Government-Wide Financial Statements (continued)

Government-wide revenues for 2015 were primarily derived from property tax collections at 28% and earned income tax collections at 27% of the total. Charges for services, at 19%, are the third largest source of revenue.

Total expenses for all programs in 2015 were \$20,463,178. 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 29%.

Net Program Expenses (Revenues)

	<u>2015</u>	<u>2014</u>
General government	\$ 537,304	\$ 358,180
Public safety	7,048,046	7,219,377
Public works - highways and streets	2,705,926	2,862,474
Culture and recreation	705,843	626,691
Insurance, employee benefits and miscellaneous	2,261,678	2,138,832
Depreciation and interest	<u>1,202,328</u>	<u>1,259,719</u>
Total Net Program Expenses (Revenues)	<u>\$ 14,461,125</u>	<u>\$ 14,465,273</u>

Net program expenses/revenues indicate the amount of support required from taxes and other general revenues for the year. Public safety expenses required the most general revenues for support, needing approximately \$7.0 million in 2015. Public works expenses required approximately \$2.7 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, 2015 and 2014 totals \$15,256,347 and \$15,444,572 (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:

Various road projects	\$ 496,934
Equipment	210,441

Whitehall Township

Management's Discussion and Analysis
December 31, 2015

Capital Assets and Debt Administration (continued)

Capital Assets (continued)

Governmental Activities		
Summary of Capital Assets (Net of Accumulated Depreciation) at December 31		
	<u>2015</u>	<u>2014</u>
Capital assets not being depreciated		
Land	\$ 2,419,613	\$ 2,419,613
Construction in progress	<u>275,418</u>	<u>146,371</u>
	<u>2,695,031</u>	<u>2,565,984</u>
Capital assets being depreciated		
Buildings and improvements	5,012,861	5,205,195
Machinery and equipment	833,404	842,592
Traffic signals	711,002	803,466
Infrastructure	<u>6,004,049</u>	<u>6,027,335</u>
	<u>12,561,316</u>	<u>12,878,588</u>
Total Capital Assets	<u>\$ 15,256,347</u>	<u>\$ 15,444,572</u>

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

Additional information on the Township's capital assets can be found in Note 5 of the financial statements.

Long-Term Debt

At December 31, 2015, the Township had \$2,320,337 of general obligation debt outstanding. This was a decrease of \$859,427 or 27% from the previous year. The following table details the activity related to the general obligation debt outstanding during 2015:

Governmental Activities		
Summary of General Obligation Debt at December 31		
	<u>2015</u>	<u>2014</u>
General obligation bonds/notes		
Note, Series of 2001	\$ 895,337	\$ 1,634,764
Bonds, Series of 2011	<u>1,425,000</u>	<u>1,545,000</u>
	<u>\$ 2,320,337</u>	<u>\$ 3,179,764</u>

Additional information on the Township's long-term debt can be found in Note 7 of the financial statements.

Whitehall Township

Management's Discussion and Analysis

December 31, 2015

Economic Factors and Next Year's Budget and Rates

Economic Factors

Management and the Board of Commissioners were able to recognize a financial benefit from their prior decisions to increase revenues to offset annual expenditure increases. By ensuring that revenue totals ran consistent with expenses, the Township was able to increase its end of year General Fund fund balance from \$5.69 million to \$6.50 million. This enabled the Township to keep taxes at the same rate as that of 2015. The real estate tax millage rate remains at 2.80 mills. Several real estate tax appeals remain pending as of January 1, 2016 involving large commercial and multi-family properties. The effect on the Township's revenues will be slightly, but not significantly, affected by the outcome of these appeals.

2016 Budget

The 2016 budget was adopted by the Township with total General Fund expenditures equaling \$21,546,479 and revenues equaling \$18,798,437. Overall expenditures increased marginally over the prior year with the greatest increases found in salaries. The Township committed an additional \$110,000 to be transferred to the Capital Reserve Fund for infrastructure and equipment purchases. There were no major programs or initiatives added.

2016 Rates

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

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

Contacting the Township's Financial Management

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

Whitehall Township

Statement of Net Position - Governmental Activities
December 31, 2015

Assets

Cash and cash equivalents	\$ 9,674,549
Accounts receivable	825,981
Taxes receivable	1,154,194
Grants receivable	132,370
Other assets	1,675
Due from other funds	23,596
Capital assets not being depreciated	2,695,031
Capital assets being depreciated, net	<u>12,561,316</u>
Total Assets	<u>27,068,712</u>

Deferred Outflows of Resources

Pension	<u>2,360,709</u>
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Liabilities

Accounts payable	1,035,815
Accrued salaries and withholdings	405,843
Accrued interest	19,132
Current portion of long-term debt	930,000
Compensated absences payable	245,704
Long-term debt, net of current portion	1,439,401
Net pension liability	3,454,158
Other postemployment benefits	<u>4,201,853</u>
Total Liabilities	<u>11,731,906</u>

Deferred Inflows of Resources

Pension	<u>834,508</u>
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Net Position

Net investment in capital assets	12,886,946
Restricted	1,107,428
Unrestricted	<u>2,868,633</u>
Total Net Position	<u>\$ 16,863,007</u>

Whitehall Township

Statement of Activities - Governmental Activities
Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues		Governmental Activities Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
General government	\$ 1,503,827	\$ 940,659	\$ 25,864	\$ (537,304)
Public safety	8,033,445	506,180	479,219	(7,048,046)
Public works	6,002,451	2,626,288	15,596	(2,705,926)
Culture and recreation	855,640	136,067	13,730	(705,843)
Insurance, employee benefits and miscellaneous	2,865,487	-	603,809	(2,261,678)
Depreciation - unallocated	1,094,573	-	-	(1,094,573)
Interest	107,755	-	-	(107,755)
Total Governmental Activities	\$ 20,463,178	\$ 4,209,194	\$ 1,138,218	(14,461,125)
General Revenues				
Real estate taxes				6,258,114
Earned income taxes				5,984,453
Business privilege taxes				1,813,099
Real estate transfer tax				675,614
Local services taxes				560,695
Per capita taxes				87,160
Interest income and rents				68,590
Fines and forfeits				169,912
Proceeds from sale of capital assets				28,383
Miscellaneous income				463,681
Total General Revenues				16,109,701
Change in Net Position				1,648,576
Net Position at Beginning of Year, as Restated				15,214,431
Net Position at End of Year				\$ 16,863,007

See accompanying notes.

Whitehall Township

Balance Sheet - Governmental Funds
December 31, 2015

	General Fund	State Highway Aid Fund	Traffic Impact Fund	Capital Reserve Fund	Lafarge Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets								
Cash and cash equivalents	\$ 6,035,144	\$ 112,142	\$ 1,057,621	\$ 954,693	\$ 1,167,725	\$ 18,980	\$ 328,244	\$ 9,674,549
Accounts receivable	819,570	-	-	6,411	-	-	-	825,981
Taxes receivable	1,154,194	-	-	-	-	-	-	1,154,194
Grants receivable	124,496	-	-	7,874	-	-	-	132,370
Other assets	1,675	-	-	-	-	-	-	1,675
Due from other funds	29,423	(5,827)	-	-	-	-	-	23,596
Total Assets	\$ 8,164,502	\$ 106,315	\$ 1,057,621	\$ 968,978	\$ 1,167,725	\$ 18,980	\$ 328,244	\$ 11,812,365
Liabilities								
Accounts payable	\$ 467,597	\$ 56,508	\$ -	\$ 179,562	\$ 18,203	\$ -	\$ -	\$ 721,870
Accrued expenses	405,843	-	-	-	-	-	-	405,843
Unavailable revenue - property taxes	163,197	-	-	-	-	-	-	163,197
Unavailable revenue - per capita taxes	24,780	-	-	-	-	-	-	24,780
Unavailable revenue - garbage charges	289,970	-	-	-	-	-	-	289,970
Returnable deposits	90,262	-	-	-	-	-	-	90,262
Other liabilities	223,683	-	-	-	-	-	-	223,683
Total Liabilities	\$ 1,665,332	\$ 56,508	\$ -	\$ 179,562	\$ 18,203	\$ -	\$ -	\$ 1,919,605
Fund Balances								
Restricted	\$ -	\$ 49,807	\$ 1,057,621	\$ -	\$ -	\$ -	\$ -	\$ 1,107,428
Committed	-	-	-	789,416	-	18,980	217,727	1,026,123
Assigned	-	-	-	-	1,149,522	-	110,517	1,260,039
Unassigned	6,499,170	-	-	-	-	-	-	6,499,170
Total Fund Balances	\$ 6,499,170	\$ 49,807	\$ 1,057,621	\$ 789,416	\$ 1,149,522	\$ 18,980	\$ 328,244	\$ 9,892,760

See accompanying notes.

Whitehall Township

Reconciliation of the Governmental Funds - Balance Sheet to the Statement of Net Position December 31, 2015

Total Fund Balances, Governmental Funds \$ **9,892,760**

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 \$37,137,148, and the accumulated depreciation is \$21,880,801. **15,256,347**

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 in the funds. **477,947**

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. **1,526,201**

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, 2014 are as follows:

Bonds payable	(2,369,401)
Accrued interest on bonds payable	(19,132)
Compensated absences	(245,704)
Net pension liability	(3,454,158)
Other postemployment benefits (OPEB) obligation	(4,201,853)

Total Net Position, Governmental Activities \$ **16,863,007**

Whitehall Township

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
 Year Ended December 31, 2015

	General Fund	State Highway Aid Fund	Traffic Impact Fund	Capital Reserve Fund	Lafarge Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues								
Taxes	\$ 15,384,889	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,384,889
Licenses and permits	585,290	-	-	-	-	-	-	585,290
Fines and forfeits	169,912	-	-	-	-	-	-	169,912
Interest, rents and royalties	63,361	500	1,684	509	1,924	75	537	68,590
Intergovernmental revenue	1,108,892	654,641	-	-	11,730	-	-	1,775,263
Charges for services	3,631,094	-	-	-	-	-	-	3,631,094
Contributions	-	-	15,596	-	-	-	2,000	17,596
Miscellaneous revenue	463,681	61,727	-	-	-	-	-	525,408
Total Revenues	21,407,119	716,868	17,280	509	13,654	75	2,537	22,158,042
Expenditures								
Current								
General government	1,434,885	-	-	-	57,531	-	-	1,492,416
Public safety	7,779,633	-	-	12,262	-	-	-	7,791,895
Public works	5,487,740	375,100	6,798	73,652	-	-	11,323	5,954,613
Culture and recreation	847,162	-	-	432	-	-	9,676	857,270
Insurance, employee benefits and other	2,915,487	-	-	-	-	-	-	2,915,487
Debt service	-	-	-	-	-	925,000	-	925,000
Principal	-	-	-	-	-	49,518	-	49,518
Interest	-	-	-	-	-	-	-	-
Capital outlay	6,669	-	-	912,441	-	-	-	919,110
Total Expenditures	18,471,576	375,100	6,798	998,787	57,531	974,518	20,999	20,905,309
Excess (Deficiency) of Revenues over (under) Expenditures	2,935,543	341,768	10,482	(998,278)	(43,877)	(974,443)	(18,462)	1,252,733

See accompanying notes.

Whitehall Township

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (continued)
 Year Ended December 31, 2015

	<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>
Other Financing Sources (Uses)								
Transfers in	\$ -	\$ 50,000	\$ -	\$ 1,454,626	\$ -	\$ 974,518	\$ -	\$ 2,479,144
Transfers out	(2,124,518)	(354,626)	-	-	-	-	-	(2,479,144)
Proceeds from sale of capital assets	-	-	-	41,145	-	-	-	41,145
Total Other Financing Sources (Uses)	(2,124,518)	(304,626)	-	1,495,771	-	974,518	-	41,145
Net Change in Fund Balances	811,025	37,142	10,482	497,493	(43,877)	75	(18,462)	1,293,878
Fund Balances at Beginning of Year	5,688,145	12,665	1,047,139	291,923	1,193,399	18,905	346,706	8,598,862
Fund Balances at End of Year	\$ 6,499,170	\$ 49,807	\$ 1,057,621	\$ 789,416	\$ 1,149,522	\$ 18,980	\$ 328,244	\$ 9,892,760

See accompanying notes.

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, 2015

Net Change in Fund Balances, Governmental Funds **\$ 1,293,878**

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	\$ 919,110	
Loss on disposal of assets	(12,762)	
Depreciation	<u>(1,094,573)</u>	
		(188,225)

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.

1,500

Some taxes will not be collected for several months after year-end.

They are not considered as "available" revenues in the governmental funds. Deferred revenues increased by this amount during the year.

(12,944)

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

Principal repayments	925,000	
Accreted interest	(65,573)	
Amortization of premium on bond issue	<u>5,836</u>	
		865,263

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	(29,533)	
Net pension expense	127,618	
Other postemployment benefits (OPEB) obligation	<u>(408,981)</u>	

(310,896)

Change in Net Position, Governmental Activities

\$ 1,648,576

See accompanying notes.

Whitehall Township**Statement of Fiduciary Net Position - Fiduciary Funds**

December 31, 2015

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 418,476	\$ 2,106,621	\$ 2,525,097
Investments	<u>24,752,600</u>	<u>-</u>	<u>24,752,600</u>
Total Assets	<u>25,171,076</u>	<u>2,106,621</u>	<u>27,277,697</u>
Liabilities			
Accounts payable	-	31,232	31,232
Due to other funds	-	23,596	23,596
Returnable deposits	<u>-</u>	<u>2,051,793</u>	<u>2,051,793</u>
Total Liabilities	<u>-</u>	<u>2,106,621</u>	<u>2,106,621</u>
Net Position			
Assets held in trust for pension benefits	<u>\$ 25,171,076</u>	<u>\$ -</u>	<u>\$ 25,171,076</u>

See accompanying notes.

Whitehall Township

Statement of Changes in Fiduciary Net Position - Fiduciary Fund - Pension Trust Fund Year Ended December 31, 2015

Additions

Contributions	
Contributions, employer	\$ 1,092,439
Contributions, employee	<u>216,509</u>
Total contributions	<u>1,308,948</u>
Investment income (loss)	
Net decrease in value of investments	(1,109,206)
Interest and dividends	<u>463,009</u>
Total investment income (loss)	<u>(646,197)</u>
Total Additions	<u>662,751</u>

Deductions

Benefit payments	1,000,958
Administrative expenses	<u>146,304</u>
Total Deductions	<u>1,147,262</u>

Change in Net Position (484,511)

Net Position of Assets Held in Trust for Pension

Benefits at Beginning of Year 25,655,587

Net Position of Assets Held in Trust for Pension

Benefits at End of Year \$ 25,171,076

Whitehall Township

Notes to Financial Statements

December 31, 2015

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

Notes to Financial Statements
December 31, 2015

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.

Whitehall Township

Notes to Financial Statements
December 31, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Fund Financial Statements (continued)

Governmental Funds (continued)

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.

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.

Whitehall Township

Notes to Financial Statements

December 31, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Fund Financial Statements (continued)

Governmental Funds (continued)

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.

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.

Whitehall Township

Notes to Financial Statements

December 31, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Fund Financial Statements (continued)

Fiduciary Fund Types (continued)

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.

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.

Whitehall Township

Notes to Financial Statements

December 31, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

Government-Wide Financial Statements (continued)

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.

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.

Whitehall Township

Notes to Financial Statements
December 31, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Assets and Liabilities

Cash

The Township considers all cash accounts that are not subject to withdrawal restrictions or penalties to be cash.

Investments

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

- A. U.S. Treasury Bills.
- B. Short-term obligations of the U.S. Government or its agencies or instrumentalities.
- C. Insured savings and checking accounts and certificates of deposit in banks, savings and loan associations, and credit unions.
- D. General obligation bonds of the federal government, the Commonwealth of Pennsylvania or any state agency, or of any Pennsylvania political subdivision.
- E. Shares of mutual funds whose investments are restricted to the above categories.

Investments are carried at fair value.

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

Accounts Receivable

Accounts receivable are shown net of allowances for uncollectible amounts.

Due to and from Other Funds

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

Capital Assets

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

Whitehall Township

Notes to Financial Statements
December 31, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Assets and Liabilities (continued)

Capital Assets (continued)

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend its useful life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in the financial statements.

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

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

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

Bond Premiums and Discounts

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

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

Returnable Deposits

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

Whitehall Township

Notes to Financial Statements

December 31, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Assets and Liabilities (continued)

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.

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 reserved and unreserved fund balances are available.

Whitehall Township

Notes to Financial Statements

December 31, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Equity (continued)

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.

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.

Whitehall Township

Notes to Financial Statements

December 31, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Revenues and Expenditures (continued)

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 2015 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 unavailable revenue.

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.

Whitehall Township

Notes to Financial Statements

December 31, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Internal and Interfund Balances and Activities (continued)

Fund Financial Statements (continued)

Interfund Transfers

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

Use of Estimates

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

Recent Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*. The Township adopted GASB Statement No. 68 for its December 31, 2015 financial statements. The adoption of this statement decreased the Township's December 31, 2014 net position by \$2,055,575.

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement also provides guidance for applying fair value to certain investments and disclosures related to fair value measurements. This guidance is effective for reporting periods beginning after June 15, 2015. The Township is currently evaluating what effect, if any, the adoption of this guidance will have on the Township's 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, 2014 and the cash received for the year ended December 31, 2015.

Whitehall Township

Notes to Financial Statements

December 31, 2015

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 at December 31, 2015 consist of the following:

Cash demand deposits	<u>\$ 12,199,376</u>
Investments	
Money market funds	1,371,655
Common stock	11,719,596
Mutual funds - fixed income	4,338,283
Corporate bonds	550,000
Exchange traded mutual funds	<u>6,773,066</u>
	<u>24,752,600</u>
Petty cash	<u>270</u>
	<u>\$ 36,952,246</u>

Reconciliation to Statement of Net Position/Balance Sheet

Cash	
Governmental activities, checking	\$ 9,674,549
Fiduciary funds	<u>2,525,097</u>
	12,199,646
Investments, fiduciary	<u>24,752,600</u>
	<u>\$ 36,952,246</u>

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a financial institution failure, the Township's deposits may not be returned. At December 31, 2015, the carrying amounts of the Township's bank deposits were \$12,199,376 and the corresponding bank balances were \$12,231,754, of which \$260,000 was covered by Federal Depository Insurance. Deposits totaling \$11,971,754 were exposed to custodial risk because they were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

Whitehall Township**Notes to Financial Statements**

December 31, 2015

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

As of December 31, 2015, the Township's pension fund has the following investments in debt securities:

	Fair Value	Investment Maturities (In Years)		Ratings as of Year-End
		Less Than One Year	One to Five Year	
Fixed income mutual funds	\$ 4,338,283	\$ 4,338,283	\$ -	3 to 4 stars by Morningstar
Corporate bonds	550,000	-	550,000	A - by Morningstar
	<u>\$ 4,888,283</u>	<u>\$ 4,338,283</u>	<u>\$ 550,000</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, 2015, \$24,752,600 is held by the investment's counterparties, not in the name of the Township.

Whitehall Township**Notes to Financial Statements
December 31, 2015****Note 5 - Capital Assets**

Capital asset activity for the year ended December 31, 2015 was as follows:

	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,419,613	\$ -	\$ -	\$ 2,419,613
Construction in progress	146,371	129,047	-	275,418
Total capital assets not being depreciated	2,565,984	129,047	-	2,695,031
Capital assets being depreciated				
Buildings and improvements	14,271,604	54,578	-	14,326,182
Machinery and equipment	8,065,555	210,441	149,180	8,126,816
Traffic signals	2,969,946	28,110	-	2,998,056
Infrastructure	8,507,887	496,934	13,758	8,991,063
Total capital assets being depreciated	33,814,992	790,063	162,938	34,442,117
Less accumulated depreciation for				
Buildings and improvements	9,066,409	246,912	-	9,313,321
Machinery and equipment	7,222,963	219,629	149,180	7,293,412
Traffic signals	2,166,480	120,574	-	2,287,054
Infrastructure	2,480,552	507,458	996	2,987,014
Total accumulated depreciation	20,936,404	1,094,573	150,176	21,880,801
Total capital assets being depreciated, net	12,878,588	(304,510)	12,762	12,561,316
Total governmental activities capital assets, net	\$ 15,444,572	\$ (175,463)	\$ 12,762	\$ 15,256,347

Depreciation expense charged to governmental activities was \$1,094,573 for the year ended December 31, 2015.

Whitehall Township

Notes to Financial Statements
December 31, 2015

Note 6 - Interfund Transfers and Balances

Transfers between funds for the year ended December 31, 2015 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 2,124,518
State Highway Aid Fund	50,000	354,626
Capital Reserve Fund	1,454,626	-
Debt Service Fund	974,518	-
	<u>\$ 2,479,144</u>	<u>\$ 2,479,144</u>

The composition of interfund balances as of December 31, 2015 is as follows:

	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
General Fund	\$ -	\$ 29,423
State Highway Aid Fund	5,827	-
Worker's Compensation Fund	23,002	-
Developers Escrow Fund	594	-
	<u>\$ 29,423</u>	<u>\$ 29,423</u>

Whitehall Township

**Notes to Financial Statements
December 31, 2015**

Note 7 - Long-Term Debt

At December 31, 2015, long-term debt consists of the following:

	Balance Outstanding January 1, 2015	Additions	Deletions	Balance Outstanding December 31, 2015
General Obligation Note, Series of 2001, original amount \$5,160,289 (\$4,215,000 Current Interest Notes and \$945,289 Capital Appreciation Notes), due in semiannual installments of principal plus interest ranging from 3.000% to 5.310% through 2017	\$ 1,634,764	\$ 65,573	\$ 805,000	\$ 895,337
General Obligation Bonds, Series of 2011, original amount \$4,295,000, due in semiannual installments of principal plus interest ranging from 1.000% to 3.850% through 2025	<u>1,545,000</u>	<u>-</u>	<u>120,000</u>	<u>1,425,000</u>
	<u>\$ 3,179,764</u>	<u>\$ 65,573</u>	<u>\$ 925,000</u>	<u>\$ 2,320,337</u>

Aggregate maturities required on long-term debt at December 31, 2015 are as follows:

	Principal	Interest	Total Debt Service
2016	\$ 930,000	\$ 45,918	\$ 975,918
2017	245,000	43,418	288,418
2018	130,000	40,668	170,668
2019	135,000	36,767	171,767
2020	140,000	32,717	172,717
2021-2025	<u>770,000</u>	<u>88,367</u>	<u>858,367</u>
	2,350,000	<u>\$ 287,855</u>	<u>\$ 2,637,855</u>
Unaccreted principal	<u>(29,663)</u>		
	2,320,337		
Unamortized premium	49,064		
Current maturities	<u>(930,000)</u>		
	<u>\$ 1,439,401</u>		

Whitehall Township

Notes to Financial Statements
December 31, 2015

Note 7 - Long-Term Debt (continued)

Changes in long-term liabilities for the year ended December 31, 2015 are as follows:

	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015	Current Portion
General obligation debt					
Note, Series of 2001	\$ 1,634,764	\$ 65,573	\$ 805,000	\$ 895,337	\$ 805,000
Bonds, Series of 2011	1,545,000	-	120,000	1,425,000	125,000
	3,179,764	65,573	925,000	2,320,337	930,000
Compensated absences	216,171	29,533	-	245,704	-
Net pension liability	2,055,575	5,004,015	3,605,432	3,454,158	-
Other postemployment benefits	3,792,872	688,697	279,716	4,201,853	-
Total long-term liabilities	<u>\$ 9,244,382</u>	<u>\$ 5,787,818</u>	<u>\$ 4,810,148</u>	<u>\$ 10,222,052</u>	<u>\$ 930,000</u>

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

Note 8 - Fund Balances

Fund balances of the Township's governmental funds at December 31, 2015 consist of the following:

Reported in	Restricted	Committed	Assigned	Unassigned	Total Fund Balance
General Fund	\$ -	\$ -	\$ -	\$ 6,499,170	\$ 6,499,170
State Highway Aid Fund, highways and streets	49,807	-	-	-	49,807
Traffic Impact Fund, transportation needs	1,057,621	-	-	-	1,057,621
Capital Reserve Fund, capital improvements	-	789,416	-	-	789,416
Lafarge Fund, capital expenditures	-	-	1,149,522	-	1,149,522
Debt Service Fund, debt service	-	18,980	-	-	18,980

Whitehall Township

Notes to Financial Statements

December 31, 2015

Note 8 - Fund Balances (continued)

	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total Fund Balance</u>
Other governmental funds:					
Maintenance of dedicated property	\$ -	\$ -	\$ 110,517	\$ -	\$ 110,517
Recreational services	-	217,727	-	-	217,727
	-	217,727	110,517	-	328,244
	<u>\$ 1,107,428</u>	<u>\$ 1,026,123</u>	<u>\$ 1,260,039</u>	<u>\$ 6,499,170</u>	<u>\$ 9,892,760</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.

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.

Whitehall Township

Notes to Financial Statements
December 31, 2015

Note 8 - Fund Balance (continued)

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.

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.

Whitehall Township

Notes to Financial Statements
December 31, 2015

Note 8 - Fund Balance (continued)

Reservations of Fund Balance (continued)

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.

Note 9 - 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.

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.

Whitehall Township

Notes to Financial Statements

December 31, 2015

Note 9 - Whitehall Township Police Pension Plan (continued)

Employees Covered by Benefit Terms

At December 31, 2015, the following employees were covered by the Police Plan:

Active employees	44
Retirees and beneficiaries currently receiving benefits	35
Terminated employees entitled to benefits, but not yet receiving them	<u>2</u>
	<u>81</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, 2015, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2015. 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 January 1, 2015 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 RP-2000 Table for males and females. This table does not include projected mortality improvements.

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.

Whitehall Township

Notes to Financial Statements

December 31, 2015

Note 9 - Whitehall Township Police Pension Plan (continued)**Actuarial Assumptions (continued)**

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

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

Discount Rate

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

Whitehall Township

Notes to Financial Statements
December 31, 2015

Note 9 - 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, 2015.

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2014	\$ 27,106,239	\$ 25,659,100	\$ 1,447,139
Changes for the year			
Service cost	564,362	-	564,362
Interest cost	2,119,366	-	2,119,366
Differences between expected and actual experience	(352,033)	-	(352,033)
Change of assumptions	(324,022)	-	(324,022)
Contributions - employer	-	1,092,439	(1,092,439)
Contributions - member	-	216,509	(216,509)
Net investment income (loss)	-	(783,252)	783,252
Benefit payments, including refunds of member contributions	(1,004,933)	(1,004,933)	-
Administrative expense	-	(8,300)	8,300
Balance at December 31, 2015	\$ 28,108,979	\$ 25,171,563	\$ 2,937,416

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	\$ 6,268,501	\$ 2,937,416	\$ 127,400

Whitehall Township**Notes to Financial Statements**

December 31, 2015

Note 9 - Whitehall Township Police Pension Plan (continued)**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended December 31, 2015, the Township recognized pension expense of \$867,582. The Township reported deferred outflows of resources and deferred inflows of resources related to the Pension Plan from the following sources at December 31, 2015:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual experience	\$ -	\$ 293,361
Net difference between projected and actual earnings on pension plan investments	2,278,513	-
Change of assumptions	-	270,018
	<u>\$ 2,278,513</u>	<u>\$ 563,379</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:

2016	\$ 456,952
2017	456,952
2018	456,952
2019	456,953
2020	(112,675)

Note 10 - 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, 2015

Note 10 - Whitehall Township Nonuniformed Pension Plan (continued)

Employees Covered by Benefit Terms

At December 31, 2014, the date of the most recent actuarial valuation, the following employees were covered by the Nonuniformed Plan:

Inactive employees or beneficiaries currently receiving benefits	30
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>66</u>
	<u>98</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, 2014, and the total pension liability was determined based upon the actuarial valuation as of January 1, 2015.

Actuarial Assumptions

The total pension liability in the January 1, 2015 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%; compounded annually, net of expenses
Cost of living increases	3.0% for those eligible for a COLA

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

Whitehall Township**Notes to Financial Statements**

December 31, 2015

Note 10 - Whitehall Township Nonuniformed Pension Plan (continued)**Actuarial Assumptions (continued)**

The actuarial assumptions used in the December 31, 2014 valuation were based on the PMRS Experience Study for the period covering January 1, 2005 through December 31, 2008 issued by the actuary in July 2010 as well as subsequent Board approved assumption changes.

Information regarding the methodology the Nonuniformed Plan utilizes for the long-term expected rate of return on plan assets and the Nonuniformed Plan's target allocation of assets was not available.

Discount Rate

The discount rate used to measure the total pension liability was 5.5%. 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.

Changes in Net Pension Liability

The following table shows the changes in net pension liability for the year ended December 31, 2015.

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2014	\$ 19,697,842	\$ 19,089,406	\$ 608,436
Changes for the year			
Service cost	390,209	-	390,209
Interest cost	1,095,566	-	1,095,566
Differences between expected and actual experience	(338,911)	-	(338,911)
Contributions - employer	-	262,072	(262,072)
Contributions - member	-	54,131	(54,131)
PMRS investment income (loss)	-	1,068,060	(1,068,060)
Market value investment income (loss)	-	(102,745)	102,745
Benefit payments	(341,897)	(341,897)	-
PMRS administrative expense	-	(2,000)	2,000
Additional administrative expense	-	(40,960)	40,960
Balance at December 31, 2015	\$ 20,502,809	\$ 19,986,067	\$ 516,742

Whitehall Township

Notes to Financial Statements
December 31, 2015

Note 10 - Whitehall Township Nonuniformed Pension Plan (continued)

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 (asset) calculated using the discount rate of 5.50% as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.50%) or one percentage point higher (6.50%) than the current rate:

	<u>1% Decrease (4.50%)</u>	<u>Discount Rate (5.50%)</u>	<u>1% Increase (6.50%)</u>
Net pension liability (asset)	<u>\$ 2,607,069</u>	<u>\$ 516,742</u>	<u>\$ (1,293,851)</u>

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

For the year ended December 31, 2015, Township recognized pension expense of \$444,665. The Township reported deferred outflows of resources and deferred inflows of resources related to the Pension Plan from the following sources at December 31, 2015:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual experience	\$ -	\$ 271,129
Net difference between projected and actual earnings on pension plan investments	<u>82,196</u>	<u>-</u>
	<u>\$ 82,196</u>	<u>\$ 271,129</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:

2016	\$ (47,233)
2017	(47,233)
2018	(47,233)
2019	(47,234)

Whitehall Township

Notes to Financial Statements

December 31, 2015

Note 11 - 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.

Funding Policy and Annual OPEB Cost

The Township currently pays OPEB costs as they occur.

The Township's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the Township's annual OPEB cost for the current year, the amount actually contributed to the plan and changes in the Township's net OPEB obligation to the plan:

Annual required contribution (ARC)	\$ 750,868
Interest on net OPEB obligation	170,679
Adjustment to the annual required contribution	<u>(232,850)</u>
Annual OPEB cost	688,697
Contributions made	<u>(297,716)</u>
Increase in net OPEB obligation	408,981
Net OPEB obligation at the beginning of year	<u>3,792,872</u>
Net OPEB obligation at the end of year	<u>\$ 4,201,853</u>

The Township's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the plan was as follows:

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
12/31/13	\$ 705,243	24.9%	\$ 3,313,052
12/31/14	696,562	31.1%	3,792,872
12/31/15	688,697	40.6%	4,201,853

Whitehall Township

Notes to Financial Statements
December 31, 2015

Note 11 - Postemployment Benefits Other than Pensions (OPEB) (continued)

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2013, the most recent actuarial valuation date (the initial actuarial valuation reported for the plan), was as follows:

Actuarial present value at attained age (APVAA)	
Active members	\$ 9,491,971
Retired members	985,474
	<hr/>
Total APVAA	\$ 10,477,445
	<hr/>
Actuarial accrued liability (AAL)	\$ 6,942,145
	<hr/>
Actuarial value of assets (AVA)	\$ -
	<hr/>
Unfunded actuarial accrued liability (UAAL)	\$ 6,942,145
	<hr/>
Funded ratio	<hr/> -%
	<hr/>
Covered payroll	\$ 3,942,080
	<hr/>
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	<hr/> 176.1%
	<hr/>
Annual required contribution (ARC)	
Normal cost	\$ 324,679
30-year amortization of UAAL	426,189
	<hr/>
Total ARC	\$ 750,868
	<hr/>

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

Actuarial Methods and Assumptions

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

Whitehall Township

Notes to Financial Statements
December 31, 2015

Note 11 - Postemployment Benefits Other than Pensions (OPEB) (continued)

Actuarial Methods and Assumptions (continued)

Significant methods and assumptions are as follows:

Actuarial valuation date	January 1, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, 30 year open period
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	4.5% per annum
Salary increases	5.0% per annum
Healthcare inflation rate	7.0% in 2013, reduced by decrements of 0.5% per year to 5.5% in 2016. Rates gradually decrease from 5.3% in 2017 to 4.2% in 2089 and later

Note 12 - Deferred Compensation

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

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

Note 13 - 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. During the year ended December 31, 2015, no contributions were made to the plan.

Whitehall Township

Notes to Financial Statements
December 31, 2015

Note 14 - 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 its 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, 2015, claims settled were not in excess of insurance coverage.

Note 15 - Restatement of 2014 Financial Statements

The Township's beginning entity-wide, governmental activities, net position has been restated to properly reflect the effect of the implementation of GASB Statement No. 68. The December 31, 2014 financial statements, as previously issued, were restated for this correction.

	Governmental Activities Statement of Net Position December 31, 2014		
	As Previously Reported	As Restated	Effect of Changes
Liabilities			
Net pension liability	\$ -	\$ 2,055,575	\$ 2,055,575
Net Position	\$ 17,270,006	\$ 15,214,431	\$ (2,055,575)

Note 16 - Contingencies

Litigation

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

Concentration of Labor

The Township entered into a collective bargaining agreement with the Whitehall Township Police Bargaining Unit Association through December 31, 2017. Of the Township's total workforce, approximately 41% is covered by the agreement.

The Township entered into a collective bargaining agreement with the Whitehall Township Teamsters Local Unit #773 through December 31, 2015. Of the Township's total workforce, approximately 42% is covered by the agreement.

Whitehall Township

Notes to Financial Statements

December 31, 2015

Note 17 - Subsequent Events

The Township has evaluated subsequent events through June 3, 2016. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2015 were noted.

Whitehall TownshipBudgetary Comparison Schedule - General Fund
Year Ended December 31, 2015

	<u>Budgeted Amounts Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues				
Taxes	\$ 13,872,459	\$ 13,872,459	\$ 15,384,889	\$ 1,512,430
Licenses and permits	577,600	577,600	585,290	7,690
Fines and forfeits	155,000	155,000	169,912	14,912
Interest, rents and royalties	36,500	36,500	63,361	26,861
Intergovernmental revenue	846,219	846,219	1,108,892	262,673
Charges for services	3,473,977	3,473,977	3,631,094	157,117
Miscellaneous revenue	62,850	62,850	463,681	400,831
Total Revenues	<u>19,024,605</u>	<u>19,024,605</u>	<u>21,407,119</u>	<u>2,382,514</u>
Expenditures				
Current				
General government	1,322,193	1,322,193	1,434,885	(112,692)
Public safety	7,749,682	7,749,682	7,779,633	(29,951)
Public works	5,688,897	5,688,897	5,487,740	201,157
Culture and recreation	901,944	901,944	847,162	54,782
Insurance, employee benefits and other	3,588,405	3,588,405	2,915,487	672,918
Capital outlay	-	-	6,669	(6,669)
Total Expenditures	<u>19,251,121</u>	<u>19,251,121</u>	<u>18,471,576</u>	<u>779,545</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(226,516)</u>	<u>(226,516)</u>	<u>2,935,543</u>	<u>3,162,059</u>
Other Financing Sources (Uses)				
Transfers out	<u>(2,074,517)</u>	<u>(2,074,517)</u>	<u>(2,124,518)</u>	<u>(50,001)</u>
Net Change in Fund Balances	<u>\$ (2,301,033)</u>	<u>\$ (2,301,033)</u>	<u>811,025</u>	<u>\$ 3,112,058</u>
Fund Balance at Beginning of Year			<u>5,688,145</u>	
Fund Balance at End of Year			<u>\$ 6,499,170</u>	

Whitehall TownshipBudgetary Comparison Schedule - State Highway Aid Fund
Year Ended December 31, 2015

	Budgeted Amounts Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Interest, rents and royalties	\$ 403	\$ 403	\$ 500	\$ 97
Intergovernmental revenue	595,324	595,324	654,641	59,317
Miscellaneous revenue	-	-	61,727	61,727
Total Revenues	595,727	595,727	716,868	121,141
Expenditures				
Current, public works	305,000	305,000	375,100	(70,100)
Total Expenditures	305,000	305,000	375,100	(70,100)
Excess of Revenues over Expenditures	290,727	290,727	341,768	51,041
Other Financing Sources (Uses)				
Transfers in	-	-	50,000	50,000
Transfers out	(290,000)	(290,000)	(354,626)	(64,626)
Total Other Financing Sources (Uses)	(290,000)	(290,000)	(304,626)	(14,626)
Net Change in Fund Balance	\$ 727	\$ 727	37,142	\$ 36,415
Fund Balance at Beginning of Year			12,665	
Fund Balance at End of Year			\$ 49,807	

Whitehall Township

Note to Budgetary Comparison Schedules
December 31, 2015

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 2015 budgets.

Whitehall Township

Schedule of Changes in Net Pension Liability and Related Ratios

Last Ten Fiscal Years*

Year Ended December 31, 2015

	<u>Police</u>	<u>Nonuniformed</u>
Total Pension Liability		
Service cost	\$ 564,362	\$ 390,209
Interest cost	2,119,366	1,095,566
Difference between expected and actual experience	(352,033)	(338,911)
Change of assumptions	(324,022)	-
Benefit payments, including refunds of member contributions	<u>(1,004,933)</u>	<u>(341,897)</u>
Net Change in Total Pension Liability	1,002,740	804,967
Total Pension Liability, Beginning	<u>27,106,239</u>	<u>19,697,842</u>
Total Pension Liability, Ending	<u>\$ 28,108,979</u>	<u>\$ 20,502,809</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 1,092,439	\$ 262,072
Contributions - member	216,509	54,131
Net investment income (loss)	(783,252)	965,315
Benefit payments, including refunds of member contributions	(1,004,933)	(341,897)
Administrative expense	<u>(8,300)</u>	<u>(42,960)</u>
Net Change in Plan Fiduciary Net Position	(487,537)	896,661
Plan Fiduciary Net Position, Beginning	<u>25,659,100</u>	<u>19,089,406</u>
Plan Fiduciary Net Position, Ending	<u>\$ 25,171,563</u>	<u>\$ 19,986,067</u>
Township's Net Pension Liability	<u>\$ 2,937,416</u>	<u>\$ 516,742</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>89.5%</u>	<u>97.5%</u>
Covered Employee Payroll	<u>\$ 4,214,084</u>	<u>\$ 3,848,721</u>
Township's Net Pension Liability as a Percentage of Covered Employee Payroll	<u>69.7%</u>	<u>13.4%</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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 1,092,439	\$ 966,663	\$ 979,580	\$ 884,170	\$ 894,656	\$ 448,020	\$ 410,887	\$ 398,359	\$ 360,715	\$ 331,405
Contributions in relation to the actuarially determined contribution	1,092,439	966,663	979,590	884,170	901,332	451,435	466,302	398,359	360,715	331,405
Contribution Deficiency (Excess)	\$ -	\$ -	\$ (10)	\$ -	\$ (6,676)	\$ (3,415)	\$ (55,415)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 4,214,084	\$ 4,309,341	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered employee payroll	25.9%	22.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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

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

Actuarial Cost Method	Entry age normal
Amortization Method	Level dollar closed
Remaining Amortization Period	10 years
Asset Valuation Method	Market value of assets as determined by the trustee
Inflation	4.00%
Salary Increases	5.00%
Investment Rate of Return	8.00%
Retirement Age	Attainment of age 53 and completion of 25 years of service
Mortality	RP-2000 Mortality Table. This table does not include projected mortality improvements.

Whitehall Township

Schedule of Pension Contributions - Nonuniformed Pension Plan Last 10 Fiscal Years*

	<u>2015</u>
Actuarially determined contribution	\$ 259,036
Contributions in relation to the actuarially determined contribution	<u>262,072</u>
Contribution Deficiency (Excess)	<u>\$ (3,036)</u>
Covered employee payroll	<u>\$ 3,848,721</u>
Contributions as a percentage of covered employee payroll	<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 2014 is based upon the January 1, 2011 actuarial valuation.

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

Actuarial Cost Method	Entry age
Amortization Method	Level dollar based upon the amortization periods in Act 205
Asset Valuation Method	Based upon the municipal reserves
Inflation	3.00%
Salary Increases	5.00%
Investment Rate of Return	8.00%
Retirement Age	Normal retirement age
Mortality	RP-2000 Mortality Table. This table does not include projected mortality improvements.

* This Schedule is to present the information for ten years. However, until a full ten-year trend is compiled, information for those years, for which information is available, is shown. The most recent actuarial measurement date is December 31, 2014, as reported above.

Whitehall Township

Schedule of Funding Progress - Postemployment Benefits Other than Pensions - Police
Year Ended December 31, 2015

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
January 1, 2013	\$ -	\$ 6,942,145	\$ 6,942,145	- %	\$ 3,942,080	176.1 %

Whitehall Township

Schedule of Employer Contributions - Postemployment Benefits Other than Pensions - Police
Year Ended December 31, 2015

<u>Year</u>	<u>Annual Required Contribution</u>	<u>Contributions from Employer</u>	<u>Percentage Contributed</u>
2013	\$ 750,868	\$ 175,629	23.4 %
2014	750,868	216,742	28.9
2015	750,868	279,716	37.3

Whitehall Township

Combining Balance Sheet - Nonmajor Governmental Funds

December 31, 2015

	<u>Recreation Escrow</u>	<u>Perpetual Maintenance</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 217,727	\$ 110,517	\$ 328,244
Total Assets	<u>\$ 217,727</u>	<u>\$ 110,517</u>	<u>\$ 328,244</u>
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances			
Committed	\$ 217,727	\$ -	\$ 217,727
Assigned	-	110,517	110,517
Total Fund Balances	<u>\$ 217,727</u>	<u>\$ 110,517</u>	<u>\$ 328,244</u>

Whitehall Township

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2015

	<u>Recreation Escrow</u>	<u>Perpetual Maintenance</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Interest, rents and royalties	\$ 356	\$ 181	\$ 537
Contributions	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total Revenues	<u>2,356</u>	<u>181</u>	<u>2,537</u>
Expenditures			
Public works	-	11,323	11,323
Culture and recreation	<u>9,676</u>	<u>-</u>	<u>9,676</u>
Total Expenditures	<u>9,676</u>	<u>11,323</u>	<u>20,999</u>
Net Change in Fund Balances	(7,320)	(11,142)	(18,462)
Fund Balances at Beginning of Year	<u>225,047</u>	<u>121,659</u>	<u>346,706</u>
Fund Balances at End of Year	<u>\$ 217,727</u>	<u>\$ 110,517</u>	<u>\$ 328,244</u>

