

2020 Audit Review Board Summary

- Introduction
- Review of Auditor's Report for the year ended December 31, 2020
- 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 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.

- 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, 2020
- 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.

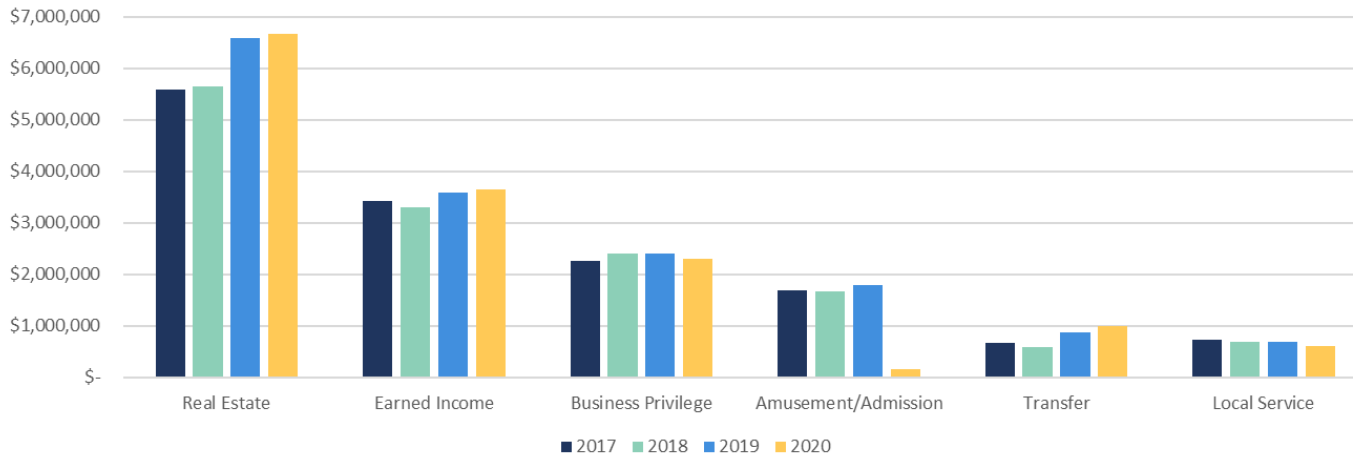
General Fund - Summary

	2019	2020
REVENUES		
Real estate taxes	\$ 6,572,924	\$ 6,656,841
Other taxes	9,362,484	7,702,866
Licenses, permits, and fines	535,919	506,820
Interest and rent	65,978	50,581
Intergovernmental	922,057	1,244,123
Charges for services	1,592,518	1,186,879
Other	447,912	521,924
TOTAL REVENUES	19,499,792	17,870,034
EXPENDITURES		
General government	5,200,903	4,707,759
Public safety	7,156,920	6,674,956
Public works	3,812,374	3,638,550
Culture and recreation	292,182	160,534
Community development	586,736	664,695
Debt service	450,119	277,509
TOTAL EXPENDITURES	17,499,234	16,124,003
OTHER FINANCING SOURCES (USES)		
Sale of capital assets	40,752	45,242
Transfers out	(2,100,000)	(794,657)
TOTAL OTHER FINANCING SOURCES (USES)	(2,059,248)	(749,415)
NET CHANGE IN FUND BALANCE	\$ (58,690)	\$ 996,616
FUND BALANCE		
Nonspendable	\$ 317,804	\$ 362,438
Assigned	810,864	631,001
Unassigned	5,684,739	6,816,584
TOTAL FUND BALANCE	\$ 6,813,407	\$ 7,810,023

- General Fund on financial statements includes the following internal funds:
 - 01 - General Fund;
 - 45 - EMA Fund;
 - 50 - Fiscal Stability Fund;
 - 90 - Payroll Fund
- The variances in revenue and expense are a result of the COVID-19 pandemic, particularly in the following areas: amusement tax, intergovernmental, charges for services, and general government.
- Several projects were put on hold in public works as well as an increased scrutiny on expenditures for supplies and repairs.
- Transfers out includes the transfers to the capital reserve during the year.
- The change in fund balance was \$996,616 with an ending combined fund balance of \$7,810,023.

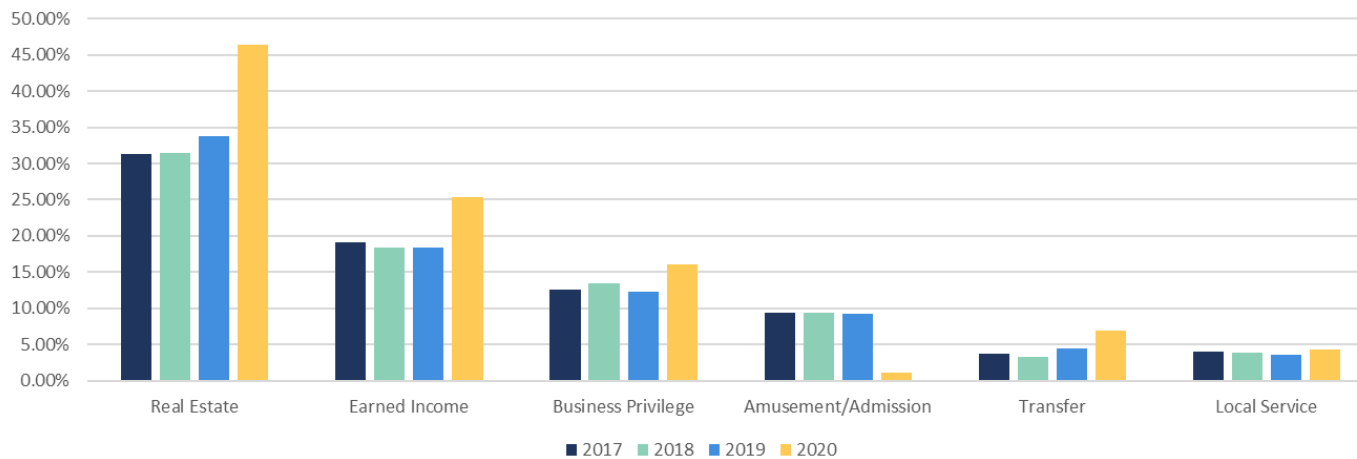
General Fund - Tax Revenue

General Fund Tax History



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

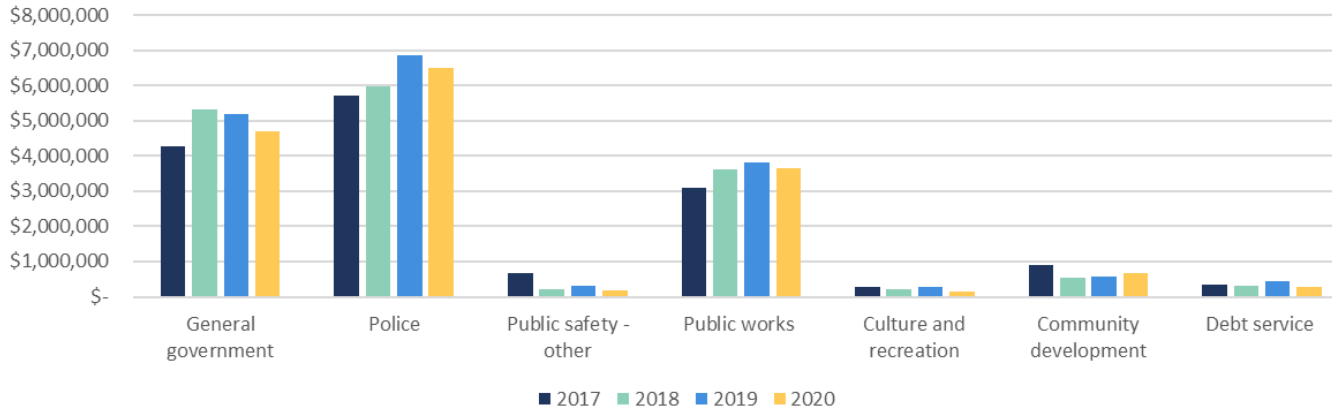
General Fund Tax % Total General Fund Revenue



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.

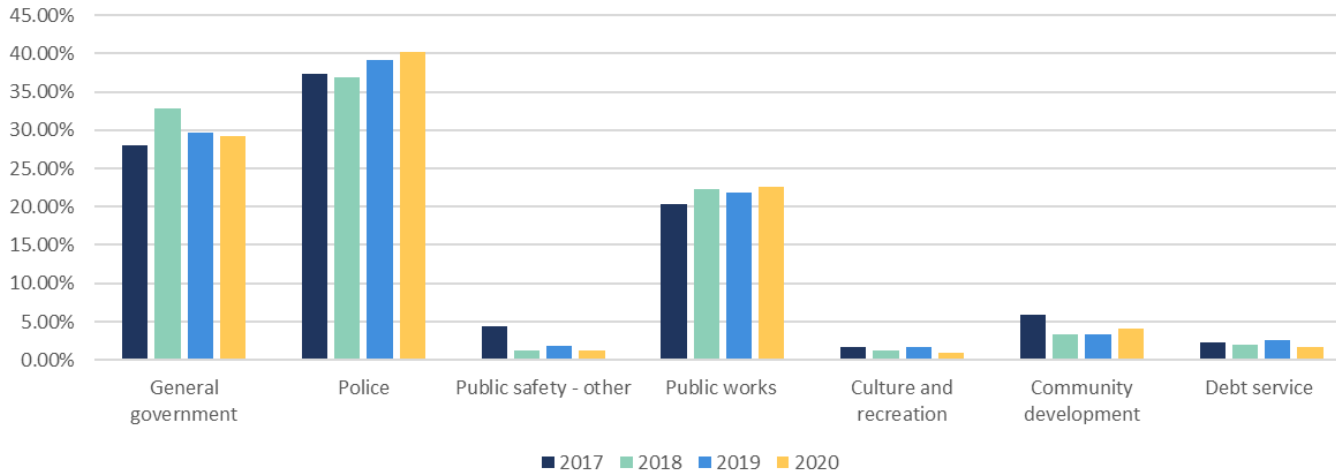
General Fund - Expenditures

General Fund Expenditure History



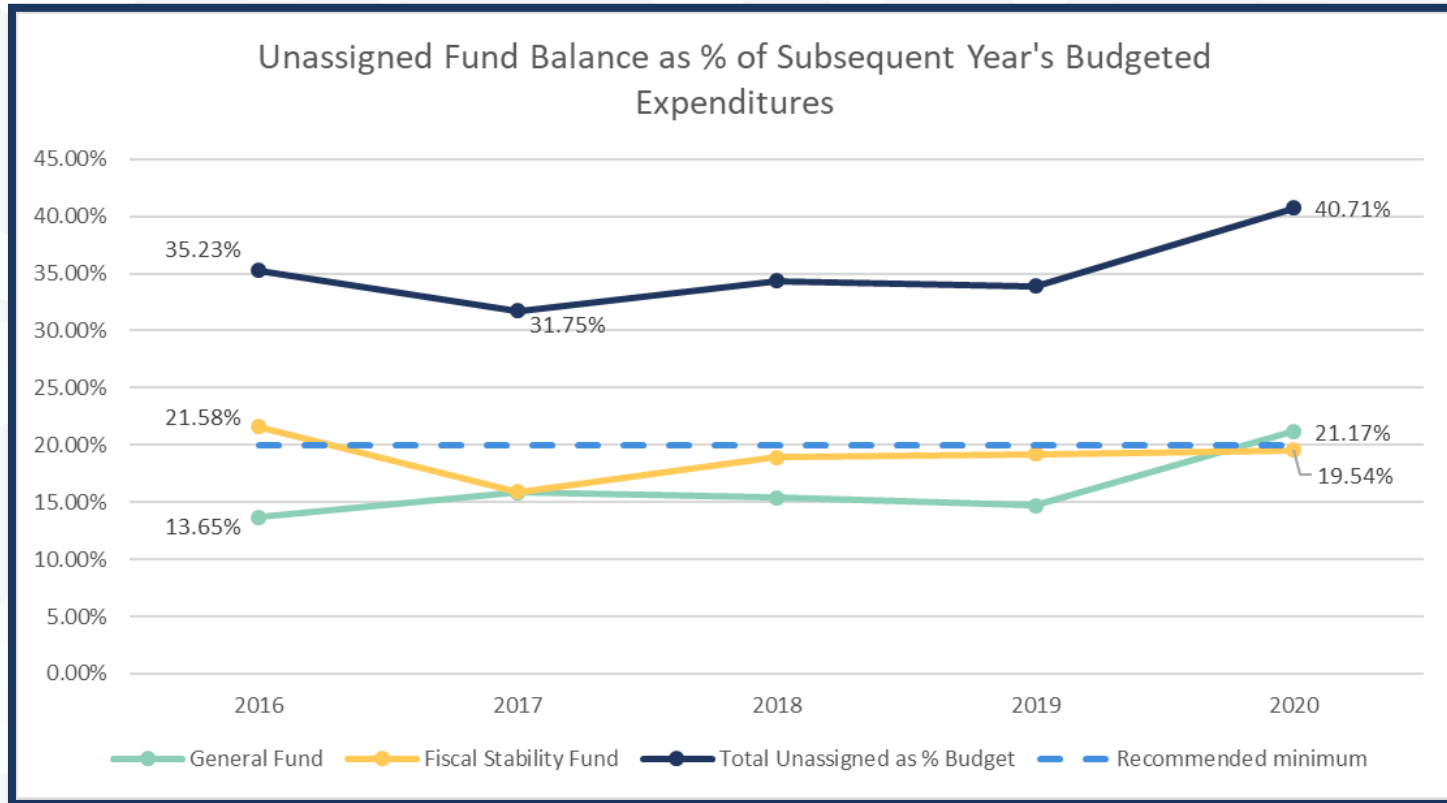
This chart reflects the trends in general fund expenditures both in dollars and percentage of total expenses.

General Fund Expenditure History % Total



The expenditures have been restated to reflect the allocation of the MMO to police and public works in prior years.

General Fund - Fund Balance



Unassigned fund balance in the general fund has fluctuated from 31.75% to 40.71% 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	\$ 1,097,780	\$ -	\$ -
Intergovernmental	-	728,224	-
Other - contributions	-	-	560,593
Interest and rent	968	-	380
TOTAL REVENUES	1,098,748	728,224	560,973
EXPENDITURES			
Public safety	950,070	-	-
Public works	-	614,673	-
Culture and recreation	-	-	437,047
TOTAL EXPENDITURES	950,070	614,673	437,047
NET CHANGE IN FUND BALANCE	\$ 148,678	\$ 113,551	\$ 123,926
ASSETS			
Cash	\$ 979,619	\$ 314,810	\$ 338,201
Taxes and accounts receivable	50,465	-	-
Prepaid expenses	3,943	-	-
TOTAL ASSETS	1,034,027	314,810	338,201
LIABILITIES			
Accounts payable	103,045	15,475	-
Accrued payroll and withholdings	4,948	-	-
TOTAL LIABILITIES	107,993	15,475	-
DEFERRED INFLOWS OF RESOURCES	24,002	-	-
FUND BALANCE			
Nonspendable	3,943	-	-
Restricted	898,089	299,335	338,201
TOTAL FUND BALANCE	\$ 902,032	\$ 299,335	\$ 338,201

Ending fund balance is restricted for purposes noted.

The Open Space Fund was introduced in 2020 as part of a new accounting standard implementation. Previously these accounts were reported under escrow accounts in the general fund.

Capital Projects Fund - Summary

	2019	2020
REVENUES		
Interest and rent	\$ 2,248	\$ 79,223
Intergovernmental	685,959	233,945
Charges for services and other	66,479	96,416
TOTAL REVENUES	754,686	409,584
EXPENDITURES		
General government	602,776	8,650,795
Public safety	137,399	509,626
Public works	1,698,140	123,447
Culture and recreation	1,055,556	317,903
Debt service	39,620	289,625
TOTAL EXPENDITURES	3,533,491	9,891,396
OTHER FINANCING SOURCES (USES)		
Proceeds - debt issuance	9,000,000	-
Transfers in	2,100,000	1,095,145
TOTAL OTHER FINANCING SOURCES (USES)	11,100,000	1,095,145
NET CHANGE IN FUND BALANCE	\$ 8,321,195	\$ (8,386,667)
ASSETS		
Cash	\$ 9,039,752	\$ 4,011,592
Accounts receivable	-	102
Intergovernmental receivables	82,969	25,000
Prepaid expenditures	-	13,379
TOTAL ASSETS	9,122,721	4,050,073
LIABILITIES		
Interfund payables	-	2,151,941
Accounts payable	226,033	1,289,599
Unearned revenue	-	98,512
TOTAL LIABILITIES	226,033	3,540,052
FUND BALANCE		
Assigned	-	125,986
Restricted	8,896,688	384,035
	\$ 8,896,688	\$ 510,021

This schedule includes Capital Reserve & Campus Renovation Internal Funds.

Activity in 2020 includes the campus renovation project. The interfund payable includes amounts due to the general fund and resulted from not timely submitting invoices for reimbursement during 2020.

Unspent bond proceeds of \$384,035 are shown as restricted fund balance on December 31, 2020. The remaining fund balance relates to the capital reserve fund and is assigned for future capital expenditures.

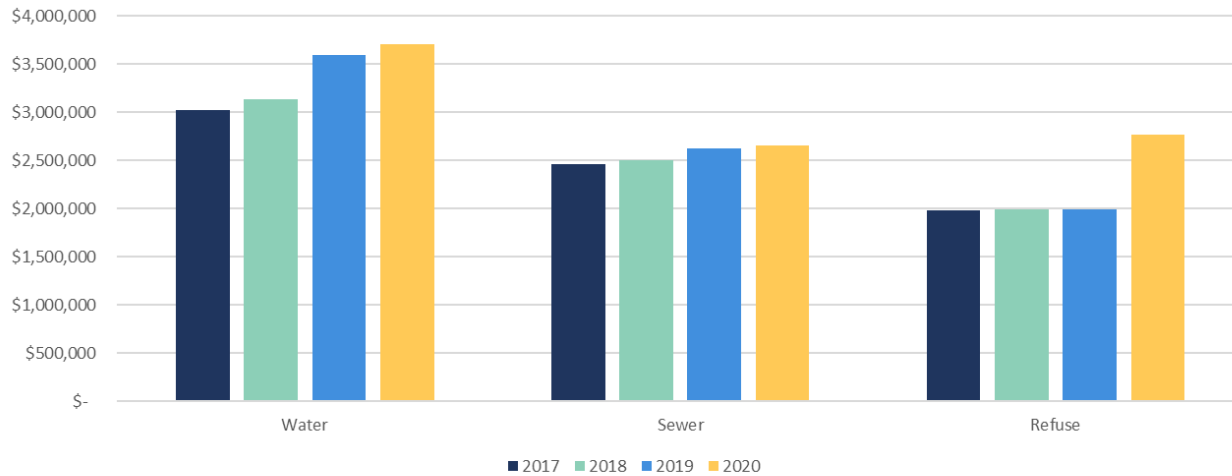
Proprietary Fund Activity

	Water	Sewer	Refuse
OPERATING REVENUES	\$ 3,808,139	\$ 2,732,089	\$ 2,797,624
OPERATING EXPENSES	3,128,605	2,505,047	2,686,326
NONOPERATING REVENUE (EXPENSES)	202,285	473,208	(299,512)
CHANGE IN NET POSITION	\$ 881,819	\$ 700,250	\$ (188,214)
NET POSITION			
Net investment in capital assets	7,742,213	7,483,267	11,500
Unrestricted	2,616,994	4,989,563	243,411
TOTAL NET POSITION	\$ 10,359,207	\$ 12,472,830	\$ 254,911

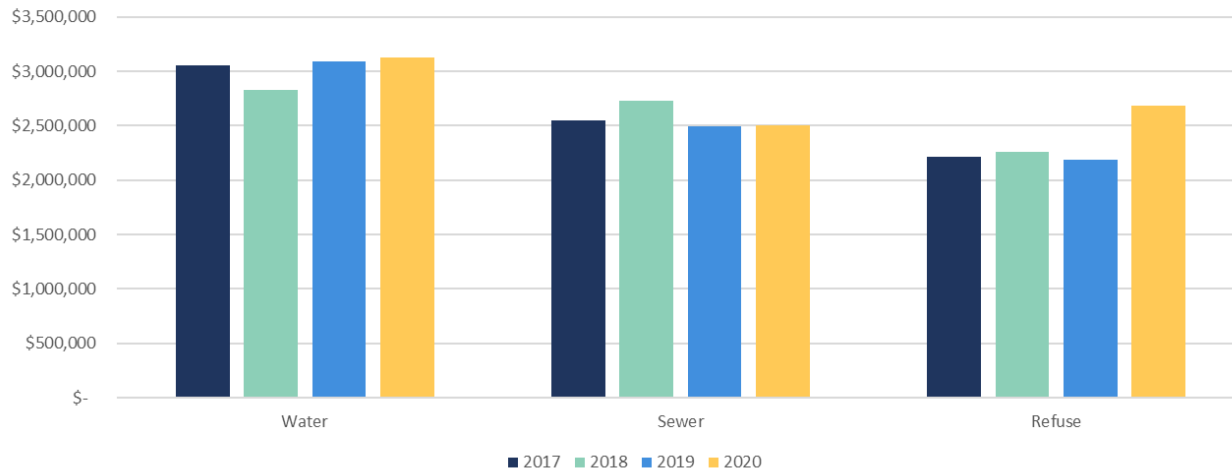
Proprietary funds have charges for services that meet or exceed the cost of providing those services. The Township has three such funds. The water and sewer fund represent the Authority activity as well as the allocation of the pension liability for Township employees.

Proprietary Fund Trends

Proprietary User Fees



Proprietary Expense Charges



Water and sewer charges for services and expenses are consistent with 2019. The increase in refuse charges for services reflects the increase in the quarterly rate. The increase in refuse expenses is a result of the change in contractors as part of contract renewals.

- With the implementation of 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

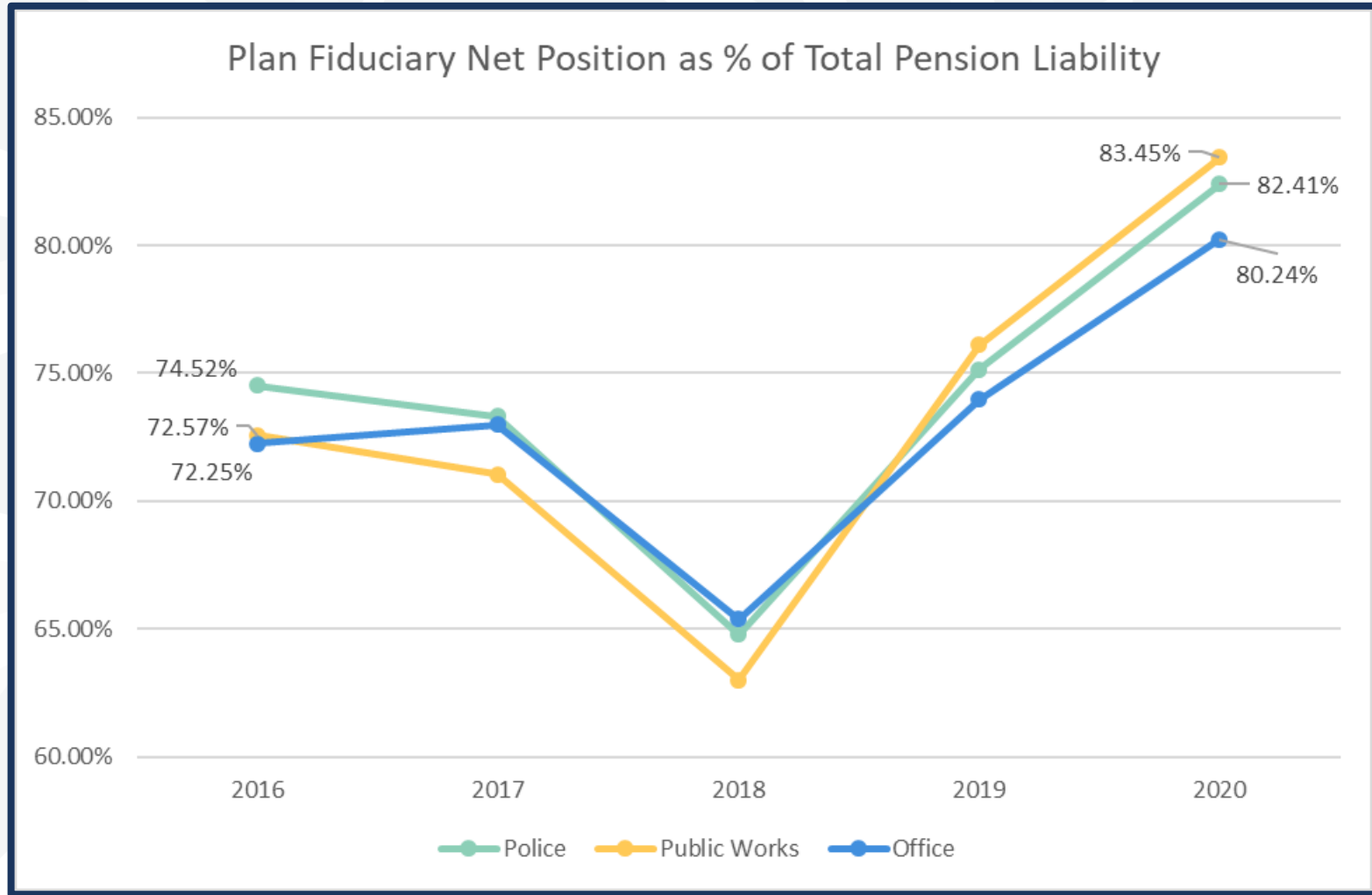
A combining schedule of the defined benefit pension funds is included within the financial report.

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
 - Cashier checks not timely deposited
- **Internal Controls - Significant Deficiencies**
 - Pension matters
 - Failure to timely complete and file required audits with the DCED
 - Escrow tracking
 - Accounts receivable tracking
 - Reimbursements for campus renovation expenditures
- **Internal Controls - Other**
 - Liquid fuels reporting
 - Fund balance policy
 - Internal controls/standard operating procedures

Communication Letter

- Difficulties in performing the audit
 - Reconciliations not prepared timely
- 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. 84 implemented for the year ended December 31, 2020 (Fiduciary Activities)
- 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.

- **Statement No. 87, *Leases*** - This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement is effective for the Township's fiscal year ending December 31, 2022.
- **Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*** - This statement establishes accounting requirements for interest cost incurred before the end of a construction period. This statement is effective for the Township's fiscal year ending December 31, 2022.

- **Statement No. 96, *Subscription-Based IT Arrangements*** - This statement establishes guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. This statement is effective for the Township's fiscal year ending December 31, 2023.

- **Statement No. 97**, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. Certain aspects of this statement are effective as of July 2020. The remaining aspects of this statement are effective for the Township's fiscal year ending December 31, 2022.

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

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