

NORTH WHITEHALL TOWNSHIP

**Financial Statements,
Independent Auditor's Report
and Supplementary Information**

December 31, 2021

**NORTH WHITEHALL TOWNSHIP
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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
North Whitehall Township
Coplay, PA

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the North Whitehall Township as of December 31, 2021, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 2.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of North Whitehall Township and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Adjustments to Prior Period Financial Statements

The financial statements of North Whitehall Township as of December 31, 2020, were audited by other auditors whose report dated August 30, 2021, expressed an unmodified opinion on those financial statements. As discussed in Note 14 to the financial statements, the Township has restated its 2020 financial statements during the current year for corrections related to the Custodial Fund and the adoption of GASB Statement No. 97. The other auditors reported on the 2020 financial statements before the restatement.

As part of our audit of the 2021 financial statements, we also audited the adjustments described in Note 14 that were applied to restate the 2020 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to North Whitehall Township's 2020 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2020 financial statements as a whole.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of North Whitehall Township's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about North Whitehall Township's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Whitehall Township's basic financial statements. Management's budgetary comparison and combining schedules on pages 32-36 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison and combining schedules are the responsibility of management and were 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 auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison and combining schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2022 on our consideration of North Whitehall Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of North Whitehall Township's internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Whitehall Township's internal control over financial reporting and compliance.

Congbell, Roppold & Yucasita LLP

October 12, 2022

**NORTH WHITEHALL TOWNSHIP
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2021**

ASSETS	Governmental Activities	Business-Type Activities	Total
Current Assets:			
Cash and Cash Equivalents	\$ 12,395,638	\$ 344,025	\$ 12,739,663
Total Current Assets	<u>12,395,638</u>	<u>344,025</u>	<u>12,739,663</u>
Noncurrent Assets:			
Land	5,120,370	-	5,120,370
Building and Building Improvements	5,061,099	-	5,061,099
Infrastructure	5,444,022	-	5,444,022
Furniture and Equipment	5,139,560	-	5,139,560
Sewer System	-	101,871	101,871
Accumulated Depreciation	<u>(11,243,904)</u>	<u>(34,128)</u>	<u>(11,278,032)</u>
Total Noncurrent Assets	<u>9,521,147</u>	<u>67,743</u>	<u>9,588,890</u>
TOTAL ASSETS	<u>21,916,785</u>	<u>411,768</u>	<u>22,328,553</u>
LIABILITIES			
Current Liabilities:			
Accrued Expenses	1,050	-	1,050
Internal Balances	509,515	-	509,515
Current Portion of Capital Lease Obligations	<u>19,841</u>	<u>-</u>	<u>19,841</u>
Total Current Liabilities	<u>530,406</u>	<u>-</u>	<u>530,406</u>
Noncurrent Liabilities:			
Capital Lease Obligations	<u>-</u>	<u>-</u>	<u>-</u>
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>530,406</u>	<u>-</u>	<u>530,406</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	9,501,306	67,743	9,569,049
Restricted for:			
Capital Projects	3,438,819	-	3,438,819
Special Revenue	342,766	-	342,766
Unrestricted	<u>8,103,488</u>	<u>344,025</u>	<u>8,447,513</u>
TOTAL NET POSITION	<u>\$ 21,386,379</u>	<u>\$ 411,768</u>	<u>\$ 21,798,147</u>

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

**NORTH WHITEHALL TOWNSHIP
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities:							
General Government	\$ 732,662	\$ 20,950	\$ 4,209	\$ 68,000	\$ (639,503)	\$ -	\$ (639,503)
Public Safety	773,541	231,240	731,984	-	189,683	-	189,683
Public Works	2,021,373	-	-	857,189	(1,164,184)	-	(1,164,184)
Public Works - Sanitation	118,694	5,264	23,278	-	(90,152)	-	(90,152)
Health and Human Services	5,280	-	-	-	(5,280)	-	(5,280)
Cultural and Recreation	185,594	66,076	8,642	-	(110,876)	-	(110,876)
Community Development	4,200	-	-	-	(4,200)	-	(4,200)
Insurance	57,604	-	-	-	(57,604)	-	(57,604)
Benefits and Withholdings	911,498	-	76,757	-	(834,741)	-	(834,741)
Miscellaneous	8,672	-	-	-	(8,672)	-	(8,672)
Interest on Long-Term Debt	6,347	-	-	-	(6,347)	-	(6,347)
Depreciation	742,737	-	-	-	(742,737)	-	(742,737)
Total Governmental Activities	5,568,202	323,530	844,870	925,189	(3,474,613)	-	(3,474,613)
Business Type Activities:							
Sewer	170,517	194,199	-	-	-	23,682	23,682
Total Business-Type Activities	170,517	194,199	-	-	-	23,682	23,682
Total Primary Government	\$ 5,738,719	\$ 517,729	\$ 844,870	\$ 925,189	\$ (3,474,613)	\$ 23,682	\$ (3,450,931)
General Revenues:							
Taxes:							
Property Taxes, levied for general purposes, net				\$ 762,355	\$ -	\$ -	\$ 762,355
Property Taxes, levied for farmland preservation, net				147,857	-	-	147,857
Property Taxes, levied for emergency services, net				106,599	-	-	106,599
Other Taxes, levied for general purposes, net				3,741,223	-	-	3,741,223
Licenses and Permits				229,374	-	-	229,374
Fines and Forfeits				4,154	-	-	4,154
Miscellaneous Income				147,328	52	-	147,380
Interest Income				50,943	1,004	-	51,947
Transfers In/(Out)				-	-	-	-
Total General Revenues, Special Items, Extraordinary Items, and Transfers				5,189,833	1,056	-	5,190,889
Change in Net Position				1,715,220	24,738	-	1,739,958
Net Position - Beginning				19,671,159	387,030	-	20,058,189
Net Position - Ending				\$ 21,386,379	\$ 411,768	\$ -	\$ 21,798,147

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

**NORTH WHITEHALL TOWNSHIP
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES –
MODIFIED CASH BASIS – GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	Major Funds			Non-Major Funds	Total
	General	State Liquid Fuels	Capital Projects	Governmental Funds	
ASSETS					
Cash and Cash Equivalents	\$ 8,590,053	\$ 194	\$ 2,267,190	\$ 1,538,201	\$ 12,395,638
Due from Other Funds	24,000	-	-	-	24,000
TOTAL ASSETS	\$ 8,614,053	\$ 194	\$ 2,267,190	\$ 1,538,201	\$ 12,419,638
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accrued Expenses	\$ 1,050	\$ -	\$ -	\$ -	\$ 1,050
Due to Other Funds	509,515	-	-	24,000	533,515
TOTAL LIABILITIES	510,565	-	-	24,000	534,565
FUND BALANCES					
Restricted	-	194	-	989,042	989,236
Committed	-	-	2,267,190	525,159	2,792,349
Unassigned	8,103,488	-	-	-	8,103,488
TOTAL FUND BALANCES	8,103,488	194	2,267,190	1,514,201	11,885,073
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,614,053	\$ 194	\$ 2,267,190	\$ 1,538,201	\$ 12,419,638

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

**NORTH WHITEHALL TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF ASSETS,
LIABILITIES AND FUND BALANCES TO THE STATEMENT OF NET POSITION –
MODIFIED CASH BASIS
DECEMBER 31, 2021**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 11,885,073

**Amounts Reported for Governmental Activities in the
Statement of Net Position - Modified Cash Basis are Different Because:**

Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$20,697,061 and the accumulated depreciation is \$11,243,904. 9,521,147

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of capital lease obligations. (19,841)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 21,386,379

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

NORTH WHITEHALL TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – MODIFIED CASH BASIS – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Major Funds			Non-Major	Total
	General	State Liquid Fuels	Capital Projects	Governmental Funds	
REVENUES					
Taxes	\$ 4,433,026	\$ -	\$ -	\$ 325,008	\$ 4,758,034
Licenses and Permits	229,374	-	-	-	229,374
Fines and Forfeitures	4,154	-	-	-	4,154
Interest and Rents	42,907	317	2,183	5,536	50,943
Intergovernmental Revenues	1,131,483	638,576	-	-	1,770,059
Charges for Services	323,530	-	-	-	323,530
Miscellaneous	145,228	-	-	2,100	147,328
TOTAL REVENUES	6,309,702	638,893	2,183	332,644	7,283,422
EXPENDITURES					
General Government	738,786	-	2,421	-	741,207
Public Safety	773,541	-	-	-	773,541
Public Works	1,241,022	660,652	64,962	114,182	2,080,818
Public Works - Sanitation	118,694	-	-	-	118,694
Health and Human Services	5,280	-	-	-	5,280
Cultural and Recreation	183,478	-	2,116	-	185,594
Community Development	-	-	-	4,200	4,200
Insurance	57,604	-	-	-	57,604
Benefits and Withholdings	911,498	-	-	-	911,498
Principal and Interest	-	-	-	125,320	125,320
Miscellaneous	8,672	-	-	-	8,672
TOTAL EXPENDITURES	4,038,575	660,652	69,499	243,702	5,012,428
EXCESS (DEFICIT) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID					
	2,271,127	(21,759)	(67,316)	88,942	2,270,994
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	199	-	621,800	134,999	756,998
Operating Transfers Out	(756,800)	-	-	(198)	(756,998)
Total Other Financing Sources (Uses)	(756,601)	-	621,800	134,801	-
Net Change in Fund Balances	1,514,526	(21,759)	554,484	223,743	2,270,994
Fund Balances, January 1	6,588,962	21,953	1,712,706	1,290,458	9,614,079
FUND BALANCES, DECEMBER 31	\$ 8,103,488	\$ 194	\$ 2,267,190	\$ 1,514,201	\$ 11,885,073

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

**NORTH WHITEHALL TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Net Change in Fund Balances - Governmental Funds \$ 2,270,994

**Amounts Reported for Governmental Activities in the
Statement of Activities - Modified Cash Basis are Different Because:**

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities - modified cash basis, the cost of those expenditures is not reported but treated as a capital asset on the statement of net position - modified cash basis

Capital Outlay	\$	67,990	
Depreciation		<u>(742,737)</u>	(674,747)

Repayments of capital leases is an expenditure in the governmental funds, but the repayment reduces capital lease liability in the statement of net position - modified cash basis		<u>118,973</u>
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Change in Net Position of Governmental Activities \$ 1,715,220

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

**NORTH WHITEHALL TOWNSHIP
STATEMENT OF NET POSITION – MODIFIED CASH BASIS – ALL PROPRIETARY FUNDS
DECEMBER 31, 2021**

	<u>Sewer Fund</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 344,025
Total Current Assets	344,025
Noncurrent Assets:	
Fixed Assets, Less Accumulated Depreciation	67,743
Total Noncurrent Assets	67,743
TOTAL ASSETS	\$ 411,768
LIABILITIES	
Current Liabilities:	
Accrued Liabilities	\$ -
Total Current Liabilities	-
TOTAL LIABILITIES	-
NET POSITION	
Invested in Capital Assets	67,743
Unrestricted	344,025
Total Net Position	411,768
TOTAL LIABILITIES AND NET POSITION	\$ 411,768

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

**NORTH WHITEHALL TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION – MODIFIED CASH BASIS – ALL PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Sewer Fund
OPERATING REVENUES:	
Charges for Services	\$ 194,199
Miscellaneous	52
Total Operating Revenues	194,251
OPERATING EXPENSES:	
Administration	648
Engineering and Legal Services	1,317
Transmission Expense	165,549
Supplies	367
Miscellaneous	89
Depreciation	2,547
Total Operating Expenses	170,517
OPERATING INCOME	23,734
NON-OPERATING REVENUES:	
Interest Revenue	1,004
Total Non-operating Revenues	1,004
Income Before Transfers	24,738
Transfers Out	-
Change in Net Position	24,738
Total Net Position - January 1	387,030
TOTAL NET POSITION - December 31	\$ 411,768

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

**NORTH WHITEHALL TOWNSHIP
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS –
ALL PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 194,251
Cash Payment to Suppliers for Goods and Services	(167,970)
Net Cash Provided by Operating Activities	26,281
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Received	1,004
Net Cash Provided by Investing Activities	1,004
Net Increase in Cash and Cash Equivalents	27,285
Cash and Cash Equivalents, January 1	316,740
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 344,025
Reconciliation of Operating Income to Net Cash Provided Operating Activities	
Operating Income	\$ 23,734
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	2,547
Total Adjustments	2,547
Net Cash Provided by Operating Activities	\$ 26,281

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

**NORTH WHITEHALL TOWNSHIP
STATEMENT OF NET POSITION – MODIFIED CASH BASIS –
ALL FIDUCIARY FUNDS
DECEMBER 31, 2021**

	<u>Custodial Funds</u>
ASSETS:	
Cash and Cash Equivalents	\$ -
Due from Other Funds	509,515
	<hr/>
Total Assets	<u>\$ 509,515</u>
LIABILITIES:	
Due to Other Funds	\$ -
	<hr/>
Total Liabilities	<u>-</u>
NET POSITION:	
Restricted	509,515
	<hr/>
Total Liabilities and Net Position	<u>\$ 509,515</u>

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

**NORTH WHITEHALL TOWNSHIP
STATEMENT OF CHANGES IN NET POSITION – MODIFIED CASH BASIS –
ALL FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Custodial Funds</u>
ADDITIONS:	
Collections from Other Entities	<u>\$ 360,674</u>
Total Additions	<u>360,674</u>
DEDUCTIONS:	
Payments to Other Entities	<u>247,320</u>
Total Deductions	<u>247,320</u>
NET INCREASE	113,354
NET POSITION:	
Net Position, January 1 (As Restated)	<u>396,161</u>
Net Position, December 31	<u><u>\$ 509,515</u></u>

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

**NORTH WHITEHALL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

1. Entity

North Whitehall Township (the "Township") was incorporated in 1810 under the provisions of the constitution and general statutes of the Commonwealth of Pennsylvania ("Commonwealth").

The Township operates as a second-class township in Lehigh County, Pennsylvania. It operates using a Board of Supervisors as its governing body and provides governmental services to its residents, including public safety, highway, road maintenance, sanitation, culture and recreation, planning and zoning, and general administrative services.

In evaluating the Township as a reporting entity, management has addressed all potential component units for which the Township may or may not be financially accountable, and as such, be includable within the Township's financial statements. In accordance with Statement of Governmental Accounting Standards Board (GASB) No. 14 and No. 39, the Township is financially accountable if it appoints a voting majority of the organization governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burden on the Township. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based upon the application of these criteria, there are no component units to be included in the financial reporting entity of the Township.

2. Summary of Significant Accounting Policies

The financial statements of North Whitehall Township have been prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) and is described more fully under Basis of Accounting and Measurement Focus. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Fund Accounting

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equity, revenues, expenditures, or expenses, and other financing sources and uses. These various funds are summarized by type in the financial statements. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

**NORTH WHITEHALL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The Township's basic financial statements consist of government-wide statements, including a Statement of Net Position – Modified Cash Basis and a Statement of Activities – Modified Cash Basis, and fund financial statements which provide a more detailed level of financial information.

Government-wide financial statements (i.e. the Statement of Net Position – Modified Cash Basis and the Statement of Activities – Modified Cash Basis) report information on all of the non-fiduciary activities of the Township as a whole. As a general rule the effect of interfund activity has been eliminated from these statements. Governmental activities which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately in the government-wide financial statements from business-type activities which rely, to a significant extent on fees and charges for support.

The Statement of Net Position – Modified Cash Basis presents the financial condition of the governmental and business-type activity of the Township at fiscal year-end. The Statement of Activities – Modified Cash Basis presents a comparison between direct expenses and program revenues for the business-type activity of the Township and for each function of the Township's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the Township.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Township's enterprise fund are service charges for sewer. Operating expenses for the Township's enterprise funds include transmission costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses.

**NORTH WHITEHALL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation - Fund Accounting

For financial reporting purposes, the Township's funds have been grouped by fund type and are presented in this report in the following manner:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the Township are financed. The acquisition, use and balances of the Township's expendable financial resources and the related liabilities are accounted for through the following governmental funds:

- ***General Fund (Major Fund)*** - is used to account for all financial transactions applicable to the general operations of the Township except for those required to be accounted for in another fund.
- ***Special Revenue Funds*** - are used to account for proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The following are special revenue fund types:

State Liquid Fuels Fund (Major Fund) - is utilized to account for the financial activity of the Township's motor vehicle fuel tax allocation from the Commonwealth of Pennsylvania.

Emergency Services Fund (Non-Major Fund) - is utilized to account for the financial activity of the Township's emergency service tax revenue and its related expenditures.

Farmland Open Space Fund (Non-Major Fund) - is utilized to deposit earned income tax assessed by the Township to be used for the purchase of open space.

- ***Capital Projects Fund (Major Fund)*** - is used to account for financial resources to be used for the acquisition or construction of major capital facilities.
- ***Other Governmental Funds*** - The Township also reports NW Project fund, Road Machinery fund and Street Light fund as non-major governmental type funds.

Proprietary Fund Types

Proprietary funds are used to account for the Township's ongoing activities that are similar to those often found in the private sector. The measurement focus is based upon the determination of net income. The Township has one type of proprietary fund - the Enterprise Fund.

**NORTH WHITEHALL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation - Fund Accounting (Continued)

Proprietary Fund Types (Continued)

- ***Enterprise Fund*** - is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income are appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Township's Enterprise Fund is described below.

Sewer Fund - is used to account for the operation and maintenance of the sanitary sewage system and is operated in a manner similar to a private business enterprise and is intended to be self-supporting.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governmental units and/or other funds. The following is the Township's fiduciary fund type:

- ***Custodial Funds*** - are used to account for funds held in escrow for other parties.

Basis of Accounting and Management Focus

Basis of Accounting

Basis of accounting refers to the timing of recognition of revenues and expenditures or expenses in the financial statements regardless of the measurement focus. The modified cash basis of accounting is followed for all governmental, proprietary and fiduciary funds of the Township. The modified cash basis differs from GAAP in that certain revenues and the related assets are recognized when received rather than when earned and certain expenditures or expenses are recognized when paid rather than when a liability is incurred. Modifications to the cash basis of accounting include fixed assets being capitalized and depreciated over their economic useful lives and the recording of capital leases. The Statement of Revenues Received, Expenditures Paid and Changes in Fund Balance - Modified Cash Basis - Governmental Funds presents the results of the Township's activities; it does not purport to present the net income or loss for the period.

**NORTH WHITEHALL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

2. Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Management Focus (Continued)

Measurement Focus

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types are accounted for on a spending or “financial flow” measurement focus. This means the Township has elected to report on a modified cash basis while reporting long-term indebtedness in the General Fund. Governmental fund-type operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Proprietary funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and liabilities (whether current or non-current) associated with this activity are included on their statements of assets, liabilities, and net position. The reported fund equity is segregated into contributed capital and net position - modified cash basis. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in equity.

The Custodial Fund uses “income determination” as its measurement focus. Collections from other entities are recognized in the period in which collections are made. Payments to other entities are recognized when paid.

Budgets and Non-GAAP Budgetary Basis of Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- In accordance with the Township Code and Township procedures, at least thirty days prior to adoption, the Township Manager submits to the Township Supervisors, with whom the legal level of budgetary control resides, a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year. Departments for budgetary purposes are general government, public safety, public works and culture and recreation.
- Public hearings are conducted to obtain taxpayer comment.
- By December 31, the budget is legally enacted for all governmental funds through passage of an ordinance. Expenditures for the budget may not legally exceed appropriations and prior year fund balance reserves. This is done as a level of budgetary control.
- Each month the administration prepares a detailed budget report. The report cites the past month and year-to-date activity, as well as encumbrances and unencumbered balances by account.
- All modifications, transfers and amendments must be approved by Township Supervisors.

**NORTH WHITEHALL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

2. Summary of Significant Accounting Policies (Continued)

Budgets and Non-GAAP Budgetary Basis of Accounting (Continued)

- Formal budgetary integration is employed as a management control device during the year for the General Fund, Street Light Fund, Sewer Fund, Road Machinery Fund, Emergency Services Fund, State Liquid Fuels Fund, and the Capital Projects Fund.
- The legally required and adopted budgets of the Township are for the General Fund, Street Light Fund, Sewer Fund, Road Machinery Fund, Emergency Services Fund, State Liquid Fuels Fund, and the Capital Projects Fund.
- Budgets for the General Fund, Street Light Fund, Sewer Fund, Road Machinery Fund, Emergency Services Fund, State Liquid Fuels Fund, and the Capital Projects Fund are adopted on a cash basis of accounting discussed above.
- Township Supervisors may authorize supplemental appropriations during the year. No supplemental appropriations were made during fiscal 2021. Township Supervisors must approve all over expenditures of appropriations or transfers of appropriated amounts.

The Statements of Revenues Received, Expenditures Paid and Changes in Fund Balance - Modified Cash Basis - Budget and Actual present comparisons of legally adopted budgets with actual data. The budget has been prepared on the modified cash basis, which is the same basis of accounting used to prepare the financial statements as described more fully in Note 2. The Township Supervisors approve by a motion the total appropriations in the budget. Fund Balance and any revisions to the budget also require approval by Township Supervisor. There were no amendments to the budget as presented in the current year.

Cash and Cash Equivalents

Cash and cash equivalents on the Statement of Net Position – Modified Cash Basis are considered to be cash on hand, demand deposits and certificates of deposit.

For the purpose of the proprietary funds, “Statement of Cash Flows – Modified Cash Basis,” cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit.

Interfund Transactions

Certain inter-fund transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Other inter-fund transactions are reported as transfers. Non-recurring or non-routine permanent transfers of net position are reported as residual transfers of net position. All other inter-fund transfers are reported as operating transfers.

**NORTH WHITEHALL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

2. Summary of Significant Accounting Policies (Continued)

Restricted Assets

Cash and cash equivalents have been restricted to the extent of escrows payable and specific uses.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

All reported capital assets except for, land and construction in progress, are depreciated using the straight-line method over the estimated useful life of the asset ranging from 5 to 40 years.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Township's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Transfers

Legally authorized payments or authorizations to make payments from a fund receiving revenue to a fund through which the resources are to be expended are reported as operating transfers.

Management Estimates

The preparation of financial statements prepared with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NORTH WHITEHALL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

2. Summary of Significant Accounting Policies (Continued)

Government – Wide Fiduciary and Proprietary Fund Net Position

Net Position is divided into three components:

- Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted – consist of assets that are restricted by the Township's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net position is reported in this category.

Governmental Fund Balances

The fund balance of Governmental Fund Types and the Custodial Funds are classified in four separate categories. The categories, and their general meanings, are as follows:

- Restricted fund balance - indicates the portion of the fund balance that can only be spent for specific purposes because of constitutional provisions, legislation, or constraints that are externally imposed.
- Committed fund balance - indicates the portion of the fund balance that can only be used for specific purposes determined by formal action of the Supervisors.
- Assigned fund balance – indicates the portion of the fund balance that has been appropriated for specific purposes determined by formal action of the Supervisors.
- Unassigned fund balance - indicates the portion of the fund balance that is available for appropriation and expenditure, in future periods.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

**NORTH WHITEHALL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

2. Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

The North Whitehall Township has not recorded any deferred outflows/inflows of resources because the Township has elected to report its financial activities on the modified cash basis of accounting.

New Accounting Standard

In June 2020, the GASB issued Statement No 97 – *Certain Component Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB No. 14 and No. 84*. The primary objectives of this Statement are to 1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; 2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployments benefits plans, and employee benefit plans other than pension plans or OPEB plans; and 3) enhance the relevance, consistency, and comparability of the accounting and financial reporting of Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans.. The provisions of Statement 97 are effective for fiscal years beginning after June 15, 2021, early implementation is permitted with this Statement. See note 14 for effect on previously reported amounts.

3. Cash and Cash Equivalents

General

Section 1316 of the Pennsylvania Township Code provides for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Commonwealth of Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

The deposit and investment policy of the Township adheres to the statutes of the Commonwealth. Deposits of the Township are either maintained in demand deposits or are held in bank money market accounts. There were no deposit or investment transactions during the year that were in violation of either the Commonwealth's statutes or the policy of the Township.

**NORTH WHITEHALL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

3. Cash and Cash Equivalents (Continued)

Cash (Cash on Hand and Bank Balances)

At December 31, 2021, the carrying amount of the Township's bank deposits at two financial institutions (including Custodial Funds) totaled \$12,991,013 and the corresponding bank balances were \$11,402,826 of which \$500,000 was insured by the Federal Deposit Insurance Corporation ("FDIC"); the uninsured bank balances of \$10,902,826 were collateralized, as described below.

Under Act No. 72 of the 1972 Session of the Pennsylvania General Assembly (the "Act of 72"), financial institutions were granted the authority to secure the deposits of public bodies by pledging a pool of assets, as defined in the Act of 72, to cover all public funds deposited in excess of FDIC limits. The uninsured bank balances of the Township in the amount of \$10,902,826 were collateralized by this pool of assets maintained by the Township's depository institutions.

Cash Equivalents

Under Section 1316 of the Pennsylvania Township Code, the Township is authorized to invest in United States Treasury Bills, short-term obligations of the U.S. Government or its agencies or instrumentalities, obligations of the U.S. Government or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania or of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision, 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 Township funds listed above and certificates of deposit purchased from institutions insured by the Federal Deposit Insurance Corporation or similar agencies to the extent that such accounts are so insured.

As of December 31, 2021, the Township had the following certificates of deposits:

	Maturities	Fair Value
<u>Governmental-Type Activities</u>		
Certificate of Deposit	Jul. 2021 - Jan. 2022	\$ 4,022,551
		\$ 4,022,551
 <u>Business-Type Activities</u>		
Certificate of Deposit	November 2021	\$ 40,769
		\$ 40,769

**NORTH WHITEHALL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

4. Real Estate Taxes

Based upon assessed valuations provided by the County (\$161,663,050 in 2021), the Township bills and collects its own property taxes. The schedule for property taxes levied for 2021 is as follows:

January 1	- levy date
April 1	- billing date
April 1 - May 31	- face payment period
June 1 – July 31	- 2% discount period
August 1 - December 31	- 10% penalty period
January 1	- lien date

The Township continues to collect delinquent real estate taxes through December of the current year. At that time, all unpaid real estate taxes are turned over to the County of Lehigh Tax Claim Bureau for further collection. The 2021 municipal tax rate for all purposes was 6.00 mils (\$6.00 per \$1,000 of assessed valuation).

5. Inter-fund Receivables and Payables

Inter-fund receivable and payable balances as of December 31, 2021 as follows:

	Due From Other Funds	Due to Other Funds
	<u> </u>	<u> </u>
<i><u>Governmental Activities</u></i>		
General Fund	\$ 24,000	\$ 509,515
Street Light Fund	-	24,000
<i><u>Fiduciary Activities</u></i>		
Custodial Fund	<u>509,515</u>	<u>-</u>
	<u>\$ 533,515</u>	<u>\$ 533,515</u>

**NORTH WHITEHALL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

6. Inter-fund Transfers

Inter-fund transfers during 2021 were as follows:

	Transfers from Other Funds	Transfers to Other Funds
<i><u>Governmental Activities</u></i>		
General Fund	\$ 184,964	\$ 756,800
Road Machinery Fund	-	49,765
NW Project Fund	-	199
Capital Projects Fund	621,800	-
<i><u>Business Type Activities</u></i>		
Sewer Fund	-	-
	\$ 806,764	\$ 806,764

7. Capital Assets

Capital asset activity for the fiscal year ended December 31, 2021, was as follows:

	Balance Jan. 1, 2021	Additions	Retirements	Balance Dec. 31, 2021
Governmental Activities:				
<i>Capital Assets not Being Depreciated:</i>				
Land	\$ 5,120,370	\$ -	\$ -	\$ 5,120,370
<i>Capital Assets Being Depreciated</i>				
Building and Building Improvements	5,061,099	-	-	5,061,099
Furniture and Equipment	5,071,570	67,990	-	5,139,560
Infrastructure	5,444,022	-	-	5,444,022
Total at Historical Cost	15,576,691	67,990	-	15,644,681
Less Accumulated Depreciation	(10,501,167)	(742,737)	-	(11,243,904)
Governmental Activities Capital Assets at Historical Cost	\$ 10,195,894	\$ (674,747)	\$ -	\$ 9,521,147

Depreciation expense for the governmental activities was \$742,737 for 2021.

**NORTH WHITEHALL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

7. Capital Assets (Continued)

	Balance Jan. 1, 2021	Additions	Retirements	Balance Dec. 31, 2021
Business-Type Activities:				
<i>Capital Assets Being Depreciated</i>				
Sewer System	\$ 101,871	\$ -	\$ -	\$ 101,871
Total Capital Assets Being Depreciated	101,871	-	-	101,871
Less Accumulated Depreciation	(31,581)	(2,547)	-	(34,128)
Business-Type Capital Assets, Net	\$ 70,290	\$ (2,547)	\$ -	\$ 67,743

Depreciation expense for the Sewer Fund was \$2,547 for 2021.

8. Defined Contribution Pension Plan

The North Whitehall Township Non-Uniformed Pension Plan is a single employer defined contribution pension plan controlled by the provisions of Resolution adopted August 02, 1986. The plan is governed by the Board of Township Supervisors, which is responsible for the management of plan assets. The Board of Township Supervisors has delegated the authority to manage certain plan assets to Securian (Minnesota Mutual Life Insurance Company). All Township employees are eligible for the plan upon completion of one year of service and a minimum of 1,000 hours. Under the plan, the Township is required to make an annual contribution of 12% of compensation for each eligible employee.

9. Fund Balances

The fund balances have been categorized based on the relative strength of the spending constraints placed on the purpose for which the resources can be used, as follows:

	General Fund	Capital Projects Fund	State Liquid Fuels Fund	Custodial Funds	Non-Major Funds	Totals
Unassigned	\$ 8,103,488	\$ -	\$ -	\$ -	\$ -	\$ 8,103,488
Restricted	-	-	194	509,515	989,042	1,498,751
Committed	-	2,267,190	-	-	525,159	2,792,349
Assigned	-	-	-	-	-	-
Totals	\$ 8,103,488	\$ 2,267,190	\$ 194	\$ 509,515	\$ 1,514,201	\$ 12,394,588

**NORTH WHITEHALL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

10. Operating Leases

The Township leases a copier under a long-term lease agreement, expiring December 2023. Expenses incurred under the leases were \$4,436 for 2021. Future minimum lease payments are as follows:

Year ending December 31,				
	2022	\$	4,436	
	2023		4,436	
	Thereafter		<u>-</u>	
Total Minimum Lease Payments		\$	<u><u>8,872</u></u>	

11. Capital Lease

The Township leases equipment under various non-cancellable leases that are classified as capital leases expiring at various dates through December 2022. The lease agreements contain a bargain purchase option at the end of the lease terms.

Future minimum lease payments under the capital leases are as follows:

Year ending December 31,				
	2022	\$	20,752	
	Thereafter		<u>-</u>	
Total minimum lease payments			20,752	
Less: amount representing interest			<u>(911)</u>	
Present value of minimum lease payments			19,841	
Less: Current Portion			<u>(19,841)</u>	
Capital Lease Obligation, Net		\$	<u><u>-</u></u>	

Property and equipment include the following amounts for lease obligations which have been capitalized.

Equipment	\$ 59,744
Less: Accumulated Depreciation	<u>(17,923)</u>
Net Book Value	<u><u>\$ 41,821</u></u>

**NORTH WHITEHALL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

12. Risk Management and Litigation

Risk Management

The Township is exposed to various risk of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are provided for through insurance from private insurance companies. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred, and the amount of the loss can be reasonably stated. In determining claims, events that might create claims, but for which none have been reported are considered. During the year ended December 31, 2021 and the two previous fiscal years, no settlements exceeded insurance coverage.

Litigation

In the normal course of operations, the Township is involved in various civil disputes. Management and Township solicitor estimate that the amount of actual potential claims against the Township as of December 31, 2021, will not materially affect the financial condition of the Township.

13. Commitments and Contingencies

Federal and State Grants

The Township receives Federal and State Grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement by the Federal and State agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the Township's management, such disallowances, if any, will not be significant to the Township's basic purpose financial statements.

Compensated Absences

The North Whitehall Township has not accrued compensated absences because the Township has elected to report its financial activities on the modified cash basis of accounting. However, employees of the Township are entitled to paid vacation and sick days, depending on their length of service.

Insurance

The Township is exposed to various risks of loss, including workers' compensation; property, casualty and public official liability; employee benefit administration; employment practice liability; and general liability claims. During the past four calendar years, there have not been any settlements that exceeded insurance coverage. The Township is contingently liable to the extent any potential future judgment exceeds available insurance coverage.

**NORTH WHITEHALL TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

14. Prior Period Restatement

As a result of the adoption of GASB 97 described in Note 2 and the reclassification of custodial funds within the Fiduciary Fund the following restatement was made to prior year financial statements.

	<u>Fiduciary Fund</u>
Fund Balance - December 31, 2020	\$ 3,942,263
Adoption of GASB 97, Defined Contribution Plan	(3,942,263)
Escrow Deposits Held	<u>396,161</u>
Fund Balance - December 31, 2020, As Restated	<u>\$ 396,161</u>

15. Subsequent Events

In preparing these financial statements, the Township has evaluated events and transactions for potential recognition or disclosure through October 12, 2022, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**NORTH WHITEHALL TOWNSHIP
GENERAL FUND - SCHEDULE OF REVENUES AND OTHER
FINANCING SOURCES – MODIFIED CASH BASIS - BUDGET COMPARISON
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Actual	Original Budget	Variance Favorable (Unfavorable)
REVENUES RECEIVED			
Taxes	\$ 4,433,026	\$ 3,984,300	\$ 448,726
Licenses and Permits	229,374	217,500	11,874
Fines and Forfeitures	4,154	5,500	(1,346)
Interest and Rents	42,907	69,500	(26,593)
Intergovernmental Revenues	1,131,483	222,000	909,483
Charges for Services	323,530	254,900	68,630
Miscellaneous	145,228	70,750	74,478
Total Revenues Received	<u>6,309,702</u>	<u>4,824,450</u>	<u>1,485,252</u>
EXPENDITURES PAID			
General Government	738,786	719,532	(19,254)
Public Safety	773,541	775,015	1,474
Public Works	1,241,022	1,330,534	89,512
Public Works - Sanitation	118,694	79,300	(39,394)
Health and Human Services	5,280	7,500	2,220
Culture and Recreation	183,478	143,750	(39,728)
Insurance	57,604	59,000	1,396
Benefits and Withholdings	911,498	1,067,819	156,321
Interest	-	271,481	271,481
Miscellaneous	8,672	519	(8,153)
Total Expenditures Paid	<u>4,038,575</u>	<u>4,454,450</u>	<u>415,875</u>
EXCESS OF REVENUES RECEIVED OVER EXPENDITURES PAID	2,271,127	370,000	1,901,127
Other Financing Sources (Uses)			
Transfers In	199	-	199
Transfers Out	(756,800)	(370,000)	(386,800)
Total Other Financing Sources (Uses), Net	<u>(756,601)</u>	<u>(370,000)</u>	<u>(386,601)</u>
EXCESS OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER EXPENDITURES PAID AND OTHER FINANCING USES	1,514,526	-	1,514,526
FUND BALANCE - JANUARY 1, 2021	<u>6,588,962</u>	<u>6,588,962</u>	<u>-</u>
FUND BALANCE - DECEMBER 31, 2021	<u>\$ 8,103,488</u>	<u>\$ 6,588,962</u>	<u>\$ 1,514,526</u>

See independent auditor's report on supplementary information.

**NORTH WHITEHALL TOWNSHIP
STATE LIQUID FUELS FUND- SCHEDULE OF EXPENDITURES AND OTHER
FINANCING SOURCES – MODIFIED CASH BASIS - BUDGET COMPARISON
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Actual	Original Budget	Variance Favorable (Unfavorable)
REVENUES RECEIVED			
Taxes	\$ -	\$ -	\$ -
Interest and Rents	317	3,000	(2,683)
Intergovernmental Revenues	638,576	622,550	16,026
Miscellaneous	-	-	-
	638,893	625,550	13,343
EXPENDITURES PAID			
General Government	-	-	-
Public Works	660,652	623,000	(37,652)
Community Development	-	-	-
	660,652	623,000	(37,652)
EXCESS (DEFICIENCY) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID			
	(21,759)	2,550	(24,309)
Other Financing Sources (Uses)			
Transfers In	-	-	-
Transfers Out	-	-	-
	-	-	-
Total Other Financing Sources (Uses), Net			
	-	-	-
EXCESS (DEFICIENCY) OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES			
	(21,759)	2,550	(24,309)
FUND BALANCE - JANUARY 1, 2021			
	21,953	21,953	-
FUND BALANCE - DECEMBER 31, 2021			
	\$ 194	\$ 24,503	\$ (24,309)

See independent auditor's report on supplementary information.

**NORTH WHITEHALL TOWNSHIP
CAPITAL PROJECTS FUND - SCHEDULE OF REVENUES, EXPENDITURES AND
OTHER FINANCING SOURCES – MODIFIED CASH BASIS - BUDGET COMPARISON
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Actual	Original Budget	Variance Favorable (Unfavorable)
REVENUES RECEIVED			
Taxes	\$ -	\$ -	\$ -
Interest and Rents	2,183	1,000	1,183
Charges for Current Services	-	-	-
Miscellaneous	-	-	-
	<u>2,183</u>	<u>1,000</u>	<u>1,183</u>
EXPENDITURES PAID			
General Government	2,421	70,000	67,579
Public Works	64,962	1,140,000	1,075,038
Culture and Recreation	2,116	-	(2,116)
Interest	-	-	-
Principal	-	-	-
	<u>69,499</u>	<u>1,210,000</u>	<u>1,140,501</u>
EXCESS (DEFICIENCY) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID			
	(67,316)	(1,209,000)	1,141,684
Other Financing Sources (Uses)			
Transfers In	621,800	621,800	-
Transfers Out	-	-	-
	<u>621,800</u>	<u>621,800</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES			
	554,484	(587,200)	1,141,684
FUND BALANCE - JANUARY 1, 2021			
	<u>1,712,706</u>	<u>1,712,706</u>	<u>-</u>
FUND BALANCE - DECEMBER 31, 2021			
	<u>\$ 2,267,190</u>	<u>\$ 1,125,506</u>	<u>\$ 1,141,684</u>

See independent auditor's report on supplementary information.

**NORTH WHITEHALL TOWNSHIP
COMBINING BALANCE SHEET – MODIFIED CASH BASIS –
ALL NON-MAJOR FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	NW Project	Road Machinery	Emergency Services	Street Light	Farmland Open Space	Total
ASSETS						
Cash and Cash Equivalents	\$ -	\$ 525,159	\$ 646,470	\$ 77,062	\$ 289,510	\$ 1,538,201
Due from Other Funds	-	-	-	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ 525,159</u>	<u>\$ 646,470</u>	<u>\$ 77,062</u>	<u>\$ 289,510</u>	<u>\$ 1,538,201</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Due to Other Funds	\$ -	\$ -	\$ -	\$ 24,000	\$ -	\$ 24,000
Total Liabilities	-	-	-	24,000	-	24,000
Fund Balance						
Committed	-	525,159	-	-	-	525,159
Restricted	-	-	646,470	53,062	289,510	989,042
Total Fund Balance	-	525,159	646,470	53,062	289,510	1,514,201
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 525,159</u>	<u>\$ 646,470</u>	<u>\$ 77,062</u>	<u>\$ 289,510</u>	<u>\$ 1,538,201</u>

See independent auditor's report on supplementary information.

**NORTH WHITEHALL TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – MODIFIED CASH BASIS –
ALL NON-MAJOR FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	NW Project	Road Machinery	Emergency Services	Street Light	Farmland Open Space	Total
REVENUES RECEIVED						
Taxes	\$ -	\$ -	\$ 106,599	\$ 70,552	\$ 147,857	\$ 325,008
Interest and Rents	-	1,585	3,448	61	442	5,536
Intergovernmental Revenues	-	-	-	-	-	-
Miscellaneous	-	-	2,100	-	-	2,100
Total Revenues Received	-	1,585	112,147	70,613	148,299	332,644
EXPENDITURES PAID						
General Government	-	-	-	-	-	-
Public Works	-	59,445	-	54,737	-	114,182
Culture and Government	-	-	-	-	-	-
Community Development	-	-	-	-	4,200	4,200
Principal and Interest	-	125,320	-	-	-	125,320
Total Expenditures Paid	-	184,765	-	54,737	4,200	243,702
EXCESS OF REVENUES RECEIVED OVER EXPENDITURES PAID	-	(183,180)	112,147	15,876	144,099	88,942
OTHER FINANCING SOURCES (USES)						
Transfers In	-	134,999	-	-	-	134,999
Transfers Out	(198)	-	-	-	-	(198)
Total Other Financing Sources (Uses), Net	(198)	134,999	-	-	-	134,801
EXCESS (DEFICIT) OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	(198)	(48,181)	112,147	15,876	144,099	223,743
Fund Balances - January 1, 2021	198	573,340	534,323	37,186	145,411	1,290,458
Fund Balances - December 31, 2021	\$ -	\$ 525,159	\$ 646,470	\$ 53,062	\$ 289,510	\$ 1,514,201

See independent auditor's report on supplementary information.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Supervisors
North Whitehall Township
Coplay, PA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of North Whitehall Township, which comprise the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information as of December 31, 2021, and the related notes to the financial statements, which collectively comprise North Whitehall Township's basic financial statements, and have issued our report thereon dated October 12, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Whitehall Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Whitehall Township's internal control. Accordingly, we do not express an opinion on the effectiveness of North Whitehall Township's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We did identify certain deficiencies in internal control that we consider to be significant deficiencies:

Preparation of Annual Financial Statements and Footnote Disclosures

The Township currently needs assistance from the Auditors to prepare complete year-end financial statements, which include the required disclosures under the modified cash basis of accounting. By definition, this condition is, in almost all cases, a control deficiency that we are required to report to the Township's management and governance under Clarified Statement on Auditing Standards AU-C 265. We do not consider this as a material weakness. Lack of complete financial statements may lead to misstatements by users of the financial statements.

Lack of Segregation of Duties

Due to the size of the Township's staff, an inadequate segregation of duties over the accounting functions exists. Lack of resources precludes the Township from having a proper segregation of duties. This inadequate segregation of duties increases the risk for misappropriation of assets. The Township should determine if it would be cost beneficial to hire additional personnel to have an adequate segregation of duties of the accounting functions. We suggest the Board of Supervisors remain closely involved with the financial operations of the Township.

Views of Responsible Officials and Planned Corrective Actions

Management understands the importance of internal control procedures and agrees with the recommendations mentioned above. However, the Township does not believe it would be feasible or fiscally responsible to hire an individual with the resources to complete financial statements or to achieve proper segregation of duties.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Whitehall Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Campbell, Rappold & Yusaite LLP

October 12, 2022