

WHITEMARSH TOWNSHIP
Lafayette Hill, Pennsylvania

Financial Statements

Year Ended December 31, 2016

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A PROFESSIONAL CORPORATION
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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Whitemarsh Township
Lafayette Hill, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Whitemarsh Township, Pennsylvania, as of and for the year ended December 31, 2016, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Whitemarsh Township Authority, which represent 83 percent, 73 percent, and 81 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Whitemarsh Township Authority, is based solely on the report of the other auditors. 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 misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Whitemarsh Township, Pennsylvania, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the Capital Reserve Fund, and the Open Space Reserve Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 24 and the supplemental pension schedules on pages 68 through 70 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Whitemarsh Township, Pennsylvania's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Dreslin and Company, Inc.

West Chester, Pennsylvania
July 25, 2017

WHITEMARSH TOWNSHIP
Management's Discussion and Analysis
Required Supplementary Information
December 31, 2016

The following discussion and analysis of Whitemarsh Township's financial performance provides an overview of the Township's financial condition and activities for the fiscal year ended December 31, 2016. The purpose of this discussion is to provide a narrative summary of the financial position and activities of Whitemarsh Township in order to enhance the reader's understanding of the Township's basic financial statements. Readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the Township's financial performance.

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999.

Financial Highlights for Fiscal Year 2016

Government-Wide Financial Statements (Full Accrual)

- The total net position, assets and deferred outflows of resources less liabilities, of the Township's Primary Government was \$38.22 million at the end of 2016 – an increase of \$.82 million from the end of 2015. The majority of the increase was due to the purchase of land acquired for open space, capitalized costs of infrastructure improvements offset by changes in accruals and deferred outflows for Other Post-Employment Benefits and changes in net pension liabilities. General revenues and program revenues of the Township amounted to \$21.05 million in 2016 while expenses totaled \$20.23 million.

Fund Financial Statements (Modified Accrual)

- At year-end, the Township's governmental funds reported a total fund balance of \$27.07 million, a decrease of \$2.07. The decrease is due to a net decrease in the Open Space Fund of \$.72 million, Capital Reserve Fund of \$1.05 and the General Fund of \$.54 million and other fund increases aggregating \$.24 million.
- The Township's General Fund reported a net decrease in fund balance of \$.54 million resulting in a year ending fund balance of \$10.93 million.

Financial Statements

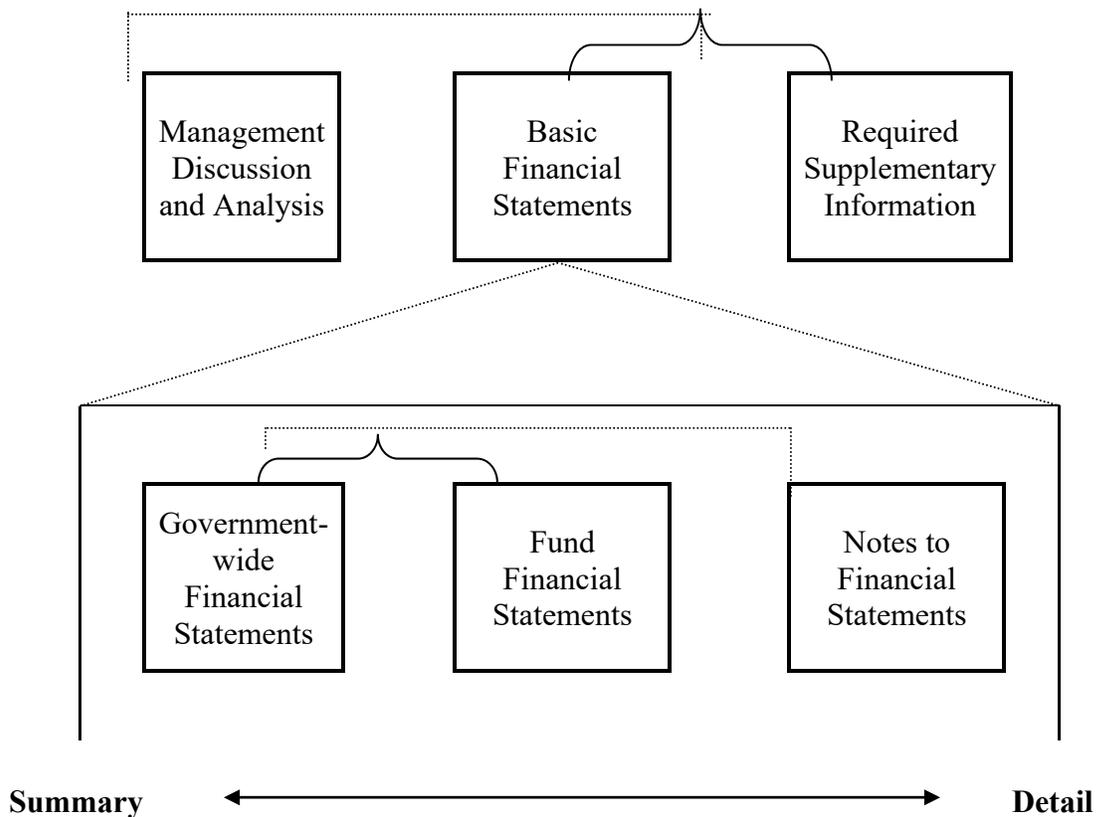
Prior to 2003, the primary focus of local government financial statements had been to provide fund type information on a current financial resource basis. This approach was modified in 2003 by the Government Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments (GASB 34) which established new requirements and a new reporting model for the annual financial reports of state and local governments.

WHITEMARSH TOWNSHIP
Management's Discussion and Analysis (Continued)
Required Supplementary Information
December 31, 2016

Whitemarsh Township's annual financial report consists of two kinds of financial statements – each of which presents a different view of the Township's finances. The first set of financial statements provides both long-term and short-term information of the Township's overall financial status. The second set of financial statements focus on the individual Township funds and report on the Township's operations in more detail than the government wide statements. The Township's financial statements also include detailed notes to explain information reported in the financial statements and provide additional data.

The statements include required supplementary information that provides budget comparisons to assess the Township's financial performance versus budgeted revenues and expenditures. In addition to required elements, the annual report includes other supplementary information to provide details about the Township's various funds.

Required Components of
Whitemarsh Township
Financial Report



WHITEMARSH TOWNSHIP
Management's Discussion and Analysis (Continued)
Required Supplementary Information
December 31, 2016

The following chart summarizes the major features of the financial statements, including the portion of the Township's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Major Features of Whitemarsh Township
Government-wide and Fund Financial Statements

	<u>Government-Wide Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire Township (except fiduciary funds).	The activities of the Township that are not proprietary or fiduciary, such as general government, public safety, public works and recreation.	Activities the Township operates similar to private business – Internal Service Funds	Instances in which the Township is the trustee or agent for someone else's resources – Pension Trust Funds, Agency Funds.
Required financial statements.	Statement of Net Position; Statement of Activities	Balance Sheet; Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; Statement of Cash Flows	Statement of Fiduciary Net Position; Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus.	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information.	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term.	Only assets and deferred outflows of resources expected to be used up and liabilities that come due during the year or soon thereafter, as well as deferred inflows of resources; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term.
Type of inflow – outflow information.	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during the year or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.	All revenues and expenses during the year, regardless of when cash is received or paid.

WHITEMARSH TOWNSHIP
Management's Discussion and Analysis (Continued)
Required Supplementary Information
December 31, 2016

Government-Wide Statements

The government-wide statements report on the Township as a whole using accounting methods similar to those used by private sector companies. This analysis begins on page 9. One of the most important questions asked about the Township's finances is, "is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about Whitemarsh Township as a whole and about its activities in a way that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or disbursed.

These two statements report on the Township's net position and on changes in net position. The Township's net position is the difference between its assets and deferred outflows of resources, and its liabilities and deferred inflows of resources, and one can use net position as one way to measure the Township's financial health or financial condition. Over time, increases or decreases in the Township's net position are one indicator of whether its financial condition is improving or deteriorating. In order to assess the overall health of the Township, other factors such as changes in the Township's property tax base and the condition of the Township's roads need to be considered.

In the government-wide financial statements, the Township's activities are divided into two categories:

- Primary Government - Governmental activities - Most of the Township's basic services are reported here including police and emergency services, public works, sanitation, code enforcement, parks and recreation and general administration. Property taxes, business gross receipts, earned income taxes, user fees and state and local grants finance most of these activities.
- Component Units - Whitemarsh Township Authority and the William Jeanes Memorial Library are discretely presented component Units included in the Township's Financial Reporting Entity.

Fund Financial Statements

The fund financial statements begin on page 28 and provide detailed information about the most significant funds, not the Township as a whole. Some funds are required to be established by State law. Others are established to help control and manage money for particular purposes or to show that the Township is meeting legal responsibilities for using certain taxes, grants or other funds.

Whitemarsh Township has three kinds of funds:

- Governmental Funds - Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided after the governmental funds statement that explains the relationship (or differences) between the two presentations.

WHITEMARSH TOWNSHIP
Management's Discussion and Analysis (Continued)
Required Supplementary Information
December 31, 2016

- Proprietary Funds - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. The Township uses an internal service fund to account for the financing of goods and services provided by the Fleet Department to other departments of the Township. The Township transferred the operations of the Sewer Enterprise Fund to the Whitemarsh Township Authority. The Whitemarsh Township Authority is a discretely presented component Unit using the same basis of accounting and measurement focus presented in the business-type activities.
- Fiduciary Funds - The Township is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in the fiduciary net position. These activities are excluded from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations

Financial Analysis of the Township as a Whole

The following table reflects the condensed statement of net position:

Statement of Net Position - December 31, 2016 and 2015 (in thousands)

	<u>2016</u>	<u>2015</u>
	Primary	Primary
	Government	Government
	Governmental	Governmental
	Activities	Activities
Current Assets	\$28,644	\$30,416
Net Capital Assets	33,889	31,317
Deferred Outflows	949	1,024
Total Assets	<u>\$63,842</u>	<u>\$62,757</u>
Current and Other Liabilities	\$2,285	\$2,004
Non-current Liabilities	22,976	23,358
Total Liabilities	<u>\$25,261</u>	<u>\$25,362</u>
Net Position:		
Invested in Capital Assets,		
Net of Related Debt	\$17,351	\$13,722
Unrestricted	<u>20,870</u>	<u>23,673</u>
Total Net Position	<u>\$38,221</u>	<u>\$37,395</u>

For more detailed information, see the Statement of Net Position on pages 25 and 26.

WHITEMARSH TOWNSHIP
Management's Discussion and Analysis (Continued)
Required Supplementary Information
December 31, 2016

Net position may serve over time as a useful indicator of a government's financial position. Whitemarsh Township's Primary Government's assets and deferred outflows of resources exceeded liabilities by \$38.22 million as of December 31, 2016 and by \$37.39 million as of December 31, 2015. The largest portion of the Township's net assets reflects its capital assets. The restricted net assets portion (if any) represents resources that are subject to external restrictions on how they may be used; restricted net assets are also reported net of the related outstanding debt. The unrestricted net assets for governmental activities is the portion of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

The following table shows the revenues, expenses and changes in net position (in thousands) of the primary government's governmental activities

	2016 Primary Governmental <u>Activities</u>	2015 Primary Governmental <u>Activities</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 3,060	\$ 2,928
Operating Grants and Contributions	1,443	1,462
General Revenues:		
Taxes	16,057	15,560
Other General Revenues	<u>493</u>	<u>624</u>
Total Revenues	<u>21,053</u>	<u>20,574</u>
Expenses:		
General Government	3,217	3,407
Public Safety - Police	8,597	8,275
Public Safety - Other	1,797	1,790
Public Works - Sanitation	1,197	1,152
Public Works - Highway	2,810	2,217
Public - Works - Stormwater Management	487	305
Culture and Recreation	1,681	1,636
Conservation of Natural Resources	46	37
Community Development	119	115
Interest on Long Term Debt	276	268
Total Expenses	<u>20,227</u>	<u>19,202</u>
Increase in Net Position	<u>\$ 826</u>	<u>\$ 1,372</u>

WHITEMARSH TOWNSHIP
Management's Discussion and Analysis (Continued)
Required Supplementary Information
December 31, 2016

Expenses by Function for the Year Ended December 31, 2016

The following table presents the cost of each of the Township's programs as well as the programs' net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Township's taxpayers by each of these functions.

<u>Functions/Programs</u>	<u>2016</u>		<u>2015</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General Government	\$ 3,217,012	\$ 2,257,747	\$ 3,407,528	\$ 2,530,727
Public Safety - Police	8,597,043	8,070,982	8,274,810	7,762,414
Public Safety - Other	1,796,942	1,113,680	1,790,418	1,148,467
Public Works - Sanitation	1,196,756	(2,278)	1,151,892	(57,143)
Public Works - Highway	2,810,218	2,248,006	2,217,014	1,723,462
Public Works - Stormwater Management	486,777	436,006	305,165	305,165
Culture and Recreation	1,680,987	1,157,970	1,636,435	1,146,137
Conservation of Natural Resources	45,720	45,720	37,360	(129,399)
Community Development	119,376	119,376	115,274	115,274
Interest on Long Term Debt	275,650	275,650	268,089	268,089
Total Governmental Activities	<u>\$ 20,226,481</u>	<u>\$ 15,722,859</u>	<u>\$ 19,203,985</u>	<u>\$ 14,813,193</u>

Financial Analysis of the Township's Funds

As discussed, governmental funds are reported in the fund statements with a short term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. At the end of fiscal 2016, the Township's governmental funds (as presented in the balance sheet on page 28) reported a combined fund balance of \$27.07 million which is a decrease of \$2.07 million from last year's ending fund balance of \$29.14 million. The decrease is due to General Fund Transfers of Earned Income Tax Revenues collected in the General Fund and transferred to the Open Space fund for the acquisition of Open Space including the purchase of land in 2016. Capital Reserve Fund decreased due to the draw-down of loan proceeds from the 2014 note. Debt service requirements for the Angus and Sheep Tract Acquisitions also decreased the General Fund and Open Space Fund Balances.

Major Governmental Funds

The General Fund is the Township's primary operating fund used to account for the majority of services provided on a daily basis. In 2016, the fund balance of the General Fund decreased by \$.54 million from \$11.47 million to \$10.93 million.

WHITEMARSH TOWNSHIP
Management's Discussion and Analysis (Continued)
Required Supplementary Information
December 31, 2016

In 2016, General Fund Revenue increased by \$530 thousand from the 2015 levels due to increased Revenue from Real Estate, Earned Income, Business Privilege and Mercantile Taxes along with Licenses and Permits. Transfer Taxes from Real Estate Sales of new and existing properties in 2016 once again exceeded \$800 thousand. General Fund Expenditures increased by \$95 thousand, which is a .55% increase from last year's ending total of \$17.29 million.

The Capital Reserve Fund is used to account for amounts set aside in prior years to fund capital additions as well as accounting for the expenditure of borrowed funds and repayment of debt service obligations used to fund capital expenditures. In 2016, the Capital Reserve fund balance decreased by \$1.05 million dollars due to net inter-fund transfers in of \$955 thousand offsetting \$2,015,750 expenditures including Debt Service of \$564 thousand.

For the fiscal year ended December 31, 2016, revenues for governmental fund type activities totaled \$21.07 million.

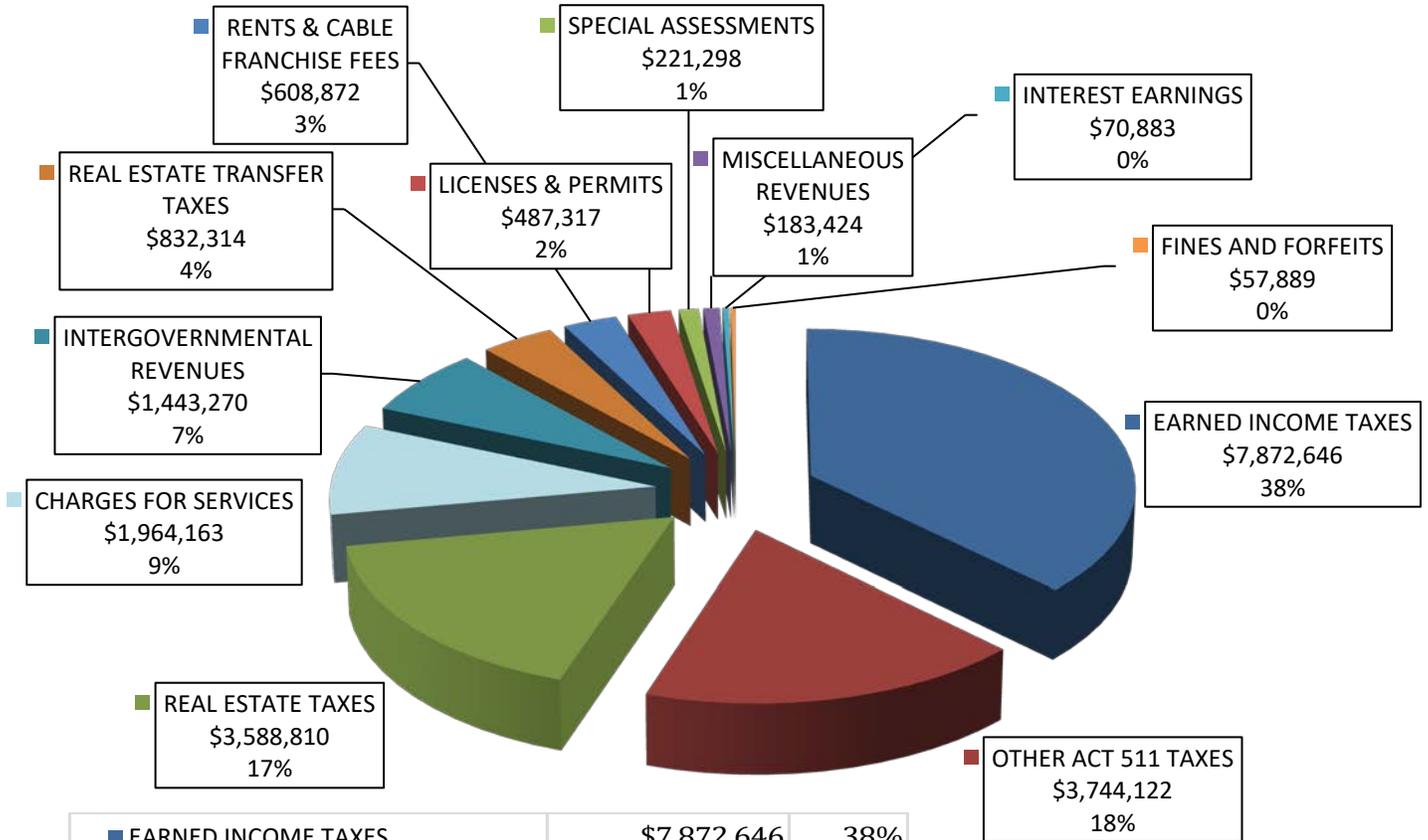
The earned income tax is the Township's largest revenue source at \$7.87 million (38% of total revenues). Business taxes generated \$3.74 million (18%). Real estate tax revenues totaled \$3.59 million (17%). The Township's assessed value of real property exceeded \$1.7 billion.

The graph and related chart on the next page provides an overview of the Sources of Governmental Revenue for Whitemarsh Township for the 2016 Fiscal year.

WHITEMARSH TOWNSHIP
Management's Discussion and Analysis (Continued)
Required Supplementary Information
December 31, 2016

Revenue By Source Government Funds
December 31, 2016

TOTAL REVENUE = \$21,075,008



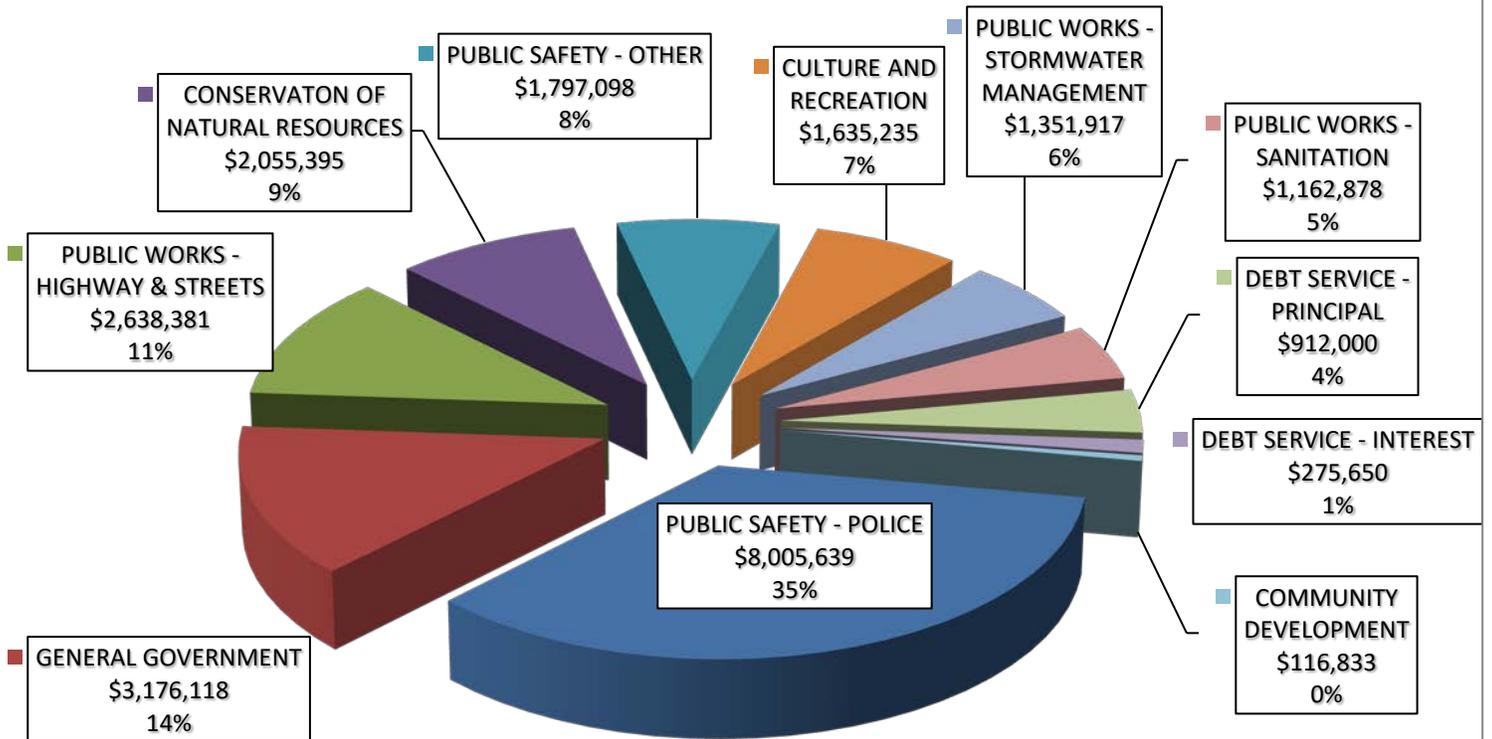
■ EARNED INCOME TAXES	\$7,872,646	38%
■ OTHER ACT 511 TAXES	\$3,744,122	18%
■ REAL ESTATE TAXES	\$3,588,810	17%
■ CHARGES FOR SERVICES	\$1,964,163	9%
■ INTERGOVERNMENTAL REVENUES	\$1,443,270	7%
■ REAL ESTATE TRANSFER TAXES	\$832,314	4%
■ RENTS & CABLE FRANCHISE FEES	\$608,872	3%
■ LICENSES & PERMITS	\$487,317	2%
■ SPECIAL ASSESSMENTS	\$221,298	1%
■ MISCELLANEOUS REVENUES	\$183,424	1%
■ INTEREST EARNINGS	\$70,883	0%
■ FINES AND FORFEITS	\$57,889	0%
TOTAL REVENUE	\$21,075,008	100%

WHITEMARSH TOWNSHIP
Management's Discussion and Analysis (Continued)
Required Supplementary Information
December 31, 2016

Expenditures for the fiscal year ended December 31, 2016 totaled \$23.13 million. Expenditures for the fiscal year 2016 are comprised of the following items:

EXPENDITURES BY PURPOSE GOVERNMENT FUNDS
DECEMBER 31, 2016

TOTAL EXPENDITURES = \$23,127,144



■ PUBLIC SAFETY - POLICE	\$8,005,639	35%
■ GENERAL GOVERNMENT	\$3,176,118	14%
■ PUBLIC WORKS - HIGHWAY & STREETS	\$2,638,381	11%
■ CONSERVATION OF NATURAL RESOURCES	\$2,055,395	9%
■ PUBLIC SAFETY - OTHER	\$1,797,098	8%
■ CULTURE AND RECREATION	\$1,635,235	7%
■ PUBLIC WORKS - STORMWATER MANAGEMENT	\$1,351,917	6%
■ PUBLIC WORKS - SANITATION	\$1,162,878	5%
■ DEBT SERVICE - PRINCIPAL	\$912,000	4%
■ DEBT SERVICE - INTEREST	\$275,650	1%
■ COMMUNITY DEVELOPMENT	\$116,833	0%
TOTAL EXPENDITURES	\$23,127,144	100%

WHITEMARSH TOWNSHIP
Management's Discussion and Analysis (Continued)
Required Supplementary Information
December 31, 2016

Capital Assets and Debt Administration

Capital Assets

At the end of 2016, the Township had \$41.27 million invested in a broad range of capital assets, including land, buildings, vehicles and equipment. This amount represents a net increase of \$3.36 million above last year's \$37.91 million after recording additions and deductions for the year.

Long-Term Debt

The Township Board of Supervisors passed an ordinance on April 14, 2011 to guarantee \$8 million of debt incurred by the Whitemarsh Township Authority (a Component Unit of the Township) to finance certain improvements and upgrades to the sanitary sewer treatment, conveyance and collection systems. The guarantee included a Reimbursement Agreement from the Authority to the Township and qualified as self-liquidating debt under the Local Government Unit Debt Act. Effective April 23, 2014, the Authority Note was refinanced in the amount of \$10,000,000. Under the Sewer Revenue Note – Series of 2014, interest accrues at 2.55% through June 1, 2021 and thereafter at 67% of the current prime rate plus 50 basis points with a cap of 5.5% and a floor of 2.55%. As a result of this refinancing, the Township is no longer a guarantor of the Authority.

On August 28, 2014 the Township made settlement on a \$6,000,000 General Obligation Note with TD Bank. The Note proceeds will be used to fund capital assets including equipment, building improvements, traffic improvements and storm water management projects. The Note bears semi-annual interest for the first seven years at 2.3% and then converts to variable rates with caps of 5% to 6%. Principal payments are payable annually on the 15th of November. Final Maturity for the 2014 General Obligation Note will be in November of 2039. Debt Service payments on this obligation will be made from the Capital Reserve and are funded by transfers from the General Fund. Principal outstanding on the Series of 2014 is \$5,612,000 as of December 31, 2016.

On April 27, 2009 the Township borrowed \$15,000,000 from the Delaware Valley Regional Finance Authority to fund the acquisition of a portion of the Erdenheim Farm property known as Sheep Tract for Open Space along with various capital projects. Debt Service payments on this obligation are funded 63% from the Open Space Fund and 37% from the Capital Reserve Fund. Final maturity for the Sheep Tract Note Payable will be in April of 2032. Principal outstanding on the Series of 2009- Sheep Tract Note Payable is \$10,851,000 as of December 31, 2016.

On December 10, 2007 the Township borrowed \$1,900,000 for the acquisition of a portion of the Erdenheim Farm known as the Angus Tract. Debt Service payments on this obligation are funded by the Open Space Fund. Final maturity for the Angus Tract Note Payable will be in November 2017. Principal outstanding on the Series of 2007- Angus Tract Note Payable is \$220,000 as of December 31, 2016. Final Maturity for the Angus Tract Note will be in November 2017.

The Commonwealth of Pennsylvania sets the borrowing limit, called the "Borrowing Base", of the Township through the State Local Government Unit Debt Act. The Township's "Borrowing Base", as calculated using the annual arithmetic average of total revenue (as defined in the Debt Act) for the three most recent full fiscal years, is in excess of \$17.75 million. The Township's non-electoral debt limit is 250% of the aforementioned borrowing base or \$44.37 million. At the end of 2016, the Township's level of outstanding debt for Primary Government Governmental Activities totaled \$16.68 million which is well below the Township's "Borrowing

WHITEMARSH TOWNSHIP
Management's Discussion and Analysis (Continued)
Required Supplementary Information
December 31, 2016

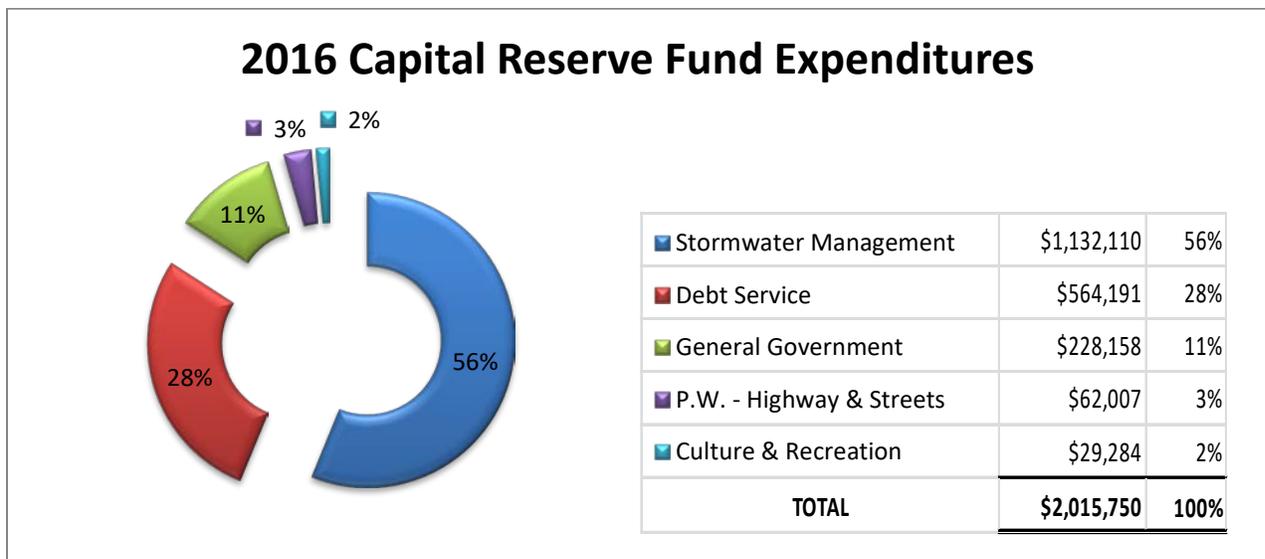
Base" capacity. The \$16.68 million dollar of Primary Government Governmental debt is exclusive of the \$10-million-dollar self-liquidating debt of the Whitemarsh Township Authority. As a result of the Authority's refinancing, the Township is no longer a guarantor of the Authority

Economic Factors and Next Year's Budgets

As part of the Annual Budget process, the Township has established Reserve Funds from favorable operating results to provide for future infrastructure, capital improvements and equipment purchases. The practice of maintaining a carry-over reserve Fund Balance in the Liquid Fuels Fund approximating one year of the State allocation has become an integral part of funding the Township's Road Improvement Program. Optimization of State and Federal funding including FEMA reimbursements has also enabled the Township to deal with extensive flood damage from tropical storms as well as snow emergencies while minimizing the impact to the General Fund.

The Township's Capital Reserve Fund utilizes a combination of loan proceeds from the 2014 TD Bank loan coupled with reserves established from prior year favorable operating results to fund future capital expenditure needs. A proposed listing of capital needs based upon departmental request is reviewed by the Township Manager and the Director of Finance and presented to the Board of Supervisor as part of the annual budget process. An approved Capital Reserve Fund Budget is prepared based upon the Township Manager's Three Year Capital Plan after the projects are reviewed with the Board of Supervisors.

On August 28, 2014 the Township borrowed \$6 million from TD Bank for storm water related infrastructure improvements. In 2016 Capital Reserve Fund expenditures totaling \$2,015,750 included \$564,191 of debt service for a portion of the Sheep Tract Loan and the 2014 TD Bank Loan that were funded by transfers from the General Fund. The remaining expenditures totaling \$1,451,559 were funded by the 2014 TD Bank Loan and from Inter-fund transfers from the General Fund. Priority projects such as Storm Water Management, vehicle purchases and improvements to the Township's Highway Garage were expended in 2016 and are summarized in the following chart and graph. In addition, \$66,496 was transferred to the Fleet Fund for the cost of 2016 improvements to the Township Highway Garage.

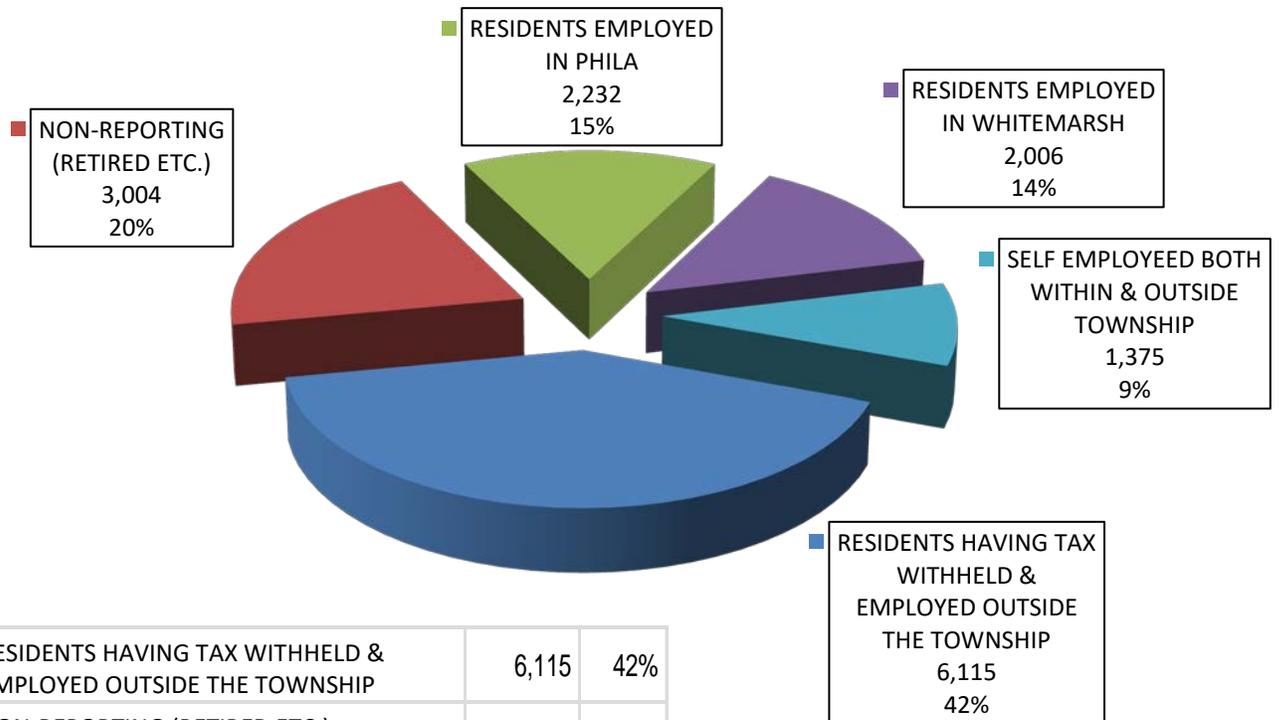


WHITEMARSH TOWNSHIP
Management's Discussion and Analysis (Continued)
Required Supplementary Information
December 31, 2016

The graph and chart below depict the distribution of the 14,732 registered residents for the 2016 earned income tax.

RESIDENTS REGISTERED FOR 2016 EIT

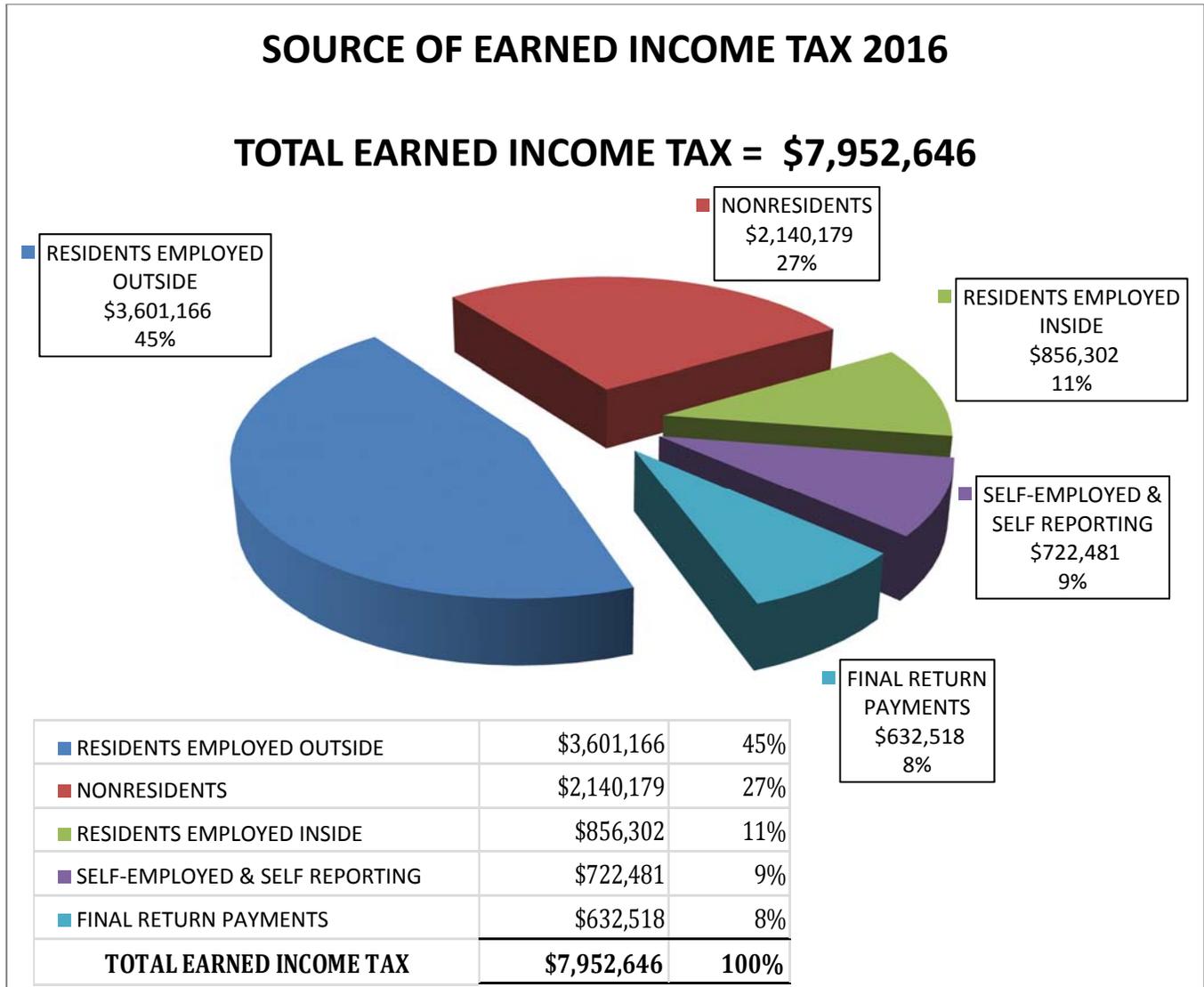
TOTAL REGISTERED = 14,732



■ RESIDENTS HAVING TAX WITHHELD & EMPLOYED OUTSIDE THE TOWNSHIP	6,115	42%
■ NON-REPORTING (RETIRED ETC.)	3,004	20%
■ RESIDENTS EMPLOYED IN PHILA	2,232	15%
■ RESIDENTS EMPLOYED IN WHITEMARSH	2,006	14%
■ SELF EMPLOYEED BOTH WITHIN & OUTSIDE TOWNSHIP	1,375	9%
TOTAL REGISTERED	14,732	100%

WHITEMARSH TOWNSHIP
Management's Discussion and Analysis (Continued)
Required Supplementary Information
December 31, 2016

Graph below depicts the sources of \$7,952,646 Earned Income Tax received (cash basis) for 2016. The 2016 cash collections increased by \$279,791 from the 2015 level of \$7,672,855. The increase in yearly cash collections is attributed to improvements in quarterly reporting from some of the larger employers.



As of December 31, 2016, the Township has set aside \$120,000 for tax refunds resulting from final business privilege and mercantile tax returns that are expected to be paid within the next year.

WHITEMARSH TOWNSHIP
Management's Discussion and Analysis (Continued)
Required Supplementary Information
December 31, 2016

Preservation of Open Space.

The Hill at Whitemarsh

In accordance with the Whitemarsh Township Open Space Plan, Whitemarsh Township has adopted Ordinance #796 establishing "The Hill at Whitemarsh" and Adjacent Open Space Tax Increment Financing District" (The Hill TIF) for a period of twenty years. The Township thereby allocates 100% of the positive real estate tax increments to be collected from The Hill TIF during the term of the district and remits such tax increments to the Redevelopment Authority of Montgomery County for the payment of the costs of acquiring open space adjacent to "The Hill at Whitemarsh" development. Likewise, the Colonial School District and Montgomery County have also dedicated and appropriated their respective share of positive real estate tax increments from The Hill District to the Redevelopment Authority.

Preliminary estimates show the Township amount of tax increment revenues dedicated to the TIF Project by Whitemarsh Township based on an estimated post completion assessed value of \$67,696,000 is approximately \$100,000 annually. As of December 31, 2016, 100% of the dwelling units in Phase I of The Hill at Whitemarsh are complete and available for occupancy. The assessment for The Hill at Whitemarsh is \$52,434,280 as of December 31, 2016. Tax increment revenues paid to the TIF Project by Whitemarsh Township during 2016 amounted to \$70,734.

Acquisition of the Angus and Sheep Tracts

In a question appearing on the November 7, 2007 General Election Ballot, 62% of Whitemarsh Township residents voted in favor of adopting an increase of .25% in the earned income tax rate for the purpose of land preservation pursuant to Act 153, Open Space Lands Act. The Township Board of Supervisors enacted the .25% increase effective January 1, 2007 to fund the preservation of open space which led to the subsequent acquisitions of the Angus and Sheep Tracts.

Whitemarsh Township borrowed a \$1.9 million general obligation Note Payable – Series of 2007 for a 10-year term to fund a contribution to the Whitemarsh Foundation for the eventual purchase of the Angus Tract of Erdenheim Farm for the perpetual preservation of the property as open space for the public benefit. Pursuant to a Declaration of Conservation and Open Space Easements among Whitemarsh Township, Colonial School District, Montgomery County and the Whitemarsh Foundation on December 22, 2008, Whitemarsh Township acquired a conservation and open space easement on real property known as the Angus Tract of the Erdenheim Farm.

Pursuant to a declaration of conservation and open space covenants, restrictions and easement, dated June 1, 2009, among Whitemarsh Township, Colonial School District, the County of Montgomery and The Whitemarsh Foundation, a Pennsylvania not-for-profit corporation, Whitemarsh Township acquired conservation and open space easements on real property situate in Whitemarsh Township, known as the Sheep Tract of the Erdenheim Farm. Whitemarsh Township borrowed \$8 million to finance the acquisition transaction.

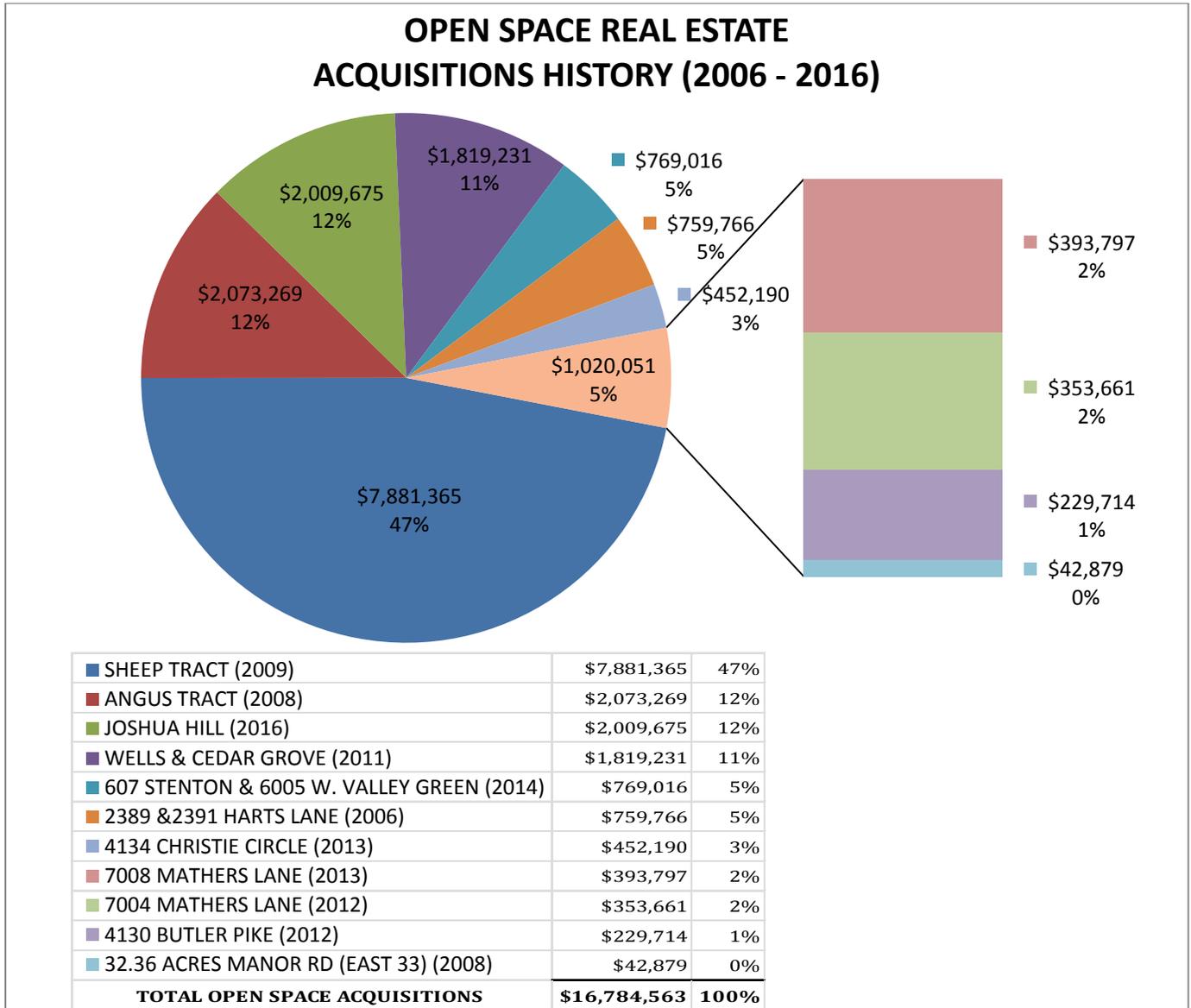
Revenues from the .25% increase generated \$1,938,834 for the preservation of Open Space in 2016. The debt service for the acquisition of both the Angus Tract and the Sheep Tract will be funded through the use of funds dedicated for this purpose in accordance with the Open Space Lands Act (Act 153) and raised in

WHITEMARSH TOWNSHIP
Management's Discussion and Analysis (Continued)
Required Supplementary Information
December 31, 2016

connection with an increase in the Township's Earned Income Tax, pursuant to a referendum approved by the Township's electors on November 7, 2006. An additional source of funding for the Angus Tract acquisition is the commitment of 100% of the positive real property tax increments collected on behalf of the Township from the Hill at Whitemarsh and Adjacent Open Space Tax Increment Financing District in accordance with a payment in Lieu of Taxes Agreement entered into by the Township, the Tax-Increment Financing District and Whitemarsh Continuing Care Retirement Community, a Pennsylvania not-for-profit corporation.

Acquisition of Additional Properties from the Open Space Fund

On April 1, 2016 the Township purchased the Joshua Hill property located at 4021 Joshua Road at a total cost of \$2,009,675 with funds held in the Open Space Reserve Fund. Since the inception of the Open Space Fund the Township has acquired properties totaling \$16,784,563.

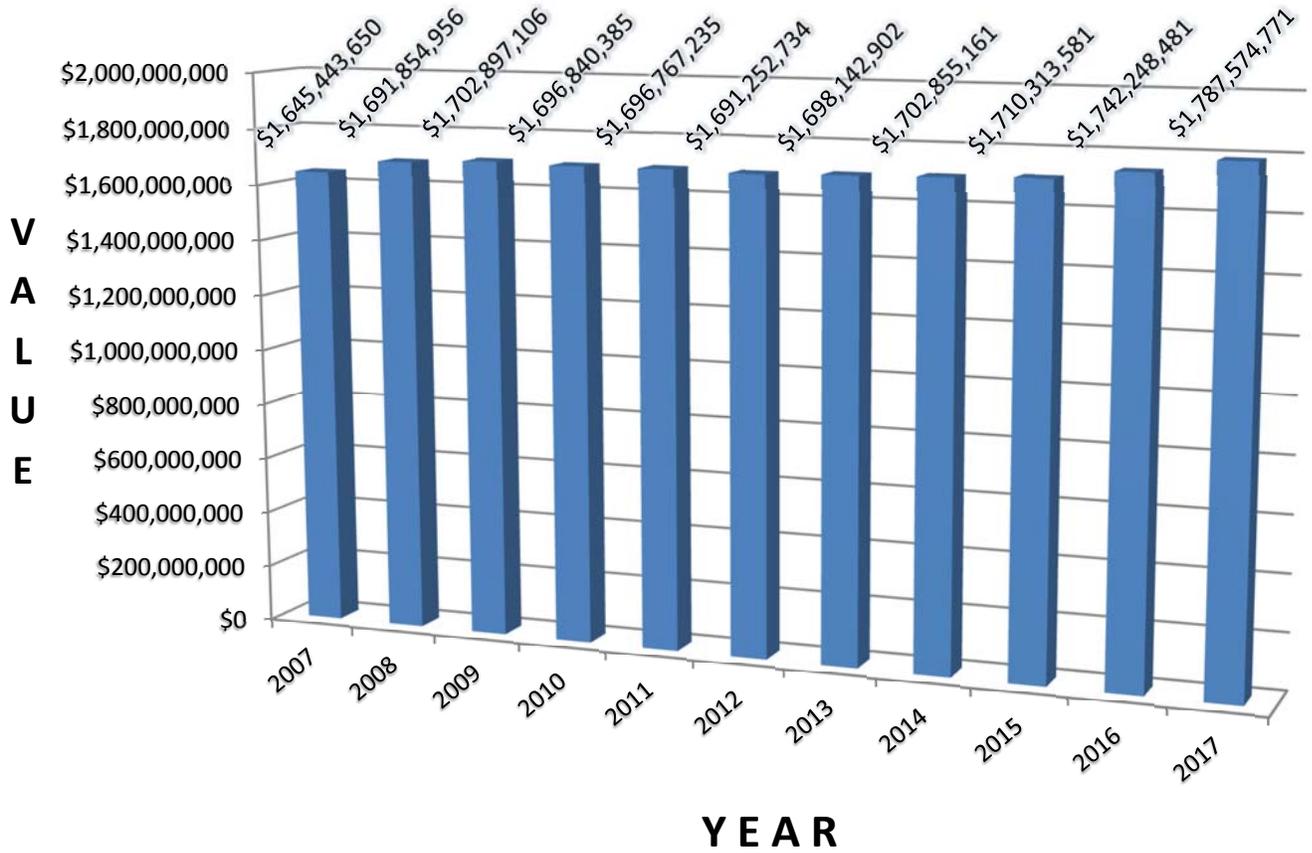


WHITEMARSH TOWNSHIP
Management's Discussion and Analysis (Continued)
Required Supplementary Information
December 31, 2016

- Whitemarsh Township was awarded a \$48,000 joint grant through the Delaware Valley Regional Planning Commission (DVRPC) to create a *Riverfront Plan* jointly with Conshohocken Borough to assess riverfront access, usage, and development opportunities for the riverfront they share along the Schuylkill River. The Grant funding requires a matching contribution from Whitemarsh Township of \$12,000 of which Conshohocken Borough has agreed to reimburse the Township for \$4,000 of the plan costs. Recommendations were made to improve existing land use regulations, to acquire key parcels of real estate and to create collaborative enterprise districts for the benefit of each community. An Action Plan was included to promote individual municipal as well as joint opportunities to pursue existing public and private grant dollars. Following a joint public meeting of the Whitemarsh Township and Conshohocken Borough Planning Commissions and a subsequent public meeting of the Whitemarsh Township Planning Commission, a recommendation to the Board of Supervisors was made for its adoption as an amendment to the Township's 2003 overall Comprehensive Plan. The Whitemarsh Township Board of Supervisors held a public hearing on June 9, 2016; at the conclusion of the public hearing, the Board unanimously approved a resolution adopting the *Riverfront Plan* as an amendment to the 2003 Comprehensive Plan document.
- The Township strives to maintain a balance between preserving open space, attracting new business and increasing the value of residential property. While striving to maintain this balance, the Township hopes to increase the assessed value for property which has been relatively flat over time. Revenue generated by the earned income tax, business taxes and real estate transfer taxes have enabled the Township to maintain the Township's real estate tax millage at 2.0379 mils with no tax increase since 2001 despite a relatively flat annual change in assessed values as indicated in the graph on the next page. The chart on the next page provides an overview of the change in assessed value over the last 10 years.
- The Township transferred \$68,377 from the General Fund to the Capital Reserve Fund to establish a reserve for the volunteer fire companies to Acquire Fire Protection Equipment and Apparatus. An additional \$72,158 representing a portion of the 2017 Fire Protection millage was added to the Fire Protection Reserve in accordance with the 2017 Adopted Budget. The Transfer to the Capital Reserve maintains the level of General Fund Fire Protection contributions following the closing of Lincoln Fire Company in December of 2016 and the resulting changes in coverage area for Barren Hill and Spring Mill Fire Companies.

WHITEMARSH TOWNSHIP
Management's Discussion and Analysis (Continued)
Required Supplementary Information
December 31, 2016

ANNUAL ASSESSED VALUE 2007 - 2017
(average annual increase .83%)



WHITEMARSH TOWNSHIP
Management's Discussion and Analysis (Continued)
Required Supplementary Information
December 31, 2016

The Township conducts single stream curbside recycling collection for approximately 5,400 residences on a weekly basis. The Township has entered into a Commodity Value Reimbursement Agreement for single stream residential recycle marketing services. The contract calls for a reimbursement rate equal to the excess of average commodity revenue less a \$70 threshold. The monthly tonnage is multiplied by the excess average commodity revenue value subject to a \$15 minimum floor. In 2016, commodity prices and tonnage declined from 2015 levels resulting in a \$2,337 decrease in net revenue to the Township. Revenue for 2016 was \$29,084 (1,938.5 tons at an average reimbursement rate of \$15.00 per ton) versus \$31,421 in 2015 (2,071 tons at an average reimbursement rate of \$15.17 per ton).

In 2008, Whitemarsh Township executed Cable Franchise Agreements with two major cable services providers for the use of Township rights-of-way in providing cable services to subscribers located within Whitemarsh Township. The aforementioned agreements provide for the payment of franchise fees to the Township for the use of the right-of-ways for the purpose of constructing, operating and maintaining cable systems throughout the Township. The amount of revenue generated by the franchise fee during 2016 was \$490,655. Annual revenues from Cable Franchise Fees going forward are expected to approximate \$495,000 per year. Initial revenues from the franchise fee were used to finance the production and implementation of the Whitemarsh Township Cable TV system, which became fully operational during 2011, with live broadcasting of public meetings. As part of the Franchise Agreement, Cable Services Providers agreed to supply the Township with one educational and one governmental channel for the exclusive use by the Township. The channels will be used for programming related to community, governmental and/or educational activities in order to inform the citizenry by highlighting community activities, showing local government at work, and responding to local community and educational needs. The Township shall have complete control over the content, scheduling, administration and all other programming aspects of the various channels supplied. As of the report the date, the Township is in the process of negotiating new cable contracts with Verizon and Comcast.

Fire Companies and Ambulance financial aid include Township appropriations approved as part of the budget process along with in-kind contributions in the form of items paid by the Township on their behalf such as gasoline and audit costs, paid driver reimbursements, pay-for-call allocation, gasoline, insurance and additional Life Support Crew. Library allocations included an annual appropriation plus the value attributed to "in kind" expenditures such as audit, payroll processing, accounting, snow removal and landscaping services provided by the Township to the Library.

	<u>2016</u>	<u>2015</u>
Fire Companies and Ambulance	\$ 589,456	\$ 635,572
The William Jeanes Memorial Library	\$667,807	\$ 635,596

WHITEMARSH TOWNSHIP
Management's Discussion and Analysis (Continued)
Required Supplementary Information
December 31, 2016

County of Montgomery Financing of Emergency Radio Equipment

On December 17, 2015, the Township Board of Supervisors approved Ordinance Number 959 authorizing the issuance of a \$730,000 promissory note Whitemarsh Township Promissory Note, 2015 Series payable to the County of Montgomery for the financing of emergency radio equipment. The radio equipment was acquired by the County as part of a bulk purchasing agreement with Motorola. The County has made available interest free (0%) financing to the participating municipalities through the Delaware Valley Regional Finance Authority (DVRFA). The Whitemarsh Township Promissory Note, 2015 Series is serviced by Wells Fargo Bank and will be repaid by the Township over a period of five years.

A payment of \$ 144,791 was transmitted by the Township to Wells Fargo National Bank on January 25, 2016. The payment is equal to one fifth of the \$723,955 total communication equipment ordered by the Township's Emergency Management providers. The principal payment was paid from the Township's Capital Reserve Fund. Remaining payments of \$144,791 per year will be required in each of the next four years to retire this obligation. Actual costs in excess of the \$723,955 financed will be paid from the Township's Capital Reserve Fund.

The Barren Hill, and Spring Mill Fire Companies along with the Whitemarsh Ambulance have agreed to reimburse the Township for a total of \$208,486 equal to one half of their \$416,972 share of the total costs over a five-year period at \$41,697 per year. Since the original borrowing included \$88,298 for communication equipment for Lincoln Fire Company, the Township is currently in negotiations with area Emergency Service Providers for sale of this equipment. The Township will utilize the proceeds from the sale to pay down the outstanding portion of the amount financed through the County of Montgomery. As of December 31, 2016, the outstanding balance on the 0 % Promissory Note Series of 2016 with the County is \$579,164.

Regional Street Lighting Procurement Program

Whitemarsh Township is participating in the Pennsylvania Sustainable Energy Financing Program for conversion of existing street lighting to more efficient LED lighting. The Township has elected to pay for the \$348,443 conversion costs to Johnson Controls with available funds from the Light and Hydrant Fund rather than financing the costs resulting in savings of \$27,220 in interest costs over the 5 year term of the proposed loan. Energy costs savings from the conversion are expected to be \$22,960 per year. The projected savings include the effect of contracts with Constellation to lock in lower rates for transmission and generation costs through December 2019. The Township will be entering into a five year sub-agreement with the Reserve (a Homeowners Association) to recoup \$14,503 of street lighting improvement costs at 2% over a five year (60 month term) commencing September 1, 2017 and ending on August 1, 2022.

Contacting the Township's Financial Management

This financial report is designed to provide Whitemarsh Township's citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. Questions concerning this report or requests for additional financial information can be directed to the Finance Department of Whitemarsh Township, 616 Germantown Pike, Lafayette Hill, PA 19444, or visit our website at "www.whitemarshtwp.org."

WHITEMARSH TOWNSHIP
Statement of Net Position
December 31, 2016

	Primary Government - Governmental Activities	Component Units	
		Whitemarsh Township Authority	William Jeanes Memorial Library
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 25,515,684	\$ 6,331,411	433,840
Investments	-	-	101,455
Accounts Receivable	-	386,294	-
Taxes Receivable	2,648,433	-	-
Due from Component Units	42,192	-	-
Other Receivables	292,895	56,859	-
Prepaid Expenses	-	29,055	300
Deposit on Equipment	144,791	-	-
Total Current Assets	28,643,995	6,803,619	535,595
Restricted Assets:			
Cash, Escrow Funds - Developers	-	104,060	-
Capital Assets:			
Land and Conservation Easements	21,649,486	862,410	62,979
Construction in Progress	-	1,493,730	-
Infrastructure - Sewer System (Net)	-	13,284,643	-
Infrastructure - Other (Net)	8,045,392	-	-
Building and Improvements (Net)	2,910,799	-	3,925,643
Equipment (Net)	429,935	467,232	249,561
Vehicles (Net)	853,259	115,471	-
Total Capital Assets	33,888,871	16,223,486	4,238,183
Other Assets:			
Installment Payment Plans, Net of Current Portion	-	102,825	-
Other	-	2,700	-
Total Other Assets	33,888,871	105,525	4,238,183
DEFERRED OUTFLOWS OF RESOURCES			
Pension	949,360	-	-
Total Assets and Deferred Outflows of Resources	\$ 63,482,226	\$ 23,236,690	\$ 4,773,778

(Continued)

WHITEMARSH TOWNSHIP
Statement of Net Position (Continued)
December 31, 2016

	Primary Government - Governmental Activities	Component Units	
		Whitemarsh Township Authority	William Jeanes Memorial Library
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 795,081	\$ 488,117	\$ 12,471
Business Tax Refunds Payable	120,000	-	-
Due to Trust Funds	74,363	-	-
Due to Primary Government	-	14,421	27,771
Due to Other Governments	175,000	-	-
Unearned Revenue	28,804	766,040	-
Other Liabilities	153,506	-	-
Current Portion of Notes Payable	938,000	425,000	-
Total Current Liabilities	2,284,754	1,693,578	40,242
Non-Current Liabilities:			
Escrow Deposits - Developers	-	104,060	-
Notes Payable, Net of Current Portion	15,745,000	8,954,580	-
Compensated Absences	771,522	-	-
Net Other Post-Employment Benefits Obligation	3,336,410	-	-
Net Pension Liability	3,123,290	-	-
Total Non-Current Liabilities	22,976,222	9,058,640	-
Total Liabilities	25,260,976	10,752,218	40,242
NET POSITION			
Net Investment in Capital Assets	17,350,662	6,843,906	1,020,027
Temporarily Restricted	-	-	3,218,156
Unrestricted	20,870,588	5,640,566	495,353
Total Net Position	38,221,250	12,484,472	4,733,536
Total Liabilities and Net Position	\$ 63,482,226	\$ 23,236,690	\$ 4,773,778

The accompanying notes are an integral part of these financial statements.

WHITEMARSH TOWNSHIP
Statement of Activities
For the Year Ended December 31, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government - Governmental Activities	Component Units	
						Whitemarsh Township Authority	William Jeanes Memorial Library
PRIMARY GOVERNMENT:							
Governmental Activities:							
General Government	\$ 3,217,012	\$ 850,984	\$ 108,281	\$ -	\$ (2,257,747)		
Public Safety - Police	8,597,043	-	526,061	-	(8,070,982)		
Public Safety - Other	1,796,942	487,317	195,945	-	(1,113,680)		
Public Works - Sanitation	1,196,756	1,199,034	-	-	2,278		
Public Works - Highway	2,810,218	-	562,212	-	(2,248,006)		
Public Works - Stormwater Management	486,777	-	50,771	-	(436,006)		
Culture and Recreation	1,680,987	523,017	-	-	(1,157,970)		
Conservation of Natural Resources	45,720	-	-	-	(45,720)		
Community Development	119,376	-	-	-	(119,376)		
Interest on Long Term Debt	275,650	-	-	-	(275,650)		
Total Primary Government	\$20,226,481	\$ 3,060,352	\$ 1,443,270	\$ -	(15,722,859)		
COMPONENT UNITS:							
Whitemarsh Township Authority	\$ 3,429,389	\$ 3,319,825	\$ -	\$ -	\$ (109,564)		
William Jeanes Memorial Library	1,118,817	58,676	771,923	-			\$ (288,218)
Total Component Units	\$ 4,548,206	\$ 3,378,501	\$ 771,923	\$ -	(109,564)		(288,218)
General Revenues:							
Real Estate Taxes					3,607,667	-	-
Real Estate Transfer Taxes					832,314	-	-
Earned Income Taxes					7,872,646	-	-
Other Act 511 Taxes					3,744,122	-	-
Investment Income					71,005	10,535	6,423
Increase in Fair Market Value of Investments					-	-	5,680
Sale of Fixed Assets					43,148	-	-
Fines and Forfeits					57,889	-	-
Special Assessments					255,161	154,500	-
Miscellaneous Revenue					65,290	-	-
Total General Revenues					16,549,242	165,035	12,103
Change in Net Position					826,383	55,471	(276,115)
Net Position - Beginning of Year					37,394,867	12,429,001	5,009,651
Net Position - End of Year					\$38,221,250	\$12,484,472	\$ 4,733,536

The accompanying notes are an integral part of these financial statements.

WHITEMARSH TOWNSHIP
Balance Sheet
Governmental Funds
December 31, 2016

	General	Capital Reserve	Open Space Reserve	Non- Major Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 8,888,690	\$ 5,802,367	\$ 7,606,388	\$ 3,175,917	\$ 25,473,362
Due from Component Units	42,192	-	-	-	42,192
Taxes Receivable	2,642,224	-	-	6,209	2,648,433
Deposit on Equipment	-	144,791	-	-	144,791
Other Receivables	151,556	-	-	141,339	292,895
	<u>11,724,662</u>	<u>5,947,158</u>	<u>7,606,388</u>	<u>3,323,465</u>	<u>28,601,673</u>
Total Assets	<u>\$ 11,724,662</u>	<u>\$ 5,947,158</u>	<u>\$ 7,606,388</u>	<u>\$ 3,323,465</u>	<u>\$ 28,601,673</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 298,910	\$ 276,600	\$ 1,068	\$ 54,755	\$ 631,333
Accrued Wages Payable	89,471	-	-	4,483	93,954
Other Accrued Expenses	55,149	-	-	-	55,149
Interfund Payables	74,363	-	-	-	74,363
Due to Other Governments	-	-	-	175,000	175,000
Business Tax Refunds Payable	120,000	-	-	-	120,000
Unearned Revenue	-	-	-	28,804	28,804
Other Liabilities	103,057	50,449	-	-	153,506
	<u>740,950</u>	<u>327,049</u>	<u>1,068</u>	<u>263,042</u>	<u>1,332,109</u>
Total Liabilities	<u>740,950</u>	<u>327,049</u>	<u>1,068</u>	<u>263,042</u>	<u>1,332,109</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Real Estate Taxes	54,804	-	-	5,930	60,734
Deferred Special Assessments	-	-	-	141,339	141,339
	<u>54,804</u>	<u>-</u>	<u>-</u>	<u>147,269</u>	<u>202,073</u>
Total Deferred Inflows of Resources	<u>54,804</u>	<u>-</u>	<u>-</u>	<u>147,269</u>	<u>202,073</u>
FUND BALANCES					
Non-spendable - Deposit on Equipment	-	144,791	-	-	144,791
Restricted for:					
Building and Improving Local					
Roads and Bridges	-	-	-	547,021	547,021
Assigned for:					
Budget for 2017	3,217,915	-	-	193,951	3,411,866
Business Tax Refunds	1,695,493	-	-	-	1,695,493
Insurance Premiums	506,684	-	-	13,184	519,868
Capital Projects	-	5,406,941	-	-	5,406,941
Acquisition of Fire Protection					
Equipment and Apparatus	-	68,377	-	-	68,377
Acquisition of Other Equipment	-	-	-	184,682	184,682
Acquisition of Open Space	-	-	5,707,192	-	5,707,192
Maintenance of Open Space	-	-	1,898,128	-	1,898,128
Local Roads and Bridges	-	-	-	893,120	893,120
Sanitation - Waste Collection	135,000	-	-	732,753	867,753
Street Lighting Replacement Project	-	-	-	348,443	348,443
Unassigned Fund Balance	5,373,816	-	-	-	5,373,816
	<u>10,928,908</u>	<u>5,620,109</u>	<u>7,605,320</u>	<u>2,913,154</u>	<u>27,067,491</u>
Total Fund Balances	<u>10,928,908</u>	<u>5,620,109</u>	<u>7,605,320</u>	<u>2,913,154</u>	<u>27,067,491</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 11,724,662</u>	<u>\$ 5,947,158</u>	<u>\$ 7,606,388</u>	<u>\$ 3,323,465</u>	<u>\$ 28,601,673</u>

The accompanying notes are an integral part of these financial statements.

WHITEMARSH TOWNSHIP
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position
December 31, 2016

Total Governmental Fund Balances \$ 27,067,491

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, are not reported as assets in governmental funds:

Cost of assets	41,275,515	
Accumulated depreciation	<u>(7,386,644)</u>	33,888,871

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Notes Payable	16,683,000	
Compensated Absences	771,522	
Net Other Post-employment Benefits	3,336,410	
Net Pension Liability, Net of Related Deferred Outflows	<u>2,173,930</u>	(22,964,862)

Property taxes and other amounts receivable will not be collected soon enough to pay for the current period's expenditures and therefore are deferred in the funds 202,073

Internal Service Fund consolidation 27,677

Net Position of Governmental Activities \$ 38,221,250

The accompanying notes are an integral part of these financial statements.

WHITEMARSH TOWNSHIP
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016

	General	Capital Reserve	Open Space Reserve	Non-Major Funds	Total Governmental Funds
REVENUES					
Real Estate Taxes	\$ 3,196,002	\$ -	\$ -	\$ 392,808	\$ 3,588,810
Real Estate Transfer Taxes	832,314	-	-	-	832,314
Earned Income Taxes	7,872,646	-	-	-	7,872,646
Other Act 511 Taxes	3,744,122	-	-	-	3,744,122
Licenses and Permits	487,317	-	-	-	487,317
Fines and Forfeits	57,889	-	-	-	57,889
Interest Earnings	30,819	8,043	24,423	7,598	70,883
Rents and Cable Fees	590,666	-	-	18,206	608,872
Intergovernmental Revenues	872,416	-	-	570,854	1,443,270
Charges for Services	242,112	-	-	1,722,051	1,964,163
Special Assessments	-	-	-	221,298	221,298
Miscellaneous Revenues	177,769	-	-	5,655	183,424
Total Revenues	18,104,072	8,043	24,423	2,938,470	21,075,008
EXPENDITURES					
General Government	3,159,272	16,846	-	-	3,176,118
Public Safety - Police	8,005,639	-	-	-	8,005,639
Public Safety - Other	1,691,265	-	-	105,833	1,797,098
Public Works - Sanitation	1,134,697	-	-	28,181	1,162,878
Public Works - Highway and Streets	2,311,647	251,171	-	75,563	2,638,381
Public Works - Stormwater Management	224,647	1,127,270	-	-	1,351,917
Culture and Recreation	648,913	56,272	-	930,050	1,635,235
Conservation of Natural Resources	-	-	2,055,395	-	2,055,395
Community Development	116,833	-	-	-	116,833
Debt Service - Principal	-	381,000	531,000	-	912,000
Debt Service - Interest	-	183,191	92,459	-	275,650
Total Expenditures	17,292,913	2,015,750	2,678,854	1,139,627	23,127,144
Excess of Revenues Over (Under) Expenditures	811,159	(2,007,707)	(2,654,431)	1,798,843	(2,052,136)
OTHER FINANCING SOURCES (USES)					
Proceeds from Sale of Fixed Assets	43,148	-	-	-	43,148
Transfers In	1,695,482	1,022,902	1,938,834	128,278	4,785,496
Transfers Out	(3,090,014)	(66,946)	-	(1,695,482)	(4,852,442)
Total Other Financing Sources and Uses	(1,351,384)	955,956	1,938,834	(1,567,204)	(23,798)
Net Change in Fund Balances	(540,225)	(1,051,751)	(715,597)	231,639	(2,075,934)
FUND BALANCES - BEGINNING OF YEAR	11,469,133	6,671,860	8,320,917	2,681,515	29,143,425
FUND BALANCES - END OF YEAR	\$ 10,928,908	\$ 5,620,109	\$ 7,605,320	\$ 2,913,154	\$ 27,067,491

The accompanying notes are an integral part of these financial statements.

WHITEMARSH TOWNSHIP
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement of Activities
For the Year Ended December 31, 2016

Net Change in Fund Balances - Governmental Funds \$ (2,075,934)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation differs from outlays in the period (excludes internal service funds):

Depreciation Expense	(900,914)	
Capital Outlays	<u>3,406,230</u>	2,505,316

Principal payments on Long Term Debt are reported as expenditures in the governmental funds but are not considered expenses in the statement of activities. 912,000

Internal Service Funds are reported as proprietary funds in the fund statements but are consolidated in the entity wide statements. 63,442

In the statement of activities, compensated absences are measured by the amount earned during the year. In the governmental funds, expenditures are measured by the amounts actually paid. (59,264)

In the statement of activities, other post-employment benefits are measured by the amount earned during the year. In the governmental funds, expenditures are measured by the amounts actually paid. (542,079)

The net change in the net pension liability, as well as the change in related deferred outflows, is reported in the statement of activities, but is not reported in the fund financial statements. (29,818)

Governmental funds report revenues related to prior periods as current financial resources. However, in the statement of activities, these amounts are not included as current year revenue. In addition, revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 52,720

Change in Net Position of Governmental Activities \$ 826,383

The accompanying notes are an integral part of these financial statements.

WHITEMARSH TOWNSHIP
Budgetary Comparison Statement - General Fund
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance
REVENUES				
Real Estate Taxes	\$ 3,071,321	\$ 3,071,321	\$ 3,196,002	\$ 124,681
Real Estate Transfer Taxes	500,000	500,000	832,314	332,314
Earned Income Taxes	7,200,000	7,200,000	7,872,646	672,646
Other Act 511 Taxes	2,947,000	2,947,000	3,744,122	797,122
Licenses and Permits	318,300	318,300	487,317	169,017
Fines and Forfeits	65,000	65,000	57,889	(7,111)
Interest Earnings	3,000	3,000	30,819	27,819
Rents and Cable Fees	544,000	544,000	590,666	46,666
Intergovernmental Revenues	894,477	894,477	872,416	(22,061)
Charges for Services	129,500	129,500	242,112	112,612
Miscellaneous Revenues	145,000	145,000	177,769	32,769
Total Revenues	15,817,598	15,817,598	18,104,072	2,286,474
EXPENDITURES				
General Government	2,807,894	2,807,894	3,006,529	(198,635)
Public Safety - Police	8,461,191	8,461,191	8,005,639	455,552
Public Safety - Other	1,849,942	1,781,565	1,691,265	90,300
Public Works - Sanitation	1,126,606	1,126,606	1,134,697	(8,091)
Public Works - Highway and Streets	2,499,879	2,442,946	2,311,647	131,299
Public Works - Stormwater Management	224,481	224,481	224,647	(166)
Culture and Recreation	653,598	653,598	648,913	4,685
Community Development	132,513	132,513	116,833	15,680
Miscellaneous Expenditures	154,105	154,105	152,743	1,362
Total Expenditures	17,910,209	17,784,899	17,292,913	491,986
Excess of Revenues Over (Under) Expenditures	(2,092,611)	(1,967,301)	811,159	2,778,460
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Fixed Assets	15,000	15,000	43,148	28,148
Transfers In	1,622,500	1,622,500	1,695,482	72,982
Transfers Out	(2,713,889)	(2,839,199)	(3,090,014)	(250,815)
Total Other Financing (Uses)	(1,076,389)	(1,201,699)	(1,351,384)	(149,685)
Net Change in Fund Balance	(3,169,000)	(3,169,000)	(540,225)	2,628,775
FUND BALANCE - BEGINNING OF YEAR	3,169,000	3,169,000	11,469,133	8,300,133
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ 10,928,908	\$ 10,928,908

The accompanying notes are an integral part of these financial statements.

WHITEMARSH TOWNSHIP
Budgetary Comparison Statement - Capital Reserve Fund
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance
REVENUES				
Interest Earnings	\$ 6,000	\$ 6,000	\$ 8,043	\$ 2,043
Miscellaneous Revenues	37,000	37,000	-	(37,000)
Total Revenues	43,000	43,000	8,043	(34,957)
EXPENDITURES				
General Government	3,831,659	3,831,659	16,846	3,814,813
Public Works - Highway and Streets	2,079,000	2,079,000	251,171	1,827,829
Public Works - Stormwater Management	1,080,000	1,080,000	1,127,270	(47,270)
Culture and Recreation	118,500	118,500	56,272	62,228
Debt Service	554,910	554,910	564,191	(9,281)
Total Expenditures	7,664,069	7,664,069	2,015,750	5,648,319
Excess of Revenues (Under) Expenditures	(7,621,069)	(7,621,069)	(2,007,707)	5,613,362
OTHER FINANCING SOURCES				
Transfers In	702,910	771,287	1,022,902	251,615
Transfers Out	-	-	(66,946)	(66,946)
Total Other Financing Sources	702,910	771,287	955,956	184,669
Net Change in Fund Balance	(6,918,159)	(6,849,782)	(1,051,751)	5,798,031
FUND BALANCE - BEGINNING OF YEAR	6,918,159	6,918,159	6,671,860	(246,299)
FUND BALANCE - END OF YEAR	\$ -	\$ 68,377	\$ 5,620,109	\$ 5,551,732

The accompanying notes are an integral part of these financial statements.

WHITEMARSH TOWNSHIP
Budgetary Comparison Statement - Open Space Reserve Fund
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance
REVENUES				
Interest Earnings	\$ 2,000	\$ 2,000	\$ 24,423	\$ 22,423
Total Revenues	2,000	2,000	24,423	22,423
EXPENDITURES				
Conservation of Natural Resources	7,997,593	7,997,593	2,055,395	5,942,198
Debt Service	612,519	612,519	623,459	(10,940)
Total Expenditures	8,610,112	8,610,112	2,678,854	5,931,258
Excess of Revenues (Under) Expenditures	(8,608,112)	(8,608,112)	(2,654,431)	5,953,681
OTHER FINANCING SOURCES (USES)				
Transfers In	1,600,000	1,600,000	1,938,834	338,834
Total Other Financing Sources	1,600,000	1,600,000	1,938,834	338,834
Net Change in Fund Balance	(7,008,112)	(7,008,112)	(715,597)	6,292,515
FUND BALANCE - BEGINNING OF YEAR	7,008,112	7,008,112	8,320,917	1,312,805
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ 7,605,320	\$ 7,605,320

The accompanying notes are an integral part of these financial statements.

WHITEMARSH TOWNSHIP
Statement of Net Position
Proprietary Funds
December 31, 2016

	Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 42,322
Total Current Assets	42,322
Noncurrent Assets:	
Capital Assets:	
Fleet Garage (Net)	66,822
Equipment (Net)	14,007
Total Capital Assets (Net)	80,829
Total Assets	\$ 123,151
 LIABILITIES AND NET POSITION	
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 8,334
Accrued Wages Payable	6,311
Total (Current) Liabilities	14,645
 NET POSITION	
Invested in Capital Assets, Net of Related Debt	80,829
Unrestricted	27,677
Total Net Position	108,506
Total Liabilities and Net Position	\$ 123,151

The accompanying notes are an integral part of these financial statements.

WHITEMARSH TOWNSHIP
Combined Statement of Revenues, Expenses, and
Changes in Net Position - Proprietary Funds
For the Year Ended December 31, 2016

	Internal Service Funds
OPERATING REVENUES:	
Charges for Services	\$ 413,638
Total Operating Revenues	413,638
OPERATING EXPENSES:	
Business Expense	6,582
Contracted Services	34,004
Depreciation	3,952
Gas and Oil	4,223
Materials and Supplies	12,294
Parts and Accessories	101,076
Repairs and Maintenance - Building	7,459
Replacement - Machinery and Equipment	175
Salaries	219,347
Tires and Tubes	19,449
Tools	5,854
Utilities	6,801
Total Operating Expenses	421,216
Operating (Loss)	(7,578)
NONOPERATING REVENUES:	
Interest Earnings	122
(Loss) before Transfers	(7,456)
TRANSFERS IN	66,946
Change in Net Position	59,490
NET POSITION - BEGINNING OF YEAR	49,016
NET POSITION - END OF YEAR	\$ 108,506

The accompanying notes are an integral part of these financial statements.

WHITEMARSH TOWNSHIP
Statement of Cash Flows - Proprietary Funds
For the Year Ended December 31, 2016

	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Interfund Services Provided	\$ 414,537
Payments to Suppliers	(203,214)
Payments to Employees	(217,468)
Net Cash and Cash Equivalents (Used) by Operating Activities	(6,145)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	NONE
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	NONE
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Received	122
Net Cash and Cash Equivalents Provided by Investing Activities	122
Net (Decrease) in Cash and Cash Equivalents	(6,023)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	48,345
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 42,322
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
(Loss) from Operations	\$ (7,578)
Adjustments to Reconcile (Loss) From Operations to Net Cash and Cash Equivalents (Used) by Operating Activities:	
Depreciation	3,952
Decrease in Interfund Receivable	899
Increase (Decrease) in:	
Accounts Payable	(5,297)
Accrued Wages Payable	1,879
Net Cash and Cash Equivalents (Used) by Operating Activities	\$ (6,145)
NON-CASH CAPITAL FINANCING ACTIVITIES	

Capital assets of \$66,946 were acquired through interfund transfers

The accompanying notes are an integral part of these financial statements.

WHITEMARSH TOWNSHIP
Statement of Fiduciary Net Position - Fiduciary Funds
December 31, 2016

	Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 3,575,723	\$ 689,441
Investments	26,201,194	-
Interfund Receivable	74,363	-
Accrued Interest	11,227	-
	\$ 29,862,507	\$ 689,441
LIABILITIES		
Escrowed Subdivision Fees	-	\$ 568,606
Due to Taxpayers/Governments	-	120,835
	-	\$ 689,441
NET POSITION		
Restricted for Pension Benefits	\$ 25,151,241	
Restricted for Deferred Compensation Benefits	4,711,266	
	29,862,507	
Total Liabilities and Net Position	\$ 29,862,507	

The accompanying notes are an integral part of these financial statements.

WHITEMARSH TOWNSHIP
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended December 31, 2016

	<u>Trust Funds</u>
ADDITIONS	
Contributions:	
Municipal Contribution	\$ 1,090,798
Employee Contribution	<u>730,172</u>
Total Contributions	<u>1,820,970</u>
Investment Earnings:	
Net Increase in Fair Value of Investments	1,277,127
Interest and Dividends	463,680
Other Investment Earnings	<u>12,332</u>
Total Investment Earnings	<u>1,753,139</u>
Total Additions	<u>3,574,109</u>
DEDUCTIONS	
Benefits Paid	1,598,878
Administrative Expenses	<u>88,024</u>
Total Deductions	<u>1,686,902</u>
Change in Net Position	<u>1,887,207</u>
NET POSITION - BEGINNING OF YEAR	<u>27,975,300</u>
NET POSITION - END OF YEAR	<u><u>\$ 29,862,507</u></u>

The accompanying notes are an integral part of these financial statements.

WHITEMARSH TOWNSHIP, PENNSYLVANIA
Notes to the Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Whitemarsh Township complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

A. The Financial Reporting Entity

Whitemarsh Township is a municipality governed by an elected five-member board. The Township's financial reporting entity is comprised of Whitemarsh Township (the primary government) and its discretely presented component units.

A component unit is a legal entity that is either a separate government organization that is not a primary government, a not-for-profit corporation, or a for-profit corporation, that meets any one of the following four conditions:

- a. The primary government appoints a voting majority of the entity's governing body; and the primary government can impose its will on the entity, and/or a financial benefit/burden relationship exists between the primary government and the entity;
- b. The entity is fiscally dependent on the primary government and has a financial benefit/burden relationship with the primary government;
- c. The primary government holds a majority equity interest in the entity for the purpose of facilitating government services; or
- d. The primary government's financial statements would be misleading if the entity was excluded.

A component unit's financial statements are blended with the financial statements of the primary government when one of the following four circumstances is met:

- a. There is substantively the same governing body for both the primary government and the component unit; and there is a financial benefit or burden relationship between the primary government and the component unit, or the operational responsibility for the component unit rests with the management of the primary government.
- b. A component unit provides services entirely (or almost entirely) to the primary government or benefits the primary government exclusively (or almost exclusively).
- c. A component unit's debt, including leases, is expected to be repaid entirely or almost entirely with the primary government's resources.
- d. A component unit is incorporated as a not-for-profit corporation and the primary government is the sole corporate member.

A discretely presented component unit is a separate legal entity that meets the component unit criteria described above but does not meet the criteria for blending. Those component units' financial statements are presented discretely in the primary government's government-wide financial statements.

Whitemarsh Township Authority (the "Authority") qualifies as a component unit of the Township. The Township appoints the members of the Authority's board. The financial statements of the Authority for the year ended December 31, 2016 have been summarized and discretely presented on the entity-wide financial statements of the Township. Complete financial statements of the Authority can be obtained from their administrative offices.

The William Jeanes Memorial Library (the "Library") is a separate nonprofit entity, which operates independently of the Township but services the same geographic area. The Township makes significant contributions to the Library to finance its operations and has set aside a portion of its annual real estate tax collections for this purpose. The Township's Board of Supervisors appoints four members of the Library Board; the remaining three members are elected by its members. The financial statements of the Library for the year ended December 31, 2016 have been summarized and discretely presented on the entity-wide financial statements of the Township. Complete financial statements of the Library can be obtained from their administrative offices.

Barren Hill Volunteer Fire Company, Lincoln Fire Company, Spring Mill Fire Company, and Whitemarsh Community Ambulance Association receive contributions from the Township; however, the majority of revenues generated by these entities are through other sources and therefore the entities are not deemed to be fiscally dependent on the Township. Each entity has its own governing board that is not appointed by the Township. Therefore, the financial statements of these entities are not included in these financial statements.

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Township as a whole, including the discretely presented component units. These statements include all governmental activities of the Township, but exclude fiduciary activities.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements.

The government-wide statement of activities presents a comparison between expenses and program revenues for each functional area. Expenses are those that are specifically associated with and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues are presented as general revenues. The comparison of

program revenues and expenses identifies the extent to which each functional area is self-financing or draws from the general revenues of the Township.

Internal activity is limited to interfund transfers, which are eliminated to avoid “doubling up” revenues and expenses.

Equity is classified as net position and can be displayed in three components:

- a. Invested in capital assets, net of related debt – Consists 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 those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements

Fund financial statements report detailed information about the Township. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary fund financial statements are represented by fund type.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers real estate tax revenues to be available if collected within sixty days of the end of the fiscal year and the Township considers earned income taxes and business tax revenues to be available if collected within ninety days of the end of the fiscal year. Revenues for state and federally-funded projects are recognized at the time the expenditures are made. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

The Township reports the following major governmental funds:

- The General Fund is the primary operating fund of the Township and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

- The Capital Reserve Fund was established to accumulate resources for storm water management, future equipment, and facilities maintenance expenditures. Revenues and other financing sources include governmental grants and transfers from the General Fund.
- The Open Space Reserve Fund was established to accumulate resources to protect and preserve undeveloped land and preserve open space and agricultural lands for the benefit of residents within the Township. The Township transfers, from the General Fund to the Open Space Reserve Fund, earned income tax revenue designated for land preservation.

Governmental fund balances are classified as follows:

- a. Non-spendable – includes fund balance amounts that cannot be spent either because the amounts are not in spendable form or are legally or contractually required to be maintained intact.
- b. Restricted – includes fund balance amounts that are restricted to specific purposes by external parties or by law through constitutional provisions or enabling legislation.
- c. Committed – includes fund balance amounts that can only be used for specific purposes due to formal action of the Township’s highest level of decision-making authority, which is the Whitemarsh Township Board of Supervisors. Formal action includes the adoption of ordinances or resolutions. Committed fund balance may also include resources that have been specifically committed for use in satisfying contractual requirements.
- d. Assigned – includes fund balance amounts that are constrained by the Township’s intent to be used for specific purposes, but are not restricted or committed. All fund balance assignments are approved by the Board of Supervisors.
- e. Unassigned – includes the residual classification of fund balance of the General Fund, whether the amount is positive or negative. Other governmental funds may report negative unassigned fund balance if their expenditures exceed the amounts restricted, committed, or assigned to their fund purposes.

When both restricted and unrestricted resources are available for use, it is the Township’s policy to use restricted resources first and then unrestricted resources as they are needed. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Township considers amounts to have been spent first out of committed funds, then assigned funds and, finally, unassigned funds, as needed.

The Township has a “Designated General Fund Operating Reserve Policy” that sets a goal of maintaining a minimum fund balance for the General Fund in excess of the recommended minimum of 5% to 10% of operating expenditures prescribed by rating agencies. These assigned funds are segregated in an interest-bearing account and are intended to be used only for alleviating short-term budgetary problems such as unanticipated revenue shortfalls or budget overruns. Maintaining the size of the reserve above the recommended threshold stabilizes the Township’s tax structure and ensures provision of services to residents during times of fiscal uneasiness.

Proprietary Funds

Internal Service Funds are used to account for the financing of goods and services provided by one department to other departments. The Garage Maintenance Fund is used to account for the maintenance of Township vehicles, which is reimbursed by various funds. A self-insurance fund is also included as an internal service fund and is used to accumulate reserves to pay for unemployment claims directly to the state employment insurance fund as opposed to paying an assessment based on annual payroll and claim experience. Operating revenues include charges for services provided to other departments of the Township; nonoperating revenues include interest earnings.

Proprietary fund financial statements are prepared using the economic resources measurement focus and accrual basis of accounting.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, or others. The Township has two private-purpose trust funds which account for all pension activity. In addition, the Township has one private-purpose trust fund that accounts for Township employees' salary deferrals, the funds of which are not available to the employees until termination, death, retirement, or an unexpected emergency. These trust funds are accounted for in essentially the same manner as proprietary funds since the measurement of the periodic net income and the determination of capital maintenance are critical.

The Township has two agency funds. The Escrow Fund accounts for moneys paid by developers to be used for land subdivision costs. The Real Estate Tax Collector Fund accounts for collections and remittances of real estate taxes to Montgomery County and Whitemarsh Township. Agency funds are unlike all other types of funds, reporting only assets and liabilities. Therefore, these funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

C. Use of Estimates

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

D. Budgets

Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

E. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits, money market funds, amounts deposited with the Pennsylvania Local Government Investment Trust, and amounts deposited with the Pennsylvania Treasurer's INVEST Program for Local Governments. Investments are stated at market value.

F. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements and are recorded at cost (if known) or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Capital acquisition and construction related to governmental funds are reflected as expenditures in the fund financial statements. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant, and equipment (net of salvage value) of governmental activities is depreciated using the straight-line method over the following estimated useful lives:

Building and Improvements	45 Years
Equipment	5 – 20 Years
Vehicles	5 Years
Infrastructure	30 Years

The capital assets of the Authority are depreciated over the following estimated useful lives:

Sewer System	45 Years
Equipment	10 – 15 Years
Vehicles	5 Years

G. Property Taxes

The tax on real estate in Whitemarsh Township for 2016 was 2.0379 mills (\$2.0379 per \$1,000 of assessed valuation) as levied by the Board of Supervisors. Assessed valuations of property are determined by Montgomery County. Taxes are billed March 1 and payable under the following terms: a 2% discount March 1 through April 30; full amount May 1 through June 30; and a 10% penalty after July 1. Unpaid real estate property taxes are returned to the County in January of the following year for the purpose of filing a lien and collecting the delinquent taxes.

H. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide financial statements. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources and the payment of principal and interest is reported as expenditures. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, generally are reported as debt service expenditures.

I. Subsequent Events

Management has evaluated subsequent events through July 25, 2017, which is the date the financial statements were available to be issued.

2. LEGAL COMPLIANCE - BUDGETS

An annual budget is prepared for each governmental fund. The preliminary and final budgets are presented to the Board of Supervisors each year by November 1 and December 31, respectively.

3. DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. The Township's deposit policy for custodial credit risk is to have uninsured deposits collateralized, pursuant to Pennsylvania Act 72 of 1971, as amended.

As of December 31, 2016, the bank balances and the carrying amounts of deposits of the primary government in these financial statements are as follows:

	Carrying <u>Amount</u>	Bank Balance		
		<u>Total</u>	<u>Covered by FDIC</u>	<u>Secured</u>
Checking and Savings Accounts	\$ 10,661,666	\$ 11,103,070	\$ 410,133	\$ 10,692,937
Pennsylvania Local Government Investment Trust (PLGIT)	12,879,427	12,879,427	-	12,879,427
Pennsylvania Treasurer's Invest Program	2,664,032	2,662,635	-	2,662,635
Trust Funds	<u>3,575,723</u>	<u>3,575,723</u>	-	<u>3,575,723</u>
Total	<u>\$ 29,780,848</u>	<u>\$ 30,220,855</u>	<u>\$ 410,133</u>	<u>\$ 29,810,722</u>

Bank deposits not covered by federal depository insurance ("FDIC") are uninsured but secured by U.S. Government-backed investments or secured on a pooled basis.

Credit Risk

The PLGIT portfolios may contain a combination of obligations of the U.S. government or its agencies, obligations of the Commonwealth of Pennsylvania or its agencies, Federal securities subject to repurchase obligations (collateralized by U.S. Treasury or Federal Agency or instrumentality obligations held by the Trust's Custodian), FDIC insured certificates of deposit (CDs), CDs secured by U.S. Government-backed investments or secured on a pooled basis, or shares of Registered Money Market Funds which invest solely in the securities described above and which are rated in the highest capacity by a nationally recognized rating agency. The Township's PLGIT portfolios are currently rated AAAM by Standard & Poor's.

Investments

Pennsylvania municipalities are required to invest funds consistent with sound business practice. Regarding the investments of the Township's governmental funds, state statutes authorize the Township to invest in United States (U.S.) Treasury bills; short-term obligations of the U.S. government or its agencies or instrumentalities; deposit accounts, which include savings accounts and certificates of deposit as well as other time deposit type accounts available at banks, savings and loan associations, or credit unions; obligations of the U.S. government (other than Treasury bills) or its agencies or instrumentalities backed by full faith and credit; obligations of the Commonwealth of Pennsylvania or its agencies or instrumentalities backed by the full faith and credit of the Commonwealth or its political subdivisions; shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the only investments of that company are in the authorized investments for municipal funds; and certain commercial paper, bankers' acceptances, and negotiable certificates of deposit. In addition, the Intergovernmental Cooperation Act 11 permits cooperative investment pools, such as the Pennsylvania Local Government Investment Trust and the State Treasurer's Invest Program. In addition to these investments, the investments of fiduciary funds may include corporate stocks and bonds, real estate, and other investments consistent with sound business practice.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township may not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The investments held in the fiduciary funds and William Jeanes Memorial Library consist of open-ended mutual funds, and as such, are not exposed to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. The credit quality ratings as described by a nationally-recognized statistical rating organization is disclosed for investments in debt securities, external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed-income securities. Unless contrary information exists, investments in obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.

The investments of the Municipal Pension Fund and the Deferred Compensation Fund are self-directed by the plans' participants, and therefore no disclosures regarding credit risk are provided in these financial statements. The fixed income investments of the Police Pension Fund, totaling \$6,912,756 as of December 31, 2016, had the following credit quality ratings:

	Market Value <u>12/31/16</u>	Credit Quality Distribution - Standard & Poor's / Moody's				
		AAA/ Aaa	AA/ Aa	A/ A	BBB/ Baa	Other
Vanguard Intermediate Term Investment Grade Fund Admiral Shares	\$ 2,284,607	27.1%	13.9%	38.7%	18.4%	1.9%
Baird Core Plus Bond Fund	2,275,113	38.4%	6.1%	21.0%	25.8%	8.7%
Metropolitan West Funds	1,718,076	59.9%	6.0%	16.8%	9.4%	7.9%
Vanguard High Yield Corporate Fund	<u>634,960</u>	3.4%	5.5%	45.5%	37.0%	8.6%
Total Fixed Income Investments - Police Pension Fund	<u>\$ 6,912,756</u>					

Concentration of Credit Risk

The following investments comprised at least 5% of Police Pension Plan assets as of December 31, 2016.

	Market Value <u>12/31/16</u>
Vanguard Index Trust Total Stock Market Portfolio	\$ 5,062,724
Vanguard Intermediate Term Investment Grade Fund Admiral Shares	2,284,607
Baird Core Plus Bond Fund	2,275,113
Metropolitan West Funds	1,718,076

The following cash equivalents and investments comprised at least 5% of Municipal Pension Plan assets as of December 31, 2016.

	Market Value <u>12/31/16</u>
VT Vantagepoint MP Long-Term Growth Fund	\$ 2,403,804
VT Vantagepoint MP Traditional Growth Fund	659,529

The following investments comprised at least 5% of Deferred Compensation Plan assets as of December 31, 2016.

	Market Value <u>12/31/16</u>
VT Plus Fund	\$ 1,108,452
VT Vantagepoint MP Long-Term Growth Fund	473,710
VT Nuveen Real Estate Securities Fund	303,825
VT Vantagepoint MP Traditional Growth Fund	264,871
VT Vantagepoint Broad Market Index Fund	239,540

Interest Rate Risk

In order to manage cash flow and manage its exposure to fair value losses arising from increasing interest rates, the Township's policy is to invest primarily in investments with maturities of one year or less.

4. TAXES RECEIVABLE

Taxes receivable on the Statement of Net Position and the Balance Sheet – Governmental Funds at December 31, 2016, consist of the following:

Earned Income Taxes	\$ 2,110,000
Mercantile and Business Privilege Taxes	251,000
Real Estate Taxes	56,718
Local Services Tax	171,000
Real Estate Transfer Tax	<u>59,715</u>
Total	<u>\$ 2,648,433</u>

5. UNEARNED REVENUE

Primary Government

Unearned revenue on the Statement of Net Position and the Balance Sheet – Governmental Funds, totaling \$28,804 as of December 31, 2016, represents revenues collected in advance.

Component Unit – Whitemarsh Township Authority

Unearned revenue totaling \$766,040 represents charges for services to be provided in the subsequent fiscal year.

6. DEFERRED OUTFLOWS OF RESOURCES

Government-wide Financial Statements

As described in Note 12, as of December 31, 2016, the Township reported deferred outflows of resources totaling \$949,360 for the net difference between projected and actual investment earnings of the Police Pension Plan. The amount reported as deferred outflows of resources related to the Police Pension Plan will be recognized in pension expense over the next four years.

7. DEFERRED INFLOWS OF RESOURCES

Fund Financial Statements

Deferred inflows of resources on the Balance Sheet – Governmental Funds represent revenue earned but not subject to recognition in the fund financial statements because the revenues are not currently available. These resources, totaling \$202,073, include delinquent real estate taxes lienied by the Township totaling \$60,734 and revenue from special assessments totaling \$141,339. These resources have been recognized as revenue in the government-wide financial statements.

8. CAPITAL ASSETS

Township

Capital asset activity for the year ended December 31, 2016 was as follows:

	Balance - <u>1/1/2016</u>	<u>Additions</u>	<u>Disposals</u>	Balance - <u>12/31/2016</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Conservation Easements	\$ 19,639,811	\$ 2,009,675	\$ -	\$ 21,649,486
Total Capital Assets Not Being Depreciated	<u>19,639,811</u>	<u>2,009,675</u>	<u>-</u>	<u>21,649,486</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	4,508,506	83,791	-	4,592,297
Furniture and Equipment	1,956,888	59,988	(9,121)	2,007,755
Vehicles	2,744,259	354,369	(100,525)	2,998,103
Infrastructure	9,061,938	965,353	-	10,027,291
Totals at Estimated Historical Cost	<u>18,271,591</u>	<u>1,463,501</u>	<u>(109,646)</u>	<u>19,625,446</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(1,569,335)	(112,163)	-	(1,681,498)
Furniture and Equipment	(1,424,530)	(162,411)	9,121	(1,577,820)
Vehicles	(1,924,738)	(320,631)	100,525	(2,144,844)
Infrastructure	(1,676,190)	(305,709)	-	(1,981,899)
Total Accumulated Depreciation	<u>(6,594,793)</u>	<u>(900,914)</u>	<u>109,646</u>	<u>(7,386,061)</u>
Capital Assets Being Depreciated, Net	<u>11,676,798</u>	<u>562,587</u>	<u>-</u>	<u>12,239,385</u>
Governmental Activities Capital Assets, Net	<u>\$ 31,316,609</u>	<u>\$ 2,572,262</u>	<u>\$ -</u>	<u>\$ 33,888,871</u>

Depreciation expense was charged to functions of the Township as follows:

<u>Governmental Activities:</u>	
General Government	\$ 89,122
Public Safety - Police	174,300
Public Safety - Other	7,715
Public Works - Sanitation	33,878
Public Works - Highway	492,106
Culture and Recreation	100,239
Community Development	3,554
Total	<u>\$900,914</u>

Component Units

Capital assets presented in the component unit financial statements are as follows:

Whitemarsh Township Authority

	Balance - <u>1/1/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers</u>	Balance - <u>12/31/2016</u>
Capital Assets Not Being Depreciated:					
Land	\$ 862,410	\$ -	\$ -	\$ -	\$ 862,410
Construction in Progress	<u>417,665</u>	<u>1,961,857</u>	<u>-</u>	<u>(885,792)</u>	<u>1,493,730</u>
Total Capital Assets Not Being Depreciated	<u>1,280,075</u>	<u>1,961,857</u>	<u>-</u>	<u>(885,792)</u>	<u>2,356,140</u>
Capital Assets Being Depreciated:					
Sewer System	21,586,612	9,946		885,792	22,482,350
Machinery and Equipment	1,019,514	180,699			1,200,213
Vehicles	<u>162,020</u>	<u>101,339</u>			<u>263,359</u>
Totals at Estimated Historical Cost	<u>22,768,146</u>	<u>291,984</u>	<u>-</u>	<u>885,792</u>	<u>23,945,922</u>
Less Accumulated Depreciation:					
Sewer System	(8,856,772)	(340,935)	-	-	(9,197,707)
Machinery and Equipment	(642,613)	(90,368)	-	-	(732,981)
Vehicles	<u>(124,687)</u>	<u>(23,201)</u>	<u>-</u>	<u>-</u>	<u>(147,888)</u>
Total Accumulated Depreciation	<u>(9,624,072)</u>	<u>(454,504)</u>	<u>-</u>	<u>-</u>	<u>(10,078,576)</u>
Capital Assets Being Depreciated, Net	<u>13,144,074</u>	<u>(162,520)</u>	<u>-</u>	<u>885,792</u>	<u>13,867,346</u>
Total Capital Assets, Net	<u>\$14,424,149</u>	<u>\$ 1,799,337</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$16,223,486</u>

William Jeanes Memorial Library

	Balance - <u>1/1/2016</u>	<u>Additions</u>	<u>Disposals</u>	Balance - <u>12/31/2016</u>
Capital Assets Not Being Depreciated:				
Land Improvements	<u>\$ 62,979</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,979</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	5,151,352	-	-	5,151,352
Equipment	<u>543,184</u>	<u>8,000</u>	<u>-</u>	<u>551,184</u>
Totals at Estimated Historical Cost	<u>5,694,536</u>	<u>8,000</u>	<u>-</u>	<u>5,702,536</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(1,064,923)	(160,785)	-	(1,225,708)
Equipment	<u>(262,047)</u>	<u>(39,577)</u>	<u>-</u>	<u>(301,624)</u>
Total Accumulated Depreciation	<u>(1,326,970)</u>	<u>(200,362)</u>	<u>-</u>	<u>(1,527,332)</u>
Capital Assets Being Depreciated, Net	<u>4,367,566</u>	<u>(192,362)</u>	<u>-</u>	<u>4,175,204</u>
Totals	<u>\$ 4,430,545</u>	<u>\$ (192,362)</u>	<u>\$ -</u>	<u>\$ 4,238,183</u>

9. LONG-TERM DEBT

Primary Government

Notes Payable

The following is a summary of notes payable of the primary government as of December 31, 2016.

Note Payable - Series of 2014 - Capital Projects	\$ 5,612,000
Note Payable - Series of 2009 - Sheep Tract	10,851,000
Note Payable - Series of 2007 - Angus Tract	<u>220,000</u>
Total Notes Payable	16,683,000
<u>Less: Current Portion</u>	<u>938,000</u>
Long-term Portion	<u><u>\$ 15,745,000</u></u>

The proceeds of the Note Payable – Series of 2014 – TD Bank are to be used for various capital projects. The interest rate on this note is equal to the “applicable tax-exempt rate” as follows: until November 15, 2021, 2.31%; for the period from November 15, 2021 until November 15, 2029, the lesser of 50% of the Wall Street Journal Prime Rate (adjusted annually) or a fixed rate of 5%; and for the period November 15, 2029 until the maturity date, the lesser of 50% of the Wall Street Journal Prime Rate (adjusted annually) or a fixed rate of 6%. Interest is payable semi-annually; principal is payable annually on November 15th; final maturity is in 2039. Debt service payments for this series will be made from the Capital Reserve Fund.

The proceeds of the Note Payable – Series of 2009 – Delaware Valley Regional Finance Authority were used for various capital projects, as well as for the acquisition of a portion of the Erdenheim Farm property, known as Sheep Tract, for open space. The interest rate on this note is equal to the “loan weekly rate” as defined in the loan agreement. The loan weekly rate is a variable rate that is equal to the rate set by the Securities Industry and Financial Markets Association (“SIFMA”) Municipal Swap Index (a published index of high-grade 7-day variable rate demand bonds) plus a spread. As of December 31, 2016, this rate was 0.9100%. Interest is payable monthly; principal is payable annually on April 25th; final maturity is in 2032. Debt service payments for this series are made from the Capital Reserve Fund and Open Space Reserve Fund.

The proceeds of the Note Payable – Series of 2007 – Delaware Valley Regional Finance Authority were used for the acquisition of a portion of the Erdenheim Farm property, known as the Angus tract, for open space. The note bears interest at fixed rates ranging from 3.9% to 3.945%. Interest is paid monthly; principal is paid annually on November 25th. Township Resolution 2013-38, effective November 25, 2013, converted the interest rate on Note A of the 2007 General Obligation Note – which totaled \$142,000 as of December 31, 2016 – from 3.80% to 0.92% for the remaining term of the loan. Final maturity for this note will be on November 25, 2017. Debt service payments for this series are made from the Open Space Reserve Fund.

Maturities of debt on the above loans are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 938,000	\$ 238,818	\$ 1,176,818
2018	741,000	222,785	963,785
2019	764,000	212,964	976,964
2020	788,000	203,229	991,229
2021	813,000	192,481	1,005,481
2025 - 2026	4,241,000	1,372,045	5,613,045
2027 - 2031	5,058,000	1,001,805	6,059,805
2032 - 2036	2,277,000	590,113	2,867,113
2037 - 2039	1,063,000	130,020	1,193,020
Total Due in Future Years	\$16,683,000	\$4,164,260	\$20,847,260

In calculating the future debt service requirements for interest for the Series 2009 note payable, Township management has assumed a “loan weekly (interest) rate” of 0.9463%.

Compensated Absences

The Township’s vacation policy encourages employees to take vacation time in the year that it is earned. The Township will permit an employee to carry up to 5 days of unused vacation time into the next calendar year, and will pay an employee for up to 5 unused days accrued within any calendar year.

For all new or current employees hired after December 1, 2006, the Township permits accumulation of up to 60 days of sick leave. Any employee hired after December 1, 2006 who has accumulated 60 or more days of sick leave may elect to sell back to the Township a maximum of 10 days of unused sick leave at 20% of the employee’s daily base pay rate for each unused day of sick leave annually.

Employees who have accumulated more than 60 days prior to December 1, 2006 may continue to accumulate up to 10 days of sick leave per year and may use the sick leave days during the year or sell those sick leave days back to the Township at the rate of 20% of the employee’s daily base pay rate for each unused day of sick leave. However, these sick leave days shall not be added to the days previously banked. These employees may retain the sick leave that they have accumulated before the policy change or use any sick leave as they need to use in accordance with the Township’s sick leave policy. No more than 10 days of sick leave may be sold back to the Township in a year. There are no dollar values attached to any unused sick leave when an employee leaves the Township regardless of the reason that the employee leaves.

All payments related to compensated absences are made from the Township’s general fund.

Other Long-Term Debt

The Township’s net other post-employment benefits obligation is described in Note 15. The Township’s net pension liability is described in Note 13. All payments related to other post-employment benefits and pension liabilities are made from the Township’s general fund.

Changes in Long-Term Debt

The following summarizes the changes in long-term debt for the primary government for the year ended December 31, 2016:

	Beginning Balance	Additions	Repayments	Ending Balance	Amount Due Within One Year
Notes Payable	\$ 17,595,000	\$ -	\$ 912,000	\$ 16,683,000	\$ 938,000
Compensated Absences	712,258	59,264	-	771,522	-
Net Other Post-Employment Benefits Obligation	2,794,331	542,079	-	3,336,410	-
Net Pension Liability	<u>3,168,625</u>	<u>-</u>	<u>45,335</u>	<u>3,123,290</u>	<u>-</u>
Totals	<u>\$ 24,270,214</u>	<u>\$ 601,343</u>	<u>\$ 957,335</u>	<u>\$ 23,914,222</u>	<u>\$ 938,000</u>

Whitemarsh Township Authority

On April 14, 2011, the Board of Supervisors of the Township passed an ordinance to guarantee new debt incurred by Whitemarsh Township Authority (the “Authority”), totaling up to \$8 million, for which the proceeds were to be used by the Authority to finance certain improvements and upgrades to the sanitary conveyance and treatment facilities serving the Township, construct new sewage collection facilities serving a portion of the Township, repay a Township loan used to finance the purchase and installation of certain sludge equipment for the Authority’s wastewater treatment plant, and to pay the costs and expenses of the financing. The debt was secured by a pledge of the receipts and revenues of the Authority and a Guarantee of the Township.

Effective April 23, 2014, the Note was refinanced with Univest Bank and Trust Co. in the amount of \$10,000,000 (Sewer Revenue Note, Series of 2016) (the 2016 Note). Under the 2016 Note, interest accrues at 2.55% through June 1, 2021, and thereafter at 67% of the then current prime rate plus 50 basis points, but in no event shall the rate be greater than 5.5% or less than 2.55%. Semiannual principal payments began on December 1, 2014, with principal payments beginning on December 1, 2015. As a result of this refinancing, the Township is no longer a guarantor of the Authority.

Debt Maturities

The annual requirements to amortize principal and interest under the 2016 note are as follows:

Year Ending December 31,	Principal	Interest	Total
2017	425,000	247,732	672,732
2018	440,000	232,942	672,942
2019	450,000	221,723	671,723
2020	460,000	210,247	670,247
2021	365,000	303,615	668,615
2022 - 2026	1,560,000	1,792,612	3,352,612
2027 - 2031	2,015,000	1,337,437	3,352,437
2032 - 2036	2,605,000	749,438	3,354,438
2037 - 2038	1,240,000	98,438	1,338,438
Total Debt Service	\$ 9,560,000	\$5,194,184	\$14,754,184
Less: Current Maturities	(425,000)		
Total Long-term Debt	9,135,000		
Less: Amounts Available to be Withdrawn	(180,420)		
Net Long-term Debt	\$ 8,954,580		

10. COMMITMENTS

Capital Project Commitments

As of December 31, 2016, the Township had an outstanding capital project commitment totaling \$348,443. This commitment represents costs of street lighting upgrades that will be paid by the Light and Hydrant Fund. The project will be performed by Johnson Controls through the Delaware Valley Street Lighting Procurement Program.

Purchase of Emergency Radio Equipment

On December 17, 2015, the Township Board of Supervisors approved the issuance of a promissory note (Whitemarsh Township Promissory Note, 2016 Series) payable to the County of Montgomery for the financing of emergency radio equipment for the emergency service providers serving the Whitemarsh Township area. The radio equipment was acquired by the County as part of a bulk purchasing agreement with Motorola. The County has made available interest-free (0%) financing to the participating municipalities through the Delaware Valley Regional Finance Authority (DVRFA). The Whitemarsh Township Promissory Note, 2016 Series, will be serviced by Wells Fargo Bank and will be repaid by the Township over a period of five years.

A payment of \$144,791 was transmitted by the Township to Wells Fargo National Bank on January 25, 2016. The payment was equal to one-fifth of the \$723,955 total communication equipment ordered by the Township's Emergency Management providers at that point in time. Actual costs in excess of the \$723,955 amount of the promissory note used will be paid from the Township's Capital Reserve Fund. Required future payments are scheduled as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 144,791
2018	144,791
2019	144,791
2020	<u>144,791</u>
Total	<u>\$ 579,164</u>

The Barren Hill and Spring Mill Fire Companies, along with the Whitemarsh Community Ambulance Association, have agreed to reimburse the Township \$208,486, which represents one-half of their shares of the total costs of \$416,972, over a five-year period at \$41,697 per year. Since the original borrowing included \$88,298 for communication equipment for Lincoln Fire Company, the Township is currently in negotiations with area emergency service providers for sale of this equipment.

As of December 31, 2016, the communication equipment had not yet been received by the Township and therefore, neither the asset nor the related liability has been reflected in these financial statements.

11. CONTINGENT LIABILITIES

Highway Materials

Highway Materials Inc. filed a motion in the Montgomery Court of Common Pleas on April 25, 2017 entitled, "Motion to Enforce Settlement Agreement". The case arises from a court-ordered settlement between Highway Materials, Inc. and Whitemarsh Township ordering the Township to complete certain intersection improvements at the Township's sole cost and expense. Since the Plaintiff felt that the Township was not moving fast enough to complete the intersection improvements, a Motion to Enforce Settlement Agreement, seeking, amongst other non-monetary relief, an order requiring the Township to reimburse the Plaintiff an undetermined dollar amount for attorneys' fees and costs for drafting, filing and prosecuting the Motion. A conference was held before the Honorable Esther Sylvester, and the parties were required to return to court with an agreement containing a timeline for completing the work. The parties are currently working on that timeline agreement.

No damages have been adjudicated against the Township to date, but the request for attorneys' fees and costs remains viable. The Township has and will continue to vigorously defend against the Motion and against any payment of attorneys' fees and costs. Currently, an estimate of possible loss or range of loss cannot be made; therefore, no liability has been recorded in these financial statements.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The Township expects such amounts, if any, to be immaterial.

Other

Significant losses for possible claims and judgments are covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior fiscal year, and settlement amounts have not exceeded insurance coverage for the current fiscal year or the three prior fiscal years.

12. INTERFUND TRANSFERS AND BALANCES

During 2016, the Township executed the following interfund transfers:

<u>Transferred From</u>	<u>Transferred To</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Capital Reserve Fund	Debt service	\$ 564,191
General Fund	Capital Reserve Fund	Capital Projects	390,334
General Fund	Capital Reserve Fund	Fire company equipment and apparatus	68,377
General Fund	Open Space Reserve Fund	Open space earned income tax collected	1,938,834
General Fund	Light and Hydrant Fund	Operational costs	16,500
General Fund	Park Fund	Operational costs	52,145
General Fund	Capital Equipment Reserve	Equipment	59,633
Capital Reserve Fund	Maintenance Garage Fund	Garage improvements	66,946
Liquid Fuels Fund	General Fund	Road maintenance and repairs	495,482
Refuse Fee Fund	General Fund	Collection and disposal	1,200,000

As of December 31, 2016, \$74,363 is due from the General Fund to the Municipal Pension Fund (a Trust Fund), which includes \$67,643 for accrued pension fees and \$6,720 for Municipal Pension fund cash maintained in the General Fund.

13. POLICE PENSION PLAN

Plan Description and Provisions

All of the Township's full-time police employees participate in a single-employer defined benefit pension plan, as established by Ordinance No. 248 on June 25, 1970, most recently amended by Ordinance No. 836 dated July 12, 2007.

As of December 31, 2016, pension plan membership consisted of the following participants:

Active Employees	35
Retirees and Beneficiaries Currently Receiving Benefits	25
Vested Former Members	<u>3</u>
Total	<u><u>63</u></u>

The pension plan provides retirement benefits as well as death and disability benefits. All benefits vest at 10 years of credited service for employees hired before January 28, 2001; otherwise, vesting occurs after 12 years of service. Employees who retire at or after age 50 with 25 years of

credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 55% of their final 36 months average compensation. Employees hired after January 28, 2001 receive 50% of their final average compensation. This benefit is increased \$20 per month per year of service in excess of 25 years, subject to a maximum benefit of \$100 per month. Final average salary is the employee's average base salary, longevity, and holiday pay over the last 36 months of credited service. A reduced benefit is available for participants who retire with 20 or more years of service.

Members can be required to contribute up to 8% of base pay to the Act 600 Plan, which can be waived depending on the actuarial soundness of the Plan, as determined by the Plan actuary. Currently, police employees are required to contribute 5% to the plan. If an employee leaves covered employment and is ineligible to receive a benefit after having made contributions to the pension plan, the employee or designated beneficiary will be eligible to receive accumulated employee contributions plus related investment earnings. The Township is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to meet the Minimum Municipal Obligation of the Plan after the application of state aid and employee contributions. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

Death Benefits

A lifetime survivor's benefit must be provided to the surviving spouse (or if no spouse survives or if he or she subsequently dies, the child or children under 18 years of age or if attending college, under or attaining the age of 23) equal to 100% of the pension the member was receiving or would have been entitled to receive had he or she been retired at the time of death. Pensions for the families of members killed in service shall be calculated at 100% of the member's salary at the time of death. The Plan was previously required to provide a killed-in-service benefit in accordance with Act 30. Effective October 9, 2009, the Governor signed legislation that provides for these payments to be made by the state.

Life Insurance

Life insurance of \$12,000 is provided. This insurance is paid up at the officer's retirement date.

Cost of Living Increases

A review of cost of living for retirees is made every year during the term of the current contract, and the Township may grant a cost of living increase to current retirees equal to the percentage increase in the U.S. Consumer Price Index for Wage Earnings and Clerical Workers for the Philadelphia Area as determined by this cost of living review. In no case may the total pension benefit exceed 75% of the retiree's final average salary, nor may the total cost of living increase exceed 30% of the retiree's initial benefit.

Summary of Significant Accounting Policies

Fiduciary Fund

The pension plan utilizes the accrual basis of accounting. The pension plan is reflected as a fiduciary fund in these financial statements; however, separate stand-alone financial statements for

the pension plan are not issued. Employer contributions are recognized when due as required by Act 205 of the Commonwealth. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Governmental Fund Financial Statements

Governmental funds utilize the modified accrual basis of accounting. Employer contributions are recognized when due as required by Act 205 of the Commonwealth.

Government-wide Financial Statements

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, the Township reports its net pension liability in the Statement of Net Position.

Investments

Investments are reported at fair market value. Securities traded on national exchanges are valued at the last reported sales price.

Plan Investments

Summary by Type

Investments held as of December 31, 2016 are summarized as follows:

Mutual Funds - Fixed Income	\$ 6,912,756
Mutual Funds - Equity	11,032,565
Other	<u>748,346</u>
Total	<u>\$ 18,693,667</u>

Current yields on the fixed income mutual funds range from 1.91% to 5.49%.

Concentrations

The following investments comprised at least 5% of plan assets as of December 31, 2016.

	Market Value <u>12/31/16</u>
Vanguard Index Trust Total Stock Market Portfolio	\$ 5,062,724
Vanguard Intermediate Term Investment Grade Fund Admiral Shares	2,284,607
Baird Core Plus Bond Fund	2,275,113
Metropolitan West Funds	1,718,076

Rate of Return

For the year ended December 31, 2016, the annual money-weighted rate of return on plan investments was 6.7%. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

Contributions and Funding Policy

Act 205 of the Commonwealth requires that annual contributions be based upon the Minimum Municipal Obligation (MMO). The MMO is based upon the plan's biennial actuarial valuation. The State provides an allocation of funds that must be used for pension funding. Any financial requirement established by the MMO which exceeds the State and employee contributions must be funded by the employer in accordance with Act 205.

Contributions to the Police Pension Plan for 2016 totaled \$844,904 from the Township and \$190,784 from employees. The components of the MMO for 2016 are as follows:

Normal Cost	\$ 602,060
Administrative Expenses	-
Amortization Requirement	430,510
Less: Estimated Employee Contributions	<u>(187,666)</u>
2016 Minimum Municipal Obligation	<u>\$ 844,904</u>

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

The net pension liability was measured as of December 31, 2016, 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.

The components of the changes in the total pension liability, plan fiduciary net position, and net pension liability of the Police Pension Plan for the year ended December 31, 2016 are as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Service Cost	\$ 514,831	\$ -	\$ 514,831
Interest on Total Pension Liability	1,583,378	-	1,583,378
Employer Contributions	-	844,904	(844,904)
Employee Contributions	-	190,784	(190,784)
Net Investment Income	-	1,116,936	(1,116,936)
Benefit Payments	(985,332)	(985,332)	-
Administrative Expenses	-	(9,180)	9,180
Other Changes	-	100	(100)
Net Changes	1,112,877	1,158,212	(45,335)
Balances as of December 31, 2015	<u>21,056,770</u>	<u>17,888,145</u>	<u>3,168,625</u>
Balances as of December 31, 2016	<u>\$ 22,169,647</u>	<u>\$ 19,046,357</u>	<u>\$ 3,123,290</u>

In the government-wide financial statements for the year ended December 31, 2016, the Township recognized pension expense totaling \$874,722 for the Police Pension Plan. As of December 31, 2016, the Township reported deferred outflows of resources totaling \$949,360 for the net difference between projected and actual investment earnings. The amount reported as deferred outflows of resources related to the Police Pension Plan will be recognized in pension expense as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 301,372
2018	301,372
2019	301,373
2020	45,243
	\$ 949,360

Actuarial Assumptions

In accordance with regulations under Act 205 of 1984, all actuarial assumptions are selected jointly by the actuary and the governing body of the pension plan. Significant actuarial assumptions are presented below.

Actuarial Valuation Date	1/1/15
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Closed
Remaining Amortization Period	10 Years
Asset Valuation Method	Market Value
Inflation	3.00%
Projected Salary Increase	5.00%
Investment Rate of Return	7.50%
Retirement Age	The later of age 51, age at the completion of 25 years of service, or age on the valuation date. It is assumed that 100% of eligible participants will elect the deferred retirement option
Mortality Rates	RP2000 Mortality Table

Actuarial assumptions are based on experience with police pension plans statewide and standard nationwide mortality tables. Due to the size of the plan, actuarial experience studies are not considered credible and are not performed for the plan.

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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	40%	5.5% - 7.5%
International Equity	21%	4.5% - 6.5%
Fixed Income	38%	1.0% - 3.0%
Real Estate	0%	4.5% - 6.5%
Cash	<u>1%</u>	0% - 1.0%
Total	<u><u>100%</u></u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The pension plan's fiduciary net position is 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the pension plans, calculated using the discount rate of 7.5%, as well as what the net pension liabilities would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Discount <u>Rate (7.5%)</u>	1% Increase <u>(8.5%)</u>
Net Pension Liability	\$ 5,904,742	\$ 3,123,290	\$ 805,388

14. NON-UNIFORMED PENSION PLAN

Plan Description and Provisions

The Whitemarsh Township Non-Uniformed Pension Plan is a single-employer defined contribution pension plan controlled by the provisions of Ordinance No. 475, adopted August 11, 1983, amended by Ordinance No. 543 and No. 578.

Eligibility Requirements

The eligibility requirements and benefit provisions of Whitemarsh Township Non-Uniformed Pension Plan are as follows:

Eligibility – All full-time employees hired on or after July 1, 1989 are required to become members of the Plan.

Normal Retirement – First day of the month coincident with or next following the employee's 65th birthday.

Retirement Benefit – Total value of the member's employee contribution account and the member's Township contribution account, including all member contributions, Township contributions and investment earnings.

Vesting – A member is 50 percent vested after 3 years of service and 100 percent vested after 5 years of service with the Township.

Form of Payment – Benefits will be paid in a single lump sum payment unless the member elects to receive monthly payments. If monthly payments are elected, the member shall elect any monthly dollar amount in excess of one percent of the member's account balance. This amount may be changed no more than once per year.

Death and Disability Benefits – If a member becomes eligible for long-term disability benefits under the Township's health and welfare plan or dies, the member's account balance shall become 100 percent vested and shall be payable in the same manner as for normal retirement. Death benefits shall be paid only in single lump sum payments.

Contribution – Members are required to contribute to the plan three percent of annual salary. Township contributions match the members' contributions at three percent. Members may elect to contribute an additional one to three percent, which will be matched by the Township to a maximum of 6%. Members may make additional contributions over 6% to a maximum of 15% which will not be matched by the Township. All contributions up to 6% are made pre-tax; employee contributions in excess of 6% are made post-tax.

Summary of Significant Accounting Policies

Fiduciary Fund

The pension plan utilizes the accrual basis of accounting. The pension plan is reflected as a fiduciary fund in these financial statements; however, separate financial statements for the pension plan are not issued. Employer contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Governmental Fund Financial Statements

Governmental funds utilize the modified accrual basis of accounting. Employer contributions are recognized when due as required by Act 205 of the Commonwealth.

Government-wide Financial Statements

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, the Township reports its net pension liability in the Statement of Net Position. As of December 31, 2016, the Township has no net pension liability with respect to the Non-Uniformed Pension Plan.

Plan Investments

Summary by Type

Investments held as of December 31, 2016 are summarized as follows:

Mutual Fund - Cash Management	\$ 26,167
Mutual Funds - Bond	22,414
Mutual Funds - Balanced / Asset Allocation	3,585,816
Mutual Funds - Stock	218,349
Other	<u>51,967</u>
Total	<u>\$ 3,904,713</u>

Concentrations

The following cash equivalents and investments comprised at least 5% of plan assets as of December 31, 2016.

	Market Value <u>12/31/16</u>
VT Vantagepoint MP Long-Term Growth Fund	\$ 2,403,804
VT Vantagepoint MP Traditional Growth Fund	659,529

Contributions

Contributions to the Non-Uniformed Pension Plan for 2016 included \$245,894 from the Township and \$180,611 from employees.

15. POST-RETIREMENT BENEFITS PLAN

The Township provides post-retirement health care insurance to employees who retire from the Township who meet certain minimum age and service requirements. The Township accounts for

its post-retirement benefits plan in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Plan Description

The Plan is a single-employer defined benefit plan for which the provisions are established by Township ordinance. The Plan does not issue a stand-alone financial report.

Plan Benefits

Police Officers

The Township provides a post-retirement medical benefit for police officers who retire after having attained the age of 50 and after having been employed by the Township as an officer for at least 25 years. For officers who retired prior to January 1, 2008, the Township agrees to provide full payment of annual medical insurance premiums for the lifetime of both the retiree and spouse. A Medicare-eligible spouse will continue receiving benefits from the Township's medical plan until the retiree becomes Medicare eligible, and the plan pays primary in coordination with Medicare. Once the retiree becomes Medicare eligible, the Township agrees to provide full payment toward coverage through the Aetna Medicare Advantage plan. Dental insurance is available through the Township as long as the retiree pays the full premium. In the event of a retiree's death, post-retirement medical benefits will continue for the surviving spouse for his or her lifetime, fully paid by the Township.

For officers who retire on or after January 1, 2008, the Township agrees to provide full payment for the least expensive annual medical insurance premiums being provided by the Township to the retiree for a period not to exceed 144 months. The retiree may continue coverage through the Township after the twelve-year period as long as the retiree pays the full premium. All retired officers will be eligible to purchase dependent coverage.

This Township coverage shall not be available to any retiree who is capable of obtaining coverage through Medicare, another employer, or a spouse's employer. However, if the premium paid for such alternative coverage is less than the premium paid by the Township for single coverage, the Township shall reimburse the retiree for the difference. An officer who loses retiree coverage due to a change to alternate coverage is eligible to opt back into the Township plan.

In the event that an officer becomes disabled, he or she may continue coverage through the Township by paying the full premium.

Non-Uniformed Personnel

Post-retirement medical benefits to a retiree and/or spouse may be granted on an individual basis, as determined by the Township, as long as the retiree pays the full premium. In the event that an employee becomes disabled, he or she may continue coverage through the Township by paying the full premium.

Funding Policy

The Plan is financed on a pay-as-you-go basis. Expenditures for post-retirement health care benefits are recognized as the insurance premiums are incurred.

Annual OPEB Cost and Net OPEB Obligation

The Township's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the annual OPEB cost for the year, the amount paid during the year towards the OPEB cost, and changes in the net OPEB obligation.

Annual Required Contribution (ARC)	\$ 1,012,800
Interest on Net OPEB Obligation	125,745
Adjustment to ARC	(171,548)
Annual OPEB Cost	<u>966,997</u>
Contributions Made (Estimated)	(424,918)
Estimated Increase in Net OPEB Obligation	542,079
Net OPEB Obligation - Beginning of Year	2,794,331
Net OPEB Obligation - End of Year	<u><u>\$ 3,336,410</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for 2016 and the prior two years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/16	\$ 966,997	43.9%	\$ 3,336,410
12/31/15	976,554	40.3%	2,794,331
12/31/14	879,828	51.4%	2,211,250

Funded Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$10,510,269. Since the plan is not funded, there was an unfunded actuarial accrued liability (UAAL) of \$10,510,269 as of January 1, 2015. The participants valued as of January 1, 2015 included 81 active participants and 20 retired participants. The covered payroll (annual payroll of active employees covered by the plan) was \$6,599,519 and the ratio of the UAAL to the covered payroll was 159%.

Supplementary information regarding funding progress for the most recent three actuarial valuations is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/2015	\$ -	\$10,510,269	\$10,510,269	0.0%	\$6,599,519	159.3%
1/1/2012	-	10,233,683	10,233,683	0.0%	6,853,621	149.3%
1/1/2009	-	8,196,491	8,196,491	0.0%	5,906,954	138.8%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the January 1, 2015 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 6% for 2015 and 5.5% for the years 2016 through 2020. Rates gradually decrease from 5.4% in 2021 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model. The UAAL is being amortized as a level dollar on an open basis.

16. BUILDING LEASE

The Township leases a 1,500-square foot section of a building in Lafayette Hill, Pennsylvania to Santander Bank. The current lease encompasses the period March 1, 2015 through February 29, 2020; the base rent for this period is \$7,187.50 per month. Two renewal options remain. The first option commences on March 1, 2020 and expires on August 31, 2022; the second option commences on September 1, 2022 and expires on February 28, 2025. Total rent received under this lease for the fiscal year ended December 31, 2016 was \$100,011, including common area maintenance charges and real estate taxes.

WHITEMARSH TOWNSHIP
Schedule of Changes in Net Pension Liability and Related Ratios -
Police Pension Fund
For the Last Three Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability			
Service Cost	\$ 514,831	\$ 490,315	\$ 477,607
Interest on Total Pension Liability	1,583,378	1,498,016	1,446,459
Changes in Benefit Terms	-	-	-
Differences between Expected and Actual Experience	-	-	(409,738)
Changes in Assumptions	-	-	-
Benefit Payments	<u>(985,332)</u>	<u>(829,591)</u>	<u>(849,618)</u>
Net Change in Total Pension Liability	1,112,877	1,158,740	664,710
Total Pension Liability - Beginning of Year	<u>21,056,770</u>	<u>19,898,030</u>	<u>19,233,320</u>
Total Pension Liability - Ending of Year (A)	<u><u>\$ 22,169,647</u></u>	<u><u>\$ 21,056,770</u></u>	<u><u>\$ 19,898,030</u></u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 844,904	\$ 1,040,977	\$ 759,358
Contributions - Member	190,784	186,137	176,578
Contributions - Other	-	1,600	-
Net Investment Income	1,187,895	111,471	999,788
Benefit Payments	(985,332)	(829,591)	(849,618)
Administrative Expense	<u>(80,039)</u>	<u>(77,951)</u>	<u>(83,756)</u>
Net Change in Plan Fiduciary Net Position	1,158,212	432,643	1,002,350
Plan Fiduciary Net Position - Beginning of Year	<u>17,888,145</u>	<u>17,455,502</u>	<u>16,453,152</u>
Plan Fiduciary Net Position - Ending of Year (B)	<u><u>\$ 19,046,357</u></u>	<u><u>\$ 17,888,145</u></u>	<u><u>\$ 17,455,502</u></u>
Net Pension Liability - End of Year (A) - (B)	<u><u>\$ 3,123,290</u></u>	<u><u>\$ 3,168,625</u></u>	<u><u>\$ 2,442,528</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.9%	85.0%	87.7%
Covered-employee Payroll	\$ 3,742,264	\$ 3,912,280	\$ 3,576,287
Net Pension Liability as a Percentage of Covered-employee Payroll	83.5%	81.0%	68.3%

WHITEMARSH TOWNSHIP
Schedule of Township Contributions - Police Pension Fund
For the Last Ten Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarially Determined Contribution	\$ 844,904	\$ 1,040,977	\$ 759,358	\$ 751,213	\$ 705,932	\$ 738,404	\$ 367,042	\$ 355,442	\$ 290,854	\$ 272,409
Contributions in Relation to the Actuarial Determined Contribution	<u>844,904</u>	<u>1,040,977</u>	<u>759,358</u>	<u>751,213</u>	<u>705,932</u>	<u>738,404</u>	<u>367,042</u>	<u>355,442</u>	<u>290,854</u>	<u>272,409</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee Payroll	\$ 3,742,264	\$ 3,912,280	\$ 3,576,287	\$ 3,710,416	\$ 3,688,843	\$ 3,342,478	\$ 3,050,458	\$ 2,847,582	\$ 2,574,477	\$ 2,455,797
Contributions as a Percentage of Covered-employee Payroll	22.6%	26.6%	21.2%	20.2%	19.1%	22.1%	12.0%	12.5%	11.3%	11.1%

Notes to Schedule

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:

Actuarial Valuation Date	1/1/2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Closed
Remaining Amortization Period as of December 31, 2016	7 Years
Asset Valuation Method	Market value of assets as determined by the trustee
Inflation	3.0%
Salary Increases	5.0%
Investment Rate of Return	7.5%
Retirement Age	The later of age 51, age at the completion of 25 years of service. It is assumed that 100% of eligible participants will elect the deferred retirement option plan.
Mortality	RP2000 Mortality Table

WHITEMARSH TOWNSHIP
Schedule of Investment Returns -
Police Pension Fund
For the Last Seven Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual Money-weighted Rate of Return, Net of Investment Expense	6.7%	0.6%	6.2%	15.3%	13.5%	-0.1%	13.7%

WHITEMARSH TOWNSHIP
Combining Balance Sheet
All Non-Major Governmental Funds
December 31, 2016

	Liquid Fuels Fund	Light and Hydrant Fund	Refuse Fee Fund	Park Fund	Impact Fee Fund	Capital Equip. Reserve	Traffic Improve. Fund	Sewer Revenue Reserve Fund	Sewer Special Assessment Fund	Total
ASSETS										
Cash and Cash Equivalents	\$ 547,021	\$ 482,694	\$ 578,137	\$ 146,927	\$ 945,748	\$ 184,682	\$ 122,372	\$ 132,877	\$ 35,459	\$ 3,175,917
Taxes Receivable	-	-	-	6,209	-	-	-	-	-	6,209
Other Receivables	-	17,932	123,407	-	-	-	-	-	-	141,339
Total Assets	\$ 547,021	\$ 500,626	\$ 701,544	\$ 153,136	\$ 945,748	\$ 184,682	\$ 122,372	\$ 132,877	\$ 35,459	\$ 3,323,465
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY										
LIABILITIES										
Accounts Payable	\$ -	\$ 30,569	\$ 13,720	\$ 10,466	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,755
Accrued Wages Payable	-	-	-	4,483	-	-	-	-	-	4,483
Due to Other Governments	-	-	-	-	175,000	-	-	-	-	175,000
Unearned Revenue	-	-	-	28,804	-	-	-	-	-	28,804
Total Liabilities	-	30,569	13,720	43,753	175,000	-	-	-	-	263,042
DEFERRED INFLOWS OF RESOURCES										
Deferred Real Estate Taxes	-	-	-	5,930	-	-	-	-	-	5,930
Deferred Special Assessments	-	17,932	123,407	-	-	-	-	-	-	141,339
Total Deferred Inflows of Resources	-	17,932	123,407	5,930	-	-	-	-	-	147,269
FUND BALANCE										
Restricted for:										
Building and Improving Local Roads and Bridges	547,021	-	-	-	-	-	-	-	-	547,021
Assigned for:										
Budget for 2017	-	103,682	-	90,269	-	-	-	-	-	193,951
Acquisition of Equipment	-	-	-	-	-	184,682	-	-	-	184,682
Insurance Premiums	-	-	-	13,184	-	-	-	-	-	13,184
Local Roads and Bridges	-	-	-	-	770,748	-	122,372	-	-	893,120
Sanitation - Waste Collection	-	-	564,417	-	-	-	-	132,877	35,459	732,753
Street Lighting Replacement Project	-	348,443	-	-	-	-	-	-	-	348,443
Total Fund Equity	547,021	452,125	564,417	103,453	770,748	184,682	122,372	132,877	35,459	2,913,154
Total Liabilities, Deferred Inflows of Resources, and Fund Equity	\$ 547,021	\$ 500,626	\$ 701,544	\$ 153,136	\$ 945,748	\$ 184,682	\$ 122,372	\$ 132,877	\$ 35,459	\$ 3,323,465

WHITEMARSH TOWNSHIP
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Non-Major Governmental Funds
For the Year Ended December 31, 2016

	Liquid Fuels Fund	Light and Hydrant Fund	Refuse Fee Fund	Park Fund	Impact Fee Fund	Capital Equip. Reserve	Traffic Improve. Fund	Sewer Revenue Reserve Fund	Sewer Special Assessment Fund	Total
REVENUES:										
Real Estate Taxes	\$ -	\$ -	\$ -	\$ 392,808	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 392,808
Interest Earnings	3,961	-	-	55	2,827	312	418	25	-	7,598
Rental Income	-	-	-	18,206	-	-	-	-	-	18,206
Intergovernmental Revenue	486,936	-	75,276	8,642	-	-	-	-	-	570,854
Charges for Services	-	-	1,199,034	523,017	-	-	-	-	-	1,722,051
Special Assessments	-	183,237	-	-	-	-	-	-	38,061	221,298
Miscellaneous Revenue	-	-	-	5,655	-	-	-	-	-	5,655
Total Revenues	490,897	183,237	1,274,310	948,383	2,827	312	418	25	38,061	2,938,470
EXPENDITURES:										
Public Safety - Other	-	105,833	-	-	-	-	-	-	-	105,833
Public Works - Sanitation	-	-	28,181	-	-	-	-	-	-	28,181
Public Works - Highway and Streets	-	75,563	-	-	-	-	-	-	-	75,563
Culture and Recreation	-	-	-	930,050	-	-	-	-	-	930,050
Total Expenditures	-	181,396	28,181	930,050	-	-	-	-	-	1,139,627
Excess of Revenues Over (Under) Expenditures	490,897	1,841	1,246,129	18,333	2,827	312	418	25	38,061	1,798,843
OTHER FINANCING SOURCES (USES)										
Transfers In	-	16,500	-	52,145	-	59,633	-	-	-	128,278
Transfers Out	(495,482)	-	(1,200,000)	-	-	-	-	-	-	(1,695,482)
Total Other Financing Sources and (Uses)	(495,482)	16,500	(1,200,000)	52,145	-	59,633	-	-	-	(1,567,204)
Net Change in Fund Balances	(4,585)	18,341	46,129	70,478	2,827	59,945	418	25	38,061	231,639
FUND BALANCES - BEGINNING OF YEAR	551,606	433,784	518,288	32,975	767,921	124,737	121,954	132,852	(2,602)	2,681,515
FUND BALANCES - END OF YEAR	\$ 547,021	\$ 452,125	\$ 564,417	\$ 103,453	\$ 770,748	\$ 184,682	\$ 122,372	\$ 132,877	\$ 35,459	\$ 2,913,154

WHITEMARSH TOWNSHIP
Combining Statement of Fiduciary Net Position - Fiduciary Funds
December 31, 2016

	Trust Funds				Agency Funds		
	Municipal Pension Fund	Police Pension Fund	Deferred Compensation Fund	Total	Escrow Fund	Tax Collector Account	Total
ASSETS							
Cash and Cash Equivalents	\$ 2,125,808	\$ 341,463	\$ 1,108,452	\$ 3,575,723	\$ 568,606	\$ 120,835	\$ 689,441
Investments	3,904,713	18,693,667	3,602,814	26,201,194	-	-	-
Interfund Receivable	74,363	-	-	74,363	-	-	-
Accrued Interest	-	11,227	-	11,227	-	-	-
Total Assets	\$ 6,104,884	\$ 19,046,357	\$ 4,711,266	\$ 29,862,507	\$ 568,606	\$ 120,835	\$ 689,441
LIABILITIES							
Escrowed Subdivision Fees	\$ -	\$ -	\$ -	\$ -	\$ 568,606	\$ -	\$ 568,606
Due to Taxpayers/Governments	-	-	-	-	-	120,835	120,835
Total Liabilities	-	-	-	-	568,606	120,835	\$ 689,441
NET POSITION							
Restricted for Pension Benefits	6,104,884	19,046,357	-	25,151,241			
Restricted for Deferred Compensation Benefits	-	-	4,711,266	4,711,266			
Total Net Position	6,104,884	19,046,357	4,711,266	29,862,507			
Total Liabilities and Net Position	\$ 6,104,884	\$ 19,046,357	\$ 4,711,266	\$ 29,862,507			

WHITEMARSH TOWNSHIP
Combining Statement of Changes in Fiduciary Net Position - Fiduciary Fund
For the Year Ended December 31, 2016

	Trust Funds			Total
	Municipal Pension Fund	Police Pension Fund	Deferred Compensation Fund	
ADDITIONS				
Contributions:				
Municipal Contribution	\$ 245,894	\$ 844,904	\$ -	\$ 1,090,798
Employee Contributor	180,611	190,784	358,777	730,172
Total Contributions	<u>426,505</u>	<u>1,035,688</u>	<u>358,777</u>	<u>1,820,970</u>
Investment Earnings:				
Net (Decrease) in Fair Value of Investments	312,554	711,908	252,665	1,277,127
Interest and Dividends	25	463,655	-	463,680
Other	-	12,332	-	12,332
Total Investment Earnings	<u>312,579</u>	<u>1,187,895</u>	<u>252,665</u>	<u>1,753,139</u>
Total Additions	<u>739,084</u>	<u>2,223,583</u>	<u>611,442</u>	<u>3,574,109</u>
DEDUCTIONS				
Benefits Paid	518,420	985,332	95,126	1,598,878
Administrative Expenses	7,408	80,039	577	88,024
Total Deductions	<u>525,828</u>	<u>1,065,371</u>	<u>95,703</u>	<u>1,686,902</u>
Change in Net Position	<u>213,256</u>	<u>1,158,212</u>	<u>515,739</u>	<u>1,887,207</u>
NET POSITION - BEGINNING OF YEAR	<u>5,891,628</u>	<u>17,888,145</u>	<u>4,195,527</u>	<u>27,975,300</u>
NET POSITION - END OF YEAR	<u><u>\$ 6,104,884</u></u>	<u><u>\$ 19,046,357</u></u>	<u><u>\$ 4,711,266</u></u>	<u><u>\$ 29,862,507</u></u>