

2016 - 2019 Audit Review Board Meeting Report

- Introduction
- Review of Auditor's Reports for the years ended December 31, 2016 - 2019
- Key Financial Highlights and Trends
- Other Matters

This presentation is intended solely for the information and use of management and Board of Commissioners of South Whitehall Township and is not intended to be and should not be used by anyone other than these specified parties. For more detailed information please see the complete financial reports for the Township.

- Our audit is conducted under Generally Accepted Auditing Standards - Financial Audit
- Our Responsibility: To opine on whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles.
- This is not an opinion on internal controls of the Township as that was not the objective of our audit.

Auditor Opinions

- Generally Accepted Auditing Standards - ***Unmodified Opinion*** for the Township and Authority years ended December 31, 2016, 2017, 2018, and 2019.
- An *unmodified opinion* is a clean audit opinion from an independent auditor.

This is not an opinion on internal controls of the Township as that was not the objective of our audit.

General Fund - Summary

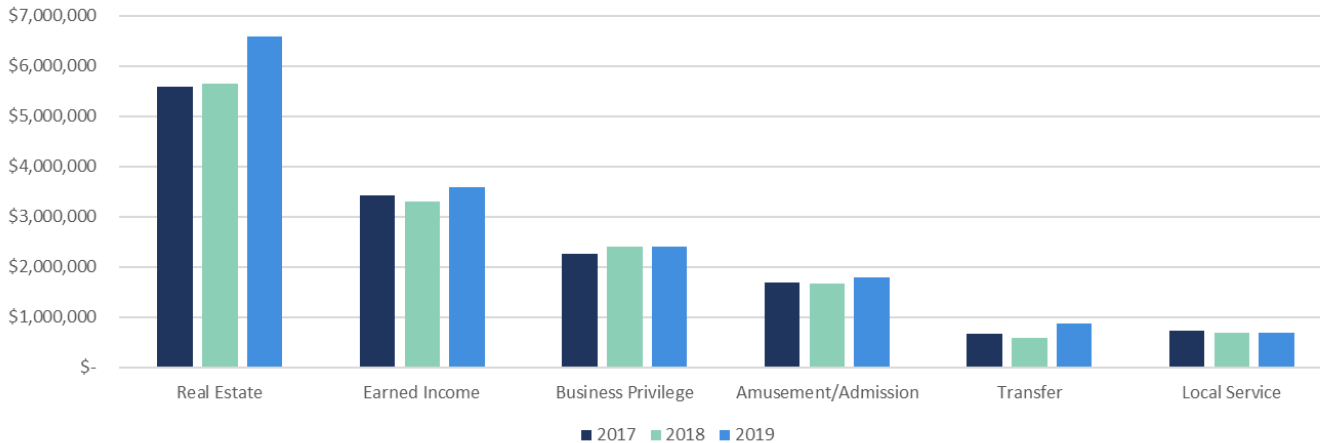
	2017	2018	2019
REVENUES			
Taxes	\$ 14,331,734	\$ 14,283,686	\$ 15,935,408
Licenses, permits, and fines	554,970	518,968	535,919
Intergovernmental	834,201	795,487	922,057
Charges for services	1,937,170	1,800,220	1,592,518
Other	210,349	486,884	513,890
TOTAL REVENUES	17,868,424	17,885,245	19,499,792
EXPENDITURES			
General government	5,531,592	6,560,668	6,643,188
Public safety	5,527,295	5,343,848	6,119,139
Public works	2,670,476	3,214,859	3,407,870
Culture and recreation	265,488	201,845	292,182
Community development	901,959	551,725	586,736
Debt service	356,567	326,618	450,119
TOTAL EXPENDITURES	15,253,377	16,199,563	17,499,234
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	10,269	102,490	40,752
Proceeds - issuance of long-term debt	-	735,000	-
Transfers out	(2,337,743)	(1,517,755)	(2,100,000)
TOTAL OTHER FINANCING SOURCES (USES)	(2,327,474)	(680,265)	(2,059,248)
NET CHANGE IN FUND BALANCE	\$ 287,573	\$ 1,005,417	\$ (58,690)
FUND BALANCE			
Nonspendable	\$ 534,476	\$ 504,433	\$ 317,804
Assigned	542,781	607,712	810,864
Unassigned	4,789,423	5,759,952	5,684,739
TOTAL FUND BALANCE	\$ 5,866,680	\$ 6,872,097	\$ 6,813,407

General Fund on financial statements includes the following internal funds:

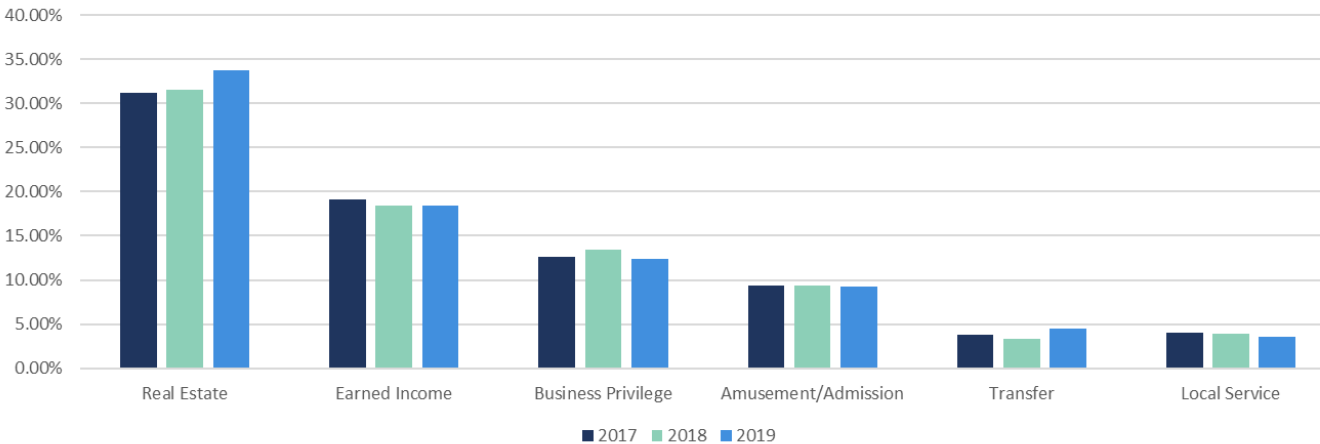
- 01 - General Fund;
- 45 - EMA Fund;
- 50 - Fiscal Stability Fund;
- 90 - Payroll Fund

General Fund - Tax Revenue

General Fund Tax History



General Fund Tax % Total General Fund Revenue

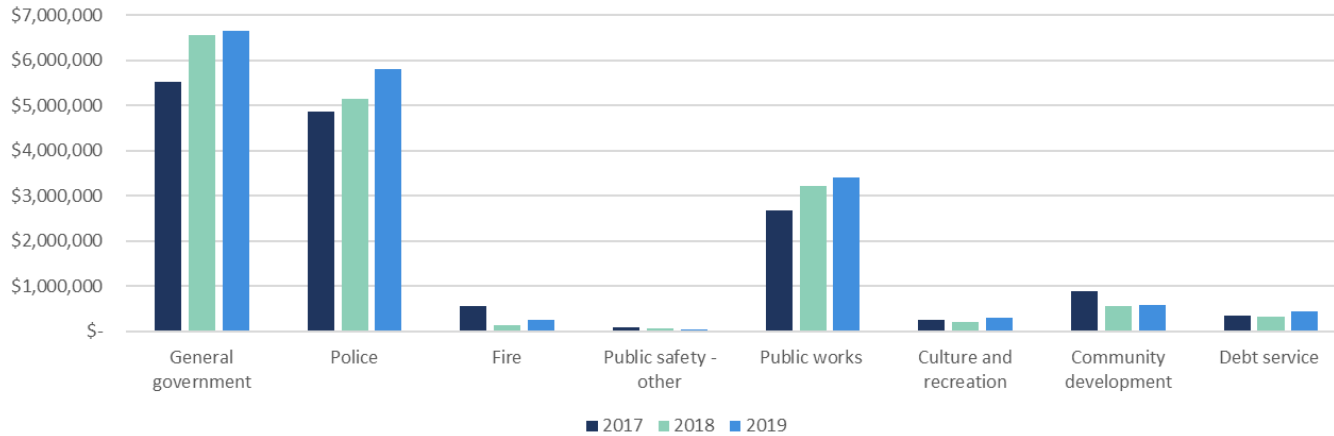


This chart represents the different tax revenue streams of the Township.

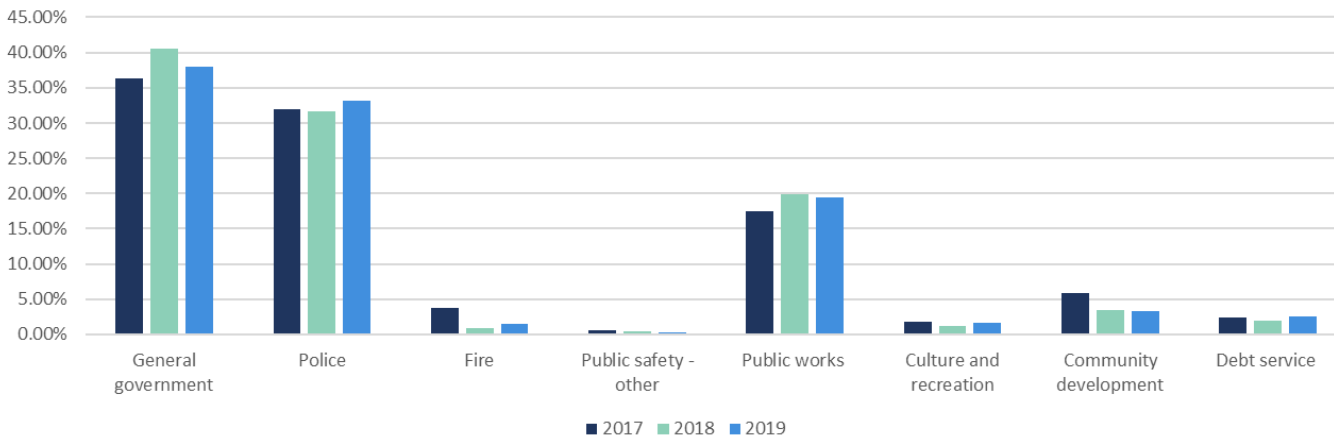
This chart represents the percentage of tax revenue streams of the Township to overall revenues in the general fund. Tax revenue is approximately 80% of total general fund revenue.

General Fund - Expenditures

General Fund Expenditure History

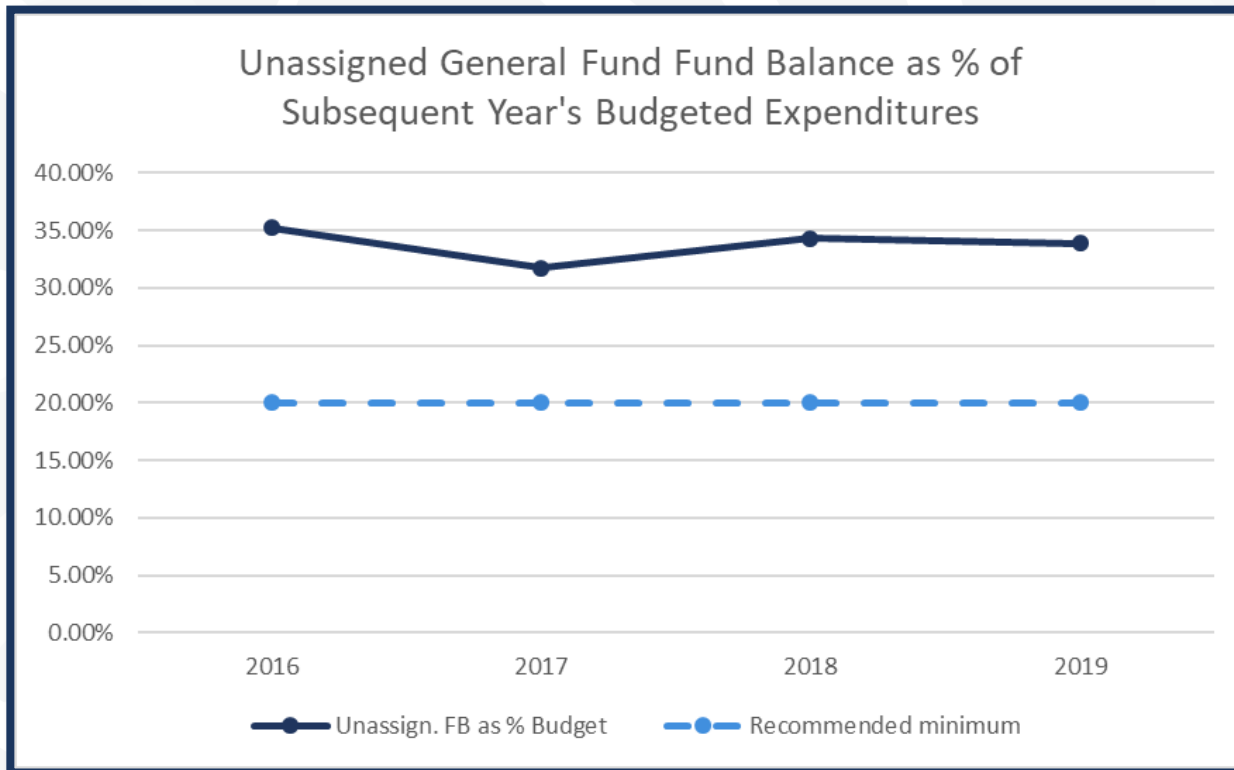


General Fund Expenditure History % Total



This chart reflects the trends in general fund expenditures both in dollars and percentage of total expenses.

General Fund - Fund Balance



Unassigned fund balance in the general fund has fluctuated from 31.75% to 35.23% of the subsequent year's budgeted expenditures. Recommended minimum unassigned fund balance is 20% of subsequent year's budget. This includes the fiscal stability fund.

Special Revenue Funds

	State Highway Aid Fund			Fire Tax Fund	
	2017	2018	2019	2018	2019
Assets	\$ 225,976	\$ 385,262	\$ 222,198	\$ 544,356	\$ 951,234
Liabilities	46,178	4,580	36,414	35,821	197,880
Fund Balance	<u>\$ 179,798</u>	<u>\$ 380,682</u>	<u>\$ 185,784</u>	<u>\$ 508,535</u>	<u>\$ 753,354</u>
Total Revenue	\$ 719,477	\$ 731,449	\$ 749,621	\$ 1,046,519	\$ 1,084,381
Total Expenditures	674,340	534,565	1,045,069	883,484	839,562
Other Financing Sources	-	4,000	100,550	345,500	-
Net Change in Fund Balance	<u>\$ 45,137</u>	<u>\$ 200,884</u>	<u>\$ (194,898)</u>	<u>\$ 508,535</u>	<u>\$ 244,819</u>

The fund balance noted above is restricted for use only in that fund.
 The transfer noted in 2018 fire fund was from the EMA/EMS fund
 and capital to help start the fund.

Capital Projects Fund - Summary

	2017	2018	2019
ASSETS			
Cash	\$ 491,744	\$ 472,186	\$ 9,039,752
Intergovernmental receivables	36,654	205,859	82,969
Note receivable	33,947	-	-
TOTAL ASSETS	562,345	678,045	9,122,721
LIABILITIES			
Accounts payable	8,857	102,552	226,033
FUND BALANCE			
Assigned	553,488	575,493	-
Restricted	-	-	8,896,688
	\$ 553,488	\$ 575,493	\$ 8,896,688
REVENUES			
Interest and rent	\$ 1,233	\$ 564	\$ 2,248
Intergovernmental	202,126	277,745	685,959
Charges for services	33,947	93,808	66,479
TOTAL REVENUES	237,306	372,117	754,686
EXPENDITURES			
General government	159,029	200,775	602,776
Public safety	238,728	303,870	137,399
Public works	2,292,714	532,409	1,698,140
Culture and recreation	81,264	481,313	1,055,556
Community development	4,932	-	-
Debt service	-	-	39,620
TOTAL EXPENDITURES	2,776,667	1,518,367	3,533,491
OTHER FINANCING SOURCES (USES)			
Proceeds - debt issuance	-	-	9,000,000
Transfers in	2,457,312	1,293,755	2,100,000
Transfers out	-	(125,500)	-
TOTAL OTHER FINANCING SOURCES (USES)	2,457,312	1,168,255	11,100,000
NET CHANGE IN FUND BALANCE	\$ (82,049)	\$ 22,005	\$ 8,321,195

This schedule includes Capital Reserve & Campus Renovation Internal Funds.

The increase in cash in 2019 relates to the 2019 debt issued to fund the campus renovation project. These debt proceeds are restricted for capital purchases and construction.

Proprietary Funds - Summary

	Water Fund			Sewer Fund		
	2017	2018	2019	2017	2018	2019
Operating Revenue	\$ 3,116,351	\$ 3,238,436	\$ 3,701,100	\$ 2,549,868	\$ 2,590,733	\$ 2,695,133
Operating Expenses	3,057,447	2,831,218	3,092,282	2,550,203	2,731,163	2,499,325
Other Financing Sources	671,897	464,526	313,140	876,615	746,999	702,878
Transfers	-	265,752	-	-	(265,752)	-
CHANGE IN NET POSITION	\$ 730,801	\$ 1,137,496	\$ 921,958	\$ 876,280	\$ 340,817	\$ 898,686
NET POSITION						
Net investment in capital assets	\$ 6,282,024	\$ 7,061,271	\$ 7,821,623	\$ 7,059,523	\$ 6,880,396	\$ 7,839,055
Unrestricted	1,135,910	1,494,159	1,655,765	3,473,554	3,993,498	3,933,525
TOTAL NET POSITION	\$ 7,417,934	\$ 8,555,430	\$ 9,477,388	\$ 10,533,077	\$ 10,873,894	\$ 11,772,580

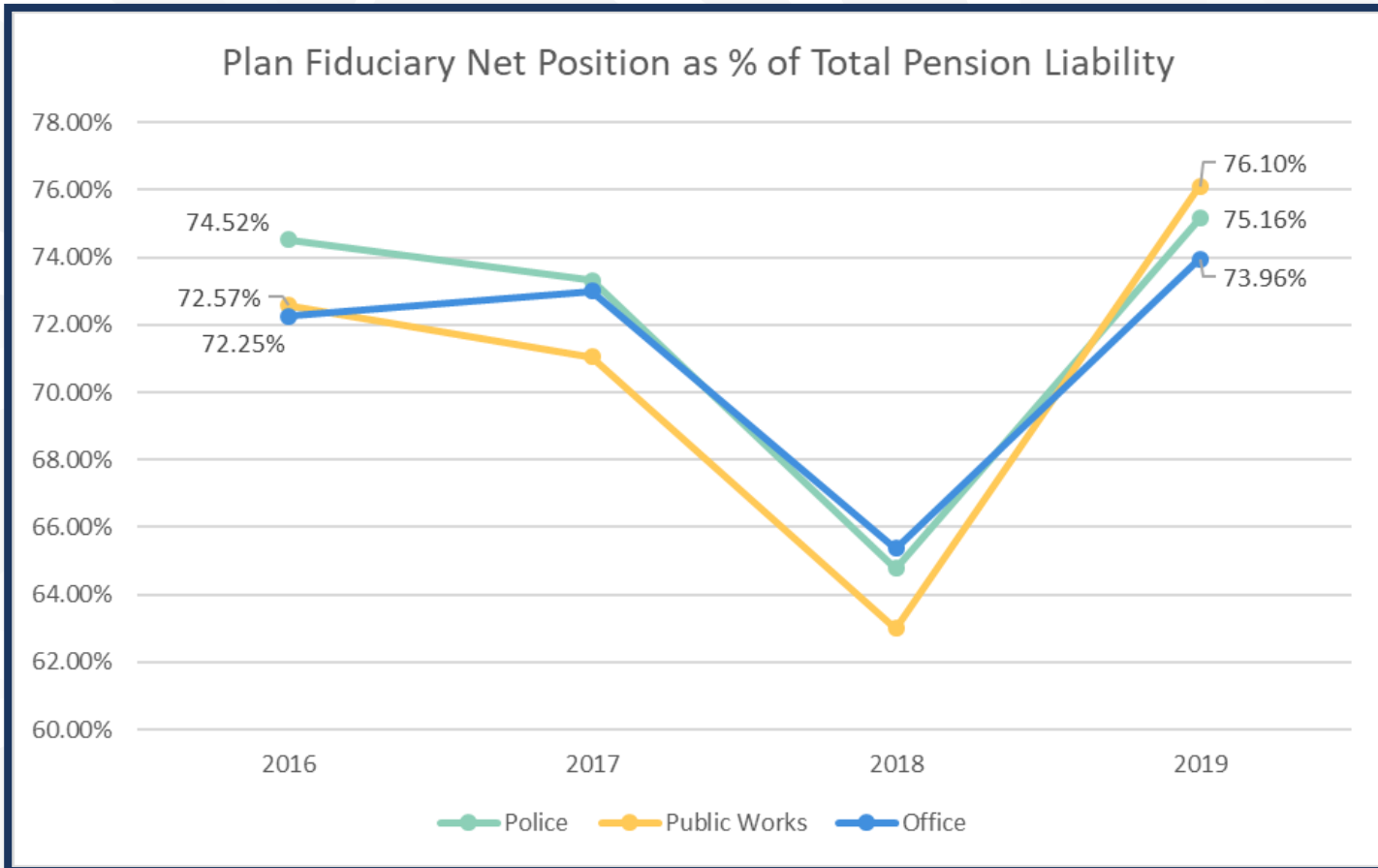
	Refuse Fund		
	2017	2018	2019
Operating Revenue	\$ 1,996,017	\$ 2,009,453	\$ 2,006,179
Operating Expenses	2,212,748	2,263,449	2,190,142
Other Financing Sources	91,249	91,292	214,058
Transfers	(119,569)	-	-
CHANGE IN NET POSITION	\$ (245,051)	\$ (162,704)	\$ 30,095
NET POSITION			
Net investment in capital assets	\$ -	\$ -	\$ 13,250
Unrestricted	575,734	413,030	429,875
TOTAL NET POSITION	\$ 575,734	\$ 413,030	\$ 443,125

The unrestricted reserve in each fund will allow the Township to complete improvements and repairs where needed while managing rates charged to residents.

- Includes all 5 pension plans of the Township:
 - Defined Benefit
 - Police Pension Plan
 - Public Works Employees' Pension Plan
 - Office Personnel Pension Plan
 - Defined Contribution
 - Thrift Savings Plan
 - Non-Uniformed Employees' Defined Contribution Pension Plan

A combining schedule of the pension funds is included within the financial report.

Pension Fund - Trends



The funding percentage is calculated using fair market value of plan assets and the actuarially determined pension liability under Governmental Accounting Standard Board Statement No. 68.

Internal Controls

In planning and performing our audit of the Township and the Authority's financial statements for the years ended December 31, 2016 - 2019, in accordance with auditing standards generally accepted in the United States of America, we considered South 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 South Whitehall Township's internal control. Accordingly, we do not express an opinion on the effectiveness of South Whitehall Township's internal control.

Internal Controls

- During our audit procedures we identified several deficiencies in internal controls, particularly around reconciling and reporting certain key accounts.
- The timing of the completion of the audits was delayed in part by the deficiencies noted.
- Management has been working to develop and enhance standard operating procedures within the finance department to allow for more timely financial reporting.

Other Matters

- **Communication Letter**
 - Difficulties in performing the audit
 - Reconciliations for certain accounts not prepared timely
 - Information not readily available
 - Proposed adjustments, including some material in nature
 - Schedule of passed adjustments - management has determined, individually and in the aggregate, they are not material to the financial statements as a whole

- Communication Letter
 - Implementation of new accounting guidance - GASB Statement No. 75 implemented for the year ended December 31, 2018 (OPEB)
 - Key estimates include:
 - Allowance for doubtful accounts
 - Capital asset lives and related depreciation
 - Funding status of the pension plans and net pension liability (as provided by a contracted professional)
 - Other postemployment benefits liability (as provided by a contracted professional)

Thank you to the Township management and staff for all of their assistance through this process.

A Little About Us



Strong Roots to Nurture Your Success

Founded in 1972, Herbein is diligent about helping people and companies with their financial needs. New ideas, open communication, consistency of teams, and an overall focus on our clients provide the foundation for all we do.



Independent Member of Allinial Global

The independently-owned public accounting firms that make-up Allinial Global understand the current competitive business climate and provide access to critical resources that address their clients' needs, both locally and globally.



Annual Projects

Audits	380+
Reviews	145+
Compilations	115+
EBP Audits	80+
Corporate Tax Clients	2,000+
Individual Tax Clients	5,000+
M&A Deals	25-30



Team

200+ member regional firm

Partners	27
Sr. Managers	21
Managers	11
Sr. Consultants	4



Offices

Allentown, PA
Allison Park, PA
Greensburg, PA
Marlton, NJ
Pittsburgh, PA
Pottstown, PA
Reading, PA (HQ)
Spring House, PA



Quality Control

Earned clean peer review reports signifying the highest level of quality since our first review in 1982.

Registered with the Public Company Accounting Oversight Board which demonstrates Herbein's commitment to provide the highest levels of client service.



Firm Recognition

2020 Top Accounting Firms - Philadelphia Business Journal
2020 Top Accounting Firms - Pittsburgh Business Times
2020 Top Accounting Firms - Lehigh Valley Business Journal
2020 Greater Reading Top Business Awards- Greater Reading Chamber Alliance
2020 Top U.S. Accounting Firms - Accounting Today
2020 Best In Accounting Client Service - Clearly Rated
2020 Best Places to Work in PA - Team PA