

2021 Audit Review Board Summary

- Introduction
- Review of Auditor's Report for the year ended December 31, 2021
- Financial Highlights and Trends
- Auditor Communications

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 obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and issue an auditor's report that includes our opinion.
- This is not an opinion on internal controls of the Township as that was not the objective of our audit.

- Blended Component Unit
 - South Whitehall Township Authority - included within the water and sewer funds of the Township statements
- Work of Specialists
 - Actuarial analysis for pension liability - Conrad Siegel
 - Actuarial analysis for other postemployment benefits liability - Conrad Siegel

- Generally Accepted Auditing Standards -**Unmodified Opinion** for the Township and Authority for the year ended December 31, 2021
- 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

	Budget	Actual	Variance
REVENUES			
Taxes	\$ 14,258,237	\$ 15,757,352	\$ 1,499,115
Licenses, permits, and fines	489,330	483,764	(5,566)
Interest and rent	-	45,225	45,225
Intergovernmental	879,034	945,909	66,875
Charges for services	1,243,501	1,827,587	584,086
Other	14,000	463,991	449,991
TOTAL REVENUES	16,884,102	19,523,828	2,639,726
EXPENDITURES			
General government	7,248,529	5,139,635	2,108,894
Public safety	5,980,442	6,805,146	(824,704)
Public works	3,687,136	3,643,769	43,367
Culture and recreation	326,480	240,497	85,983
Community development	736,916	661,957	74,959
Debt service	75,000	431,383	(356,383)
TOTAL EXPENDITURES	18,054,503	16,922,387	1,132,116
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	10,000	31,620	21,620
Transfers out	(1,549,218)	(2,580,602)	(1,031,384)
TOTAL OTHER FINANCING SOURCES (USES)	(1,539,218)	(2,548,982)	(1,009,764)
NET CHANGE IN FUND BALANCE	\$ (2,709,619)	\$ 52,459	\$ 2,762,078

Revenue exceeded budget by 15.6%

- Tax variance largely consists of EIT (\$609k) and Amusement (\$540k)
- Charges for Services - legal and engineering reimbursements exceeded budget; SRO revenue exceeded budget due to 2020 charges meeting period of availability
- Other - Health Insurance surplus distribution not budgeted

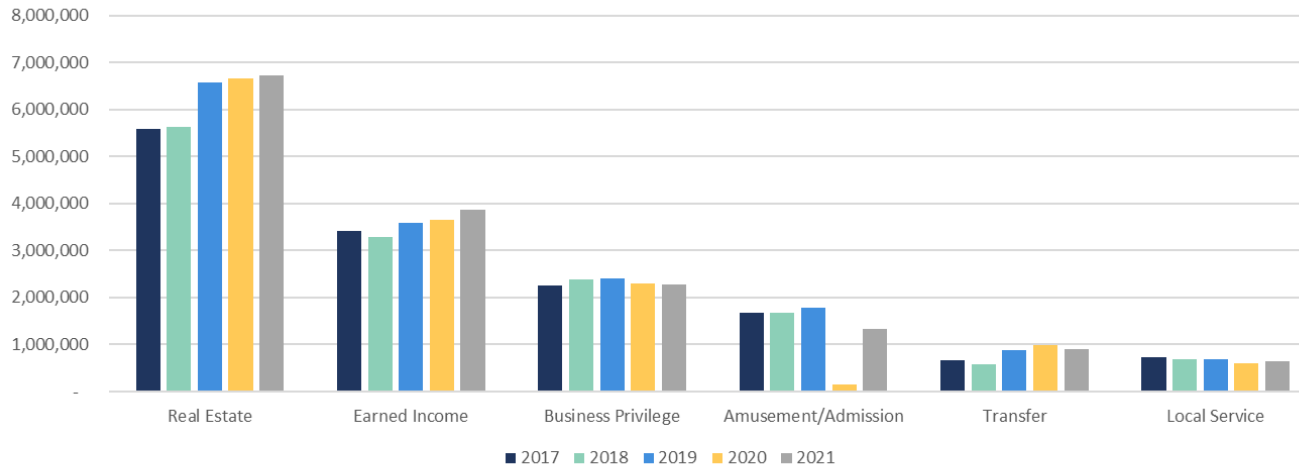
Expenditures were 6.27% under budget

- General Government - budget includes all MMO expenses; \$1.7M shown under police or public works
- Public Safety - Budget does not include MMO allocation; offset by salary expense below budget
- Public Safety - Budget does not include MMO allocation; offset by savings in salaries and benefits, professional services, and parts/tires
- Debt Service - did not budget for principal payments

Transfers out exceeded budget (campus renovation)

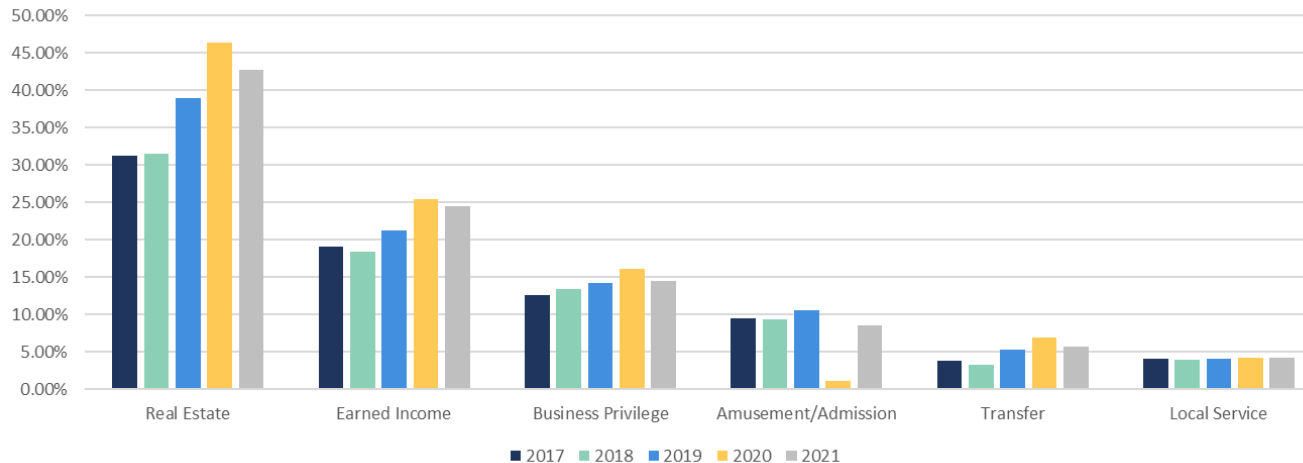
General Fund - Tax Revenue

General Fund Tax History



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

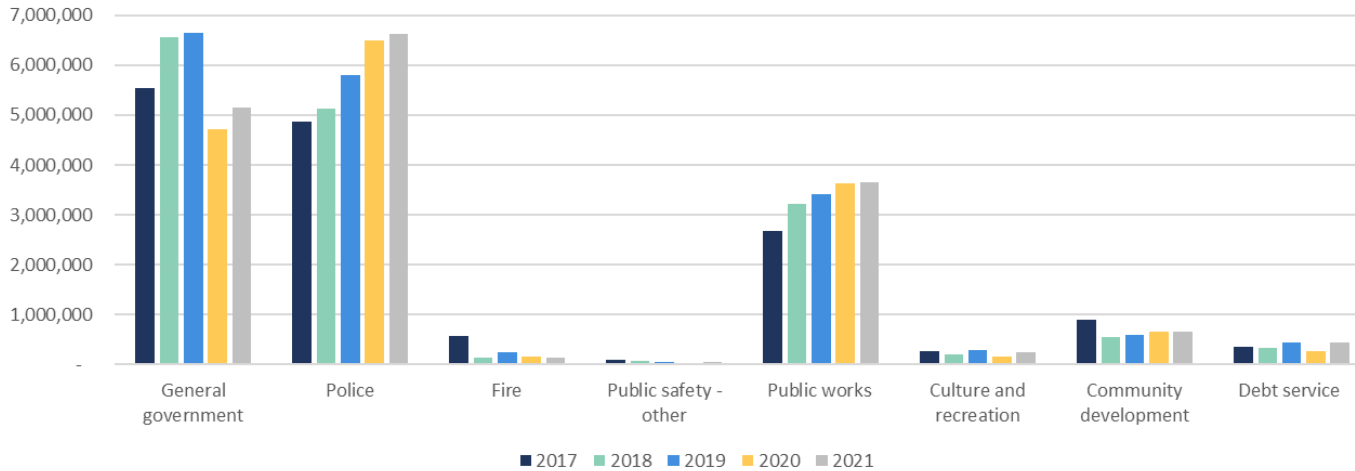
General Fund Tax as % Total General Fund Tax Revenue



This chart represents the percentage of tax revenue streams of the Township to overall revenues in the general fund. Tax revenue is approximately 81% of total general fund revenue.

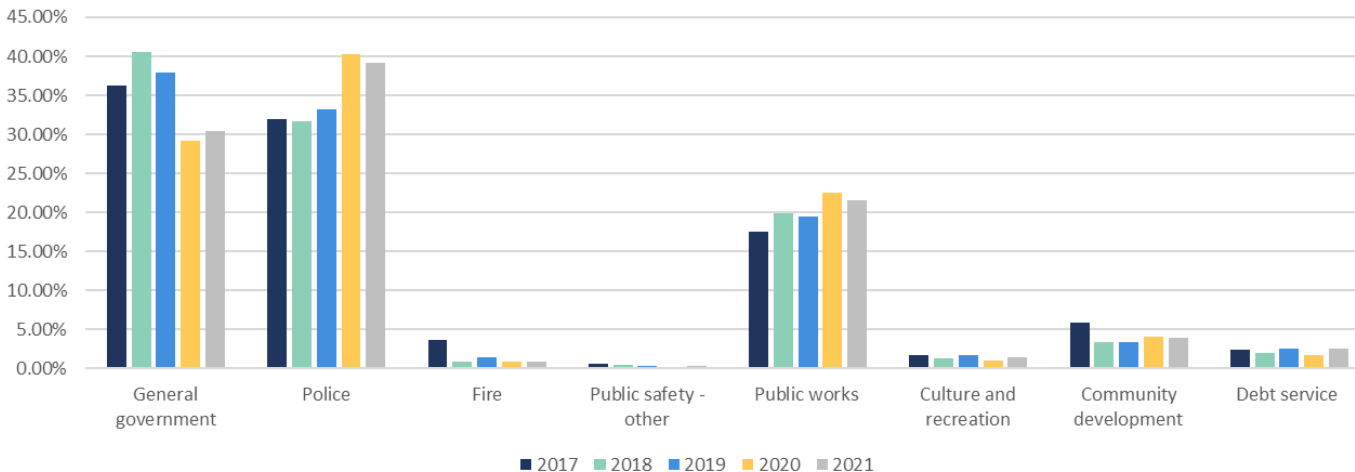
General Fund - Expenditures

General Fund Expenditure History



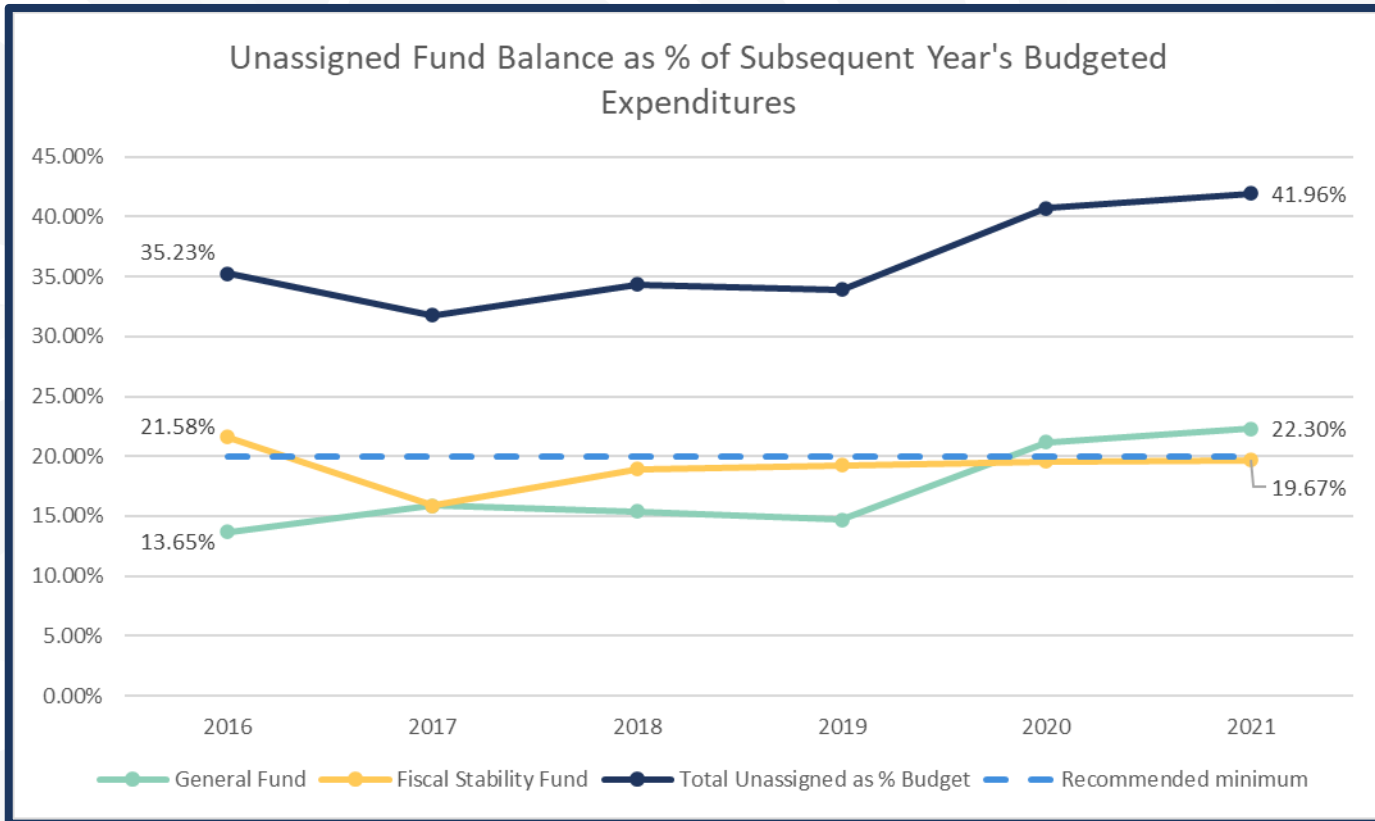
This chart reflects the trends in general fund expenditures both in dollars and percentage of total expenses.

General Fund Expenditure History % Total



The fluctuations between general government, police, and public works beginning in 2020 reflect the allocation of the MMO to the proper departments in 2020 and going forward.

General Fund - Fund Balance



Unassigned fund balance in the general fund has fluctuated from 31.75% to 41.96% of the subsequent year's budgeted expenditures. Recommended minimum unassigned fund balance is 20% of subsequent year's budget.

Special Revenue Funds

	Fire Tax	State Highway Aid	Open Space
REVENUES			
Taxes	\$ 1,116,777	\$ -	\$ -
Intergovernmental	-	675,248	-
Other - contributions	-	-	80,625
Interest and rent	483	277	95
TOTAL REVENUES	1,117,260	675,525	80,720
EXPENDITURES			
Public safety	980,533	-	-
Public works	-	625,858	-
Debt service	-	36,642	-
TOTAL EXPENDITURES	980,533	662,500	-
NET CHANGE IN FUND BALANCE	\$ 136,727	\$ 13,025	\$ 80,720
ASSETS			
Cash	\$ 810,659	\$ 336,357	\$ 418,826
Taxes and accounts receivable	58,447	-	95
Prepaid expenses	317,766	-	-
TOTAL ASSETS	1,186,872	336,357	418,921
LIABILITIES			
Accounts payable	113,851	23,997	-
Accrued payroll and withholdings	4,039	-	-
TOTAL LIABILITIES	117,890	23,997	-
DEFERRED INFLOWS OF RESOURCES	30,223	-	-
FUND BALANCE			
Nonspendable	317,766	-	-
Restricted	720,993	312,360	418,921
TOTAL FUND BALANCE	\$ 1,038,759	\$ 312,360	\$ 418,921

Ending fund balance is restricted for purposes noted.

Debt Service Fund

	2021
ASSETS	
Cash	\$ 614,287
LIABILITIES	
Interfund payables	\$ 614,287
FUND BALANCE	
Restricted	\$ -
REVENUES	
TOTAL REVENUES	\$ -
EXPENDITURES	
Debt service	151,728
Other (issuance fees)	187,855
TOTAL EXPENDITURES	339,583
OTHER FINANCING SOURCES (USES)	
Proceeds - issuance of debt	10,367,358
Bond premium	1,530,679
Payment to escrow - debt refunding	(10,944,167)
Transfers out	(614,287)
TOTAL OTHER FINANCING SOURCES (USES)	339,583
NET CHANGE IN FUND BALANCE	\$ -

A debt service fund was created in 2021 to track the issuance of General Obligation Bond - Series of 2021. GOB 2021 currently refunded all previously outstanding debt of the Township and provided approximately \$600k in funds restricted to be spent on future capital projects.

Capital Projects Fund - Summary

	2021	2020
ASSETS		
Cash	\$ 1,379,865	\$ 4,011,592
Interfund receivables	614,287	-
Accounts receivable	425	102
Intergovernmental receivables	-	25,000
Prepaid expenditures	-	13,379
TOTAL ASSETS	1,994,577	4,050,073
LIABILITIES		
Interfund payables	1,126,817	2,151,941
Accounts payable	97,927	1,289,599
Unearned revenue	74,214	98,512
TOTAL LIABILITIES	1,298,958	3,540,052
FUND BALANCE		
Assigned	81,332	125,986
Restricted	614,287	384,035
	\$ 695,619	\$ 510,021
REVENUES		
Interest and rent	\$ 4,436	\$ 79,223
Intergovernmental	42,028	233,945
Charges for services and other	100	96,416
TOTAL REVENUES	46,564	409,584
EXPENDITURES		
General government	1,499,249	8,650,795
Public safety	205,359	509,626
Public works	1,028,066	123,447
Culture and recreation	323,000	317,903
Debt service and other	181	289,625
TOTAL EXPENDITURES	3,055,855	9,891,396
OTHER FINANCING SOURCES (USES)		
Transfers in	3,194,889	1,095,145
NET CHANGE IN FUND BALANCE	\$ 185,598	\$ (8,386,667)

This schedule includes Capital Reserve & Campus Renovation Internal Funds.

Activity in 2021 includes the campus renovation project, funded by debt proceeds received in 2019. The interfund payable includes amounts due to the general fund, which will be repaid when the remaining note proceeds are drawn from the bank.

Restricted fund balance of \$614,287 relates to unspent debt proceeds restricted for capital projects. The remaining fund balance at 12/31/2021 is assigned for future capital expenditures.

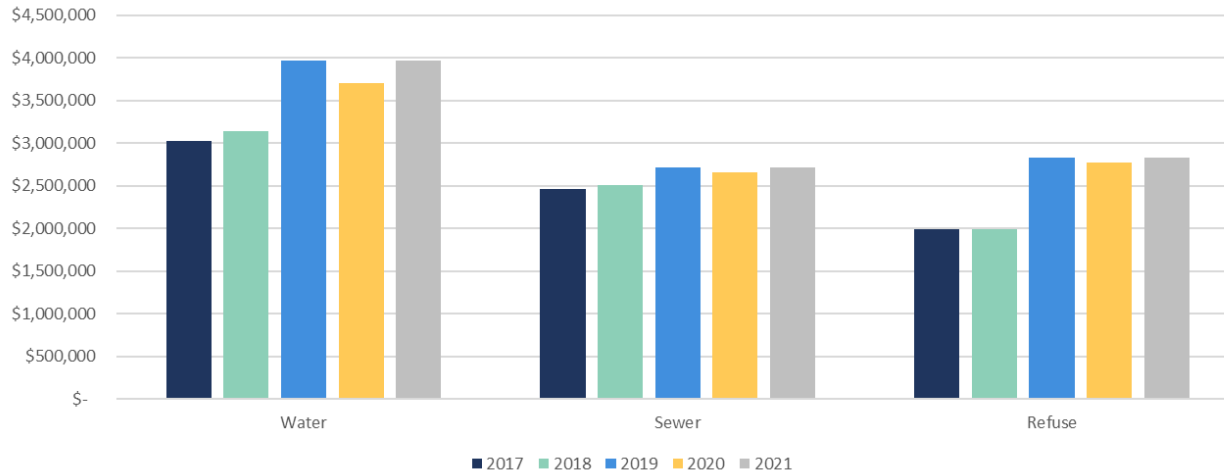
Proprietary Fund Activity

	Water	Sewer	Refuse
OPERATING REVENUES	\$ 4,074,320	\$ 2,792,799	\$ 2,853,274
OPERATING EXPENSES	3,088,151	2,850,876	2,687,215
NONOPERATING REVENUE (EXPENSES)	144,644	549,521	118,019
CHANGE IN NET POSITION	<u>\$ 1,130,813</u>	<u>\$ 491,444</u>	<u>\$ 284,078</u>
NET POSITION			
Net investment in capital assets	7,274,021	7,902,183	9,750
Unrestricted	4,215,999	5,062,091	529,239
TOTAL NET POSITION	<u>\$ 11,490,020</u>	<u>\$ 12,964,274</u>	<u>\$ 538,989</u>

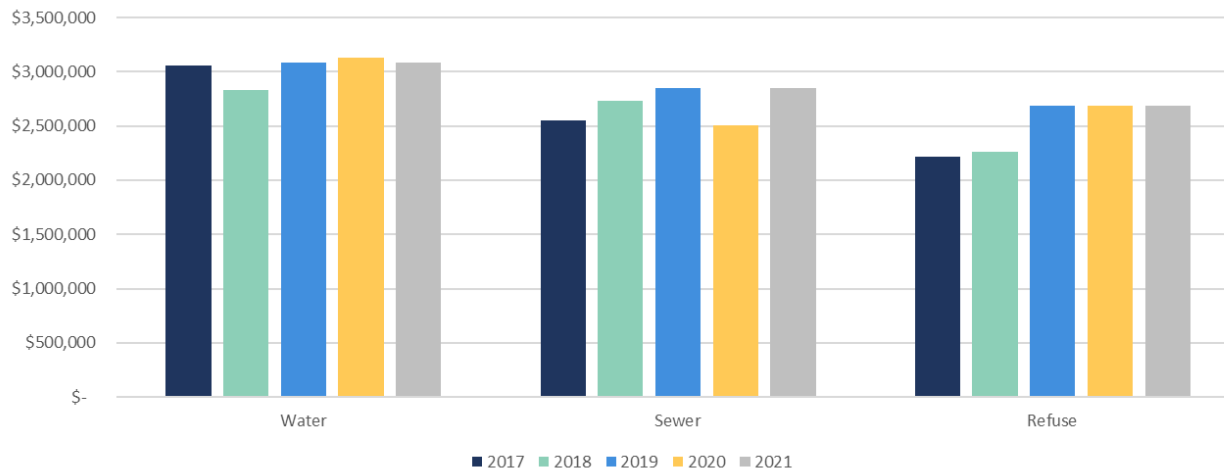
Proprietary funds have charges for services that meet or exceed the cost of providing those services. The Township has three such funds. The water and sewer fund represent the Authority activity as well as the allocation of the pension liability for Township employees.

Proprietary Fund Trends

Proprietary User Fees



Proprietary Expense Charges



This chart shows trends in charges for services and operating expenses in the three proprietary funds. Charges for services are comparable to prior years. The increase in sewer fund expenses relates largely to payments for contracted sewer treatment.

- Under GASB Statement No. 84, *Fiduciary Activities*, only the Township's defined benefit plans are included in the financial statements.
 - Defined Benefit (part of reporting entity)
 - Police Pension Plan
 - Public Works Employees' Pension Plan
 - Office Personnel Pension Plan
 - Defined Contribution (not part of reporting entity)
 - Thrift Savings Plan
 - Non-Uniformed Employees' Defined Contribution Pension Plan

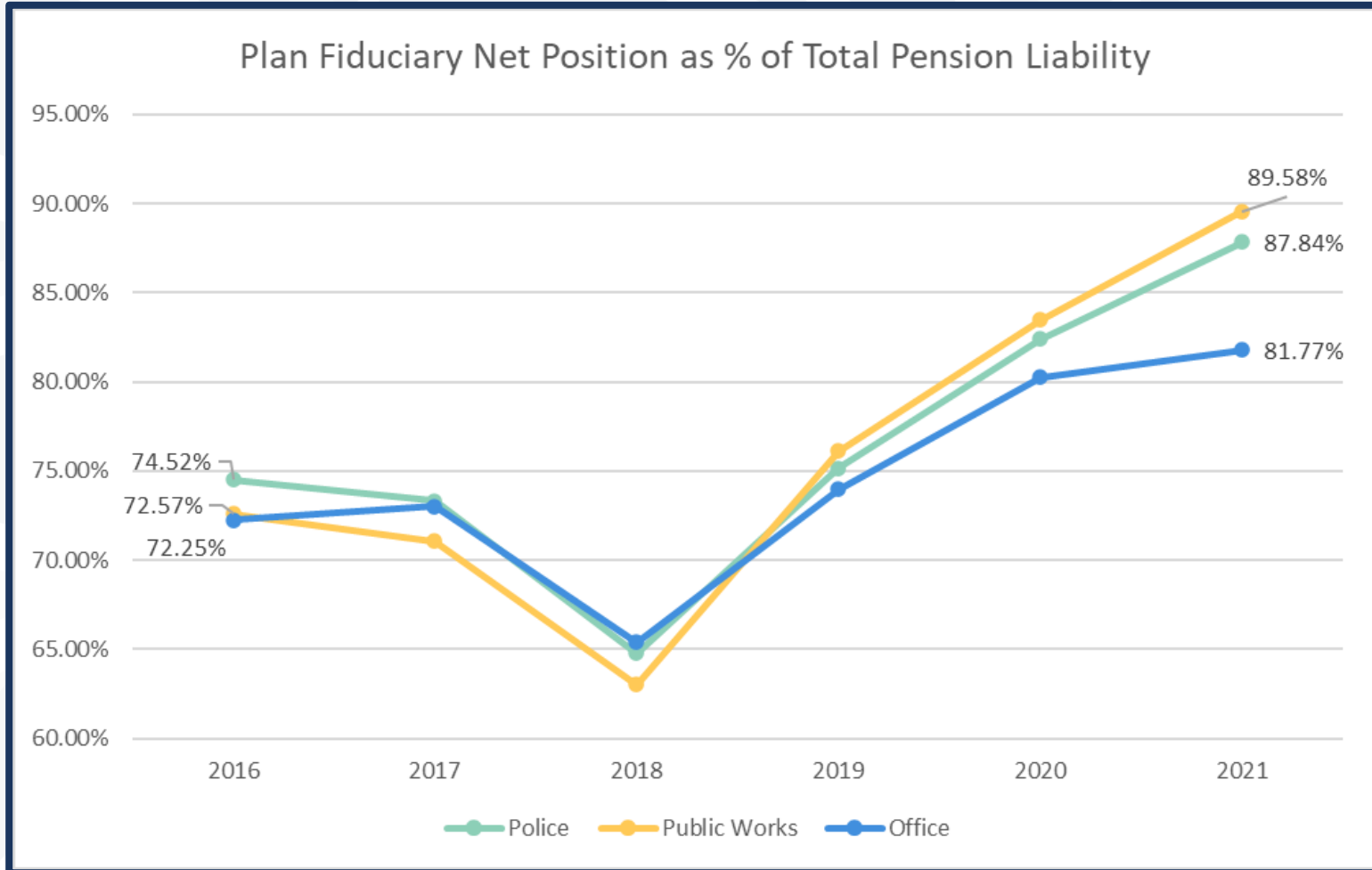
A combining schedule of the defined benefit pension funds is included within the financial report.

Pension Fund - Trends



The pension trends show the total pension liability for each defined benefit plan as well as the net pension liability. Pension liability was calculated under GASB 68 by an actuary.

Pension Fund - Trends



- Internal Controls

In planning and performing our audit of the Township's financial statements for the year ended December 31, 2020, 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

Our consideration of internal control was for the limited purpose described in the preceding slide and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed on the following slides, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

- Internal Controls - Material Weaknesses
 - Account reconciliations
 - Material adjustments as a result of the audit
- Internal Controls - Significant Deficiencies
 - Reimbursements for campus renovation expenditures
- Internal Controls - Other
 - Act 72 Collateralization
 - Fixed assets - depreciation allocation
 - Pension Plans
 - Fund balance policy
 - Internal controls/standard operating procedures

Communication Letter

- No difficulties in performing the audit
- 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
- No new accounting standards

Communication Letter

- 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

250+ member regional firm

Partners	28
Sr. Managers	20
Managers	11
Sr. Consultants	5



Offices

Allentown, PA
Allison Park, PA
Greensburg, PA
Marlton, NJ
Pittsburgh, PA
Pottstown, PA (2 offices)
Reading, PA (HQ) (2 offices)
Royersford, PA
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

2021 Top Accounting Firms - Philadelphia Business Journal
2021 Top Accounting Firms - Pittsburgh Business Times
2021 Top Accounting Firms - Lehigh Valley Business Journal
2021 Greater Reading Top Business Awards- Greater Reading Chamber Alliance
2021 Top U.S. Accounting Firms - Accounting Today
2022 Best In Accounting Client Service - Clearly Rated
2021 Best Places to Work in PA - Team PA

Your Herbein Audit Team



Christopher Turtell, CPA - Audit Partner
cmturtell@herbein.com



Megan Thompson, CPA - Audit Senior Manager
[mntompson@herbein.com](mailto:mnthompson@herbein.com)



Linda Himeback, CPA - Technical Review Partner
lhimeback@herbein.com