

**WASHINGTON TOWNSHIP BOARD OF AUDITORS
MEETING MINUTES
MAY 16, 2022**

A review of the 2021 Washington Township Audited Financial Statements took place beginning at 2:30 p.m. in the lower level of the township building in the Sandra S. Moser Community Room.

ROLL CALL

The following members were present: Supervisor, Rommie Long, Nick Bieber, Herbein + Company, Board of Auditors Members Elaine Pennington and William Piersol, Township Manager, Richard Sichler, Township Secretary, Susan Brown. There were no members of the public attending today's meeting.

AUDIT REVIEW

Mr. Nick Bieber, Manger, Herbein + Company, oversaw the overall audit for both the township and the authority for the year ending 2021. The audit is conducted under generally accepted auditing standards, modified cash basis. The auditor opinion is an unmodified opinion which is a clean opinion, the highest level that can be issued. Overall revenues for the year came in \$411,000 over budget which is a 22.8% variance. The key components of the overage are in EIT of \$81,000 over and the most significant component is the ARPA Funds, state and local fiscal recovery funds in the amount of \$226,000. The last item on the revenue side, the charges for services is about \$70,000 over which primarily relates to permit and subdivision plan fees.

The expenditures were about \$662,000 under budget, a 30.1% variance. This was in the general government category which has a variety of components. Legal and engineering were consistent with the prior year but were budgeted on the higher end with the most significant being \$210,000 in capital projects that did not occur during the 2021 year that were rolled into the 2022 budget. Also, in the expense side the public works, highway and streets came in \$185,000 under budget which was a combination of savings in wages as well as the 2021 road project coming in under budget and the truck purchase that did not occur. In total, the budget for the general fund for the year was budgeted for \$415,000 and the actual was a surplus of \$707,000. Elaine Pennington asked what the transferred-out amount of \$41,000 was for. Rich said he will check on this.

The overall six-year trend of the general fund, fund balance, the \$780,000 surplus increased the ending general fund, fund balance to just under \$3.6 million at year end. Comparing that amount to what the budget expenditures are for the 2022 year, was \$2.6 million dollars. Within the general fund, fund balance you have over a year's worth of budget expenditures. In the 2022 budget has planned for use of the \$527,000 of fund balance.

Within the general fund showing a six-year trend of the primary revenues for the general fund, which is the real estate taxes, EIT tax and real estate transfer tax. This overall represents about 68% of the township's general fund revenue for the year. Real estate and EIT taxes have been a continued positive growth, while transfer tax has remained relatively stable.

Significant items to note, state liquid fuels to the township was \$169,000 actual expenses related to that was \$136,000 which increased the balance in that fund from \$33,000 to \$163,000. Those funds can only be used for specific purposes allowed by the state. The traffic impact fund has come down to an ending balance of \$1.00 which was planned to no longer utilize this fund. There was nothing significant to note within the other funds for the year.

The sewer fund, modified cash bases, the total revenues total about \$2.1 million with expenses just under \$1 million. The debt payments are not shown as expenses because they are presented as reductions to the liability. Cash for the year did increase \$776,000 with an ending cash balance in the sewer fund of just over \$3 million. Debt principal was reduced by \$550,000 with the ending liability of \$7,670,000. There was a debt refunding within the 2021 year, with a net present value cash flow savings of just under \$700,000 over the course of the term. Ending with surplus for the year of \$215,000 which is an improvement from the prior year which showed a deficit of \$939,000. The past several years the sewer fund was presented with a deficit position but at this point with the surplus over the past several years, it has built up to a positive overall net position within the sewer fund. Items to note within the sewer fund, even with the reduction of the 8% in sewer rates in 2019, cash continued to grow and improve the net position. Of the \$3,056,000, \$2,096,000 has been Board designated for future debt reduction and capital improvements.

Statement of Activities in total shows a negative amount of \$1,092,000 which is the amount that must be funded from the general revenues which is primarily the property taxes. The general revenues of \$1.8 million resulted in overall increase within the governmental funds of \$728,000 bringing the total net position at the end of the year to \$3,786,000.

Mr. Bieber also reviewed the management letter for the authority. The ending cash balance in the fund is \$3,815 with \$6,000 owed to Washington Township. Since the Authority is no longer producing operating revenue, the funds will not be available to fund that liability to the township. The recommendation is to transfer what can be funded and the remaining balance is going to be written off and going forward instead of incurring expenses within the authority, the general fund of the township should be funding any minor costs that come through. Mr. Bieber asked if there has been a decision made to stop operating the authority. Rich indicated the authority must be kept operational because of the conduit financing with DeSales University. Supervisor Long stated this is the account which is incurring a monthly fee and asked if that has been addressed and Rich indicated it has not. Supervisor Long asked Rich to check into this matter. Two other items, which have been commented on in prior audit reports, are the

Borough of Bally treatment charges. Over the years, the billing of the Bally sewer treatment has not been charged in accordance with the agreement. The second item noted is staff cross training. Ms. Pennington asked who are authorized check signers. Rich stated two signatures are required on each check and he and the three supervisors are authorized check signers.

Mr. Bieber explained there are two additional letters, one is the communication with governance letter. This essentially says there were no difficulties performing the audit and attached are the audit adjustments. The adjustments were not significant and were not of an unusual nature. Ms. Pennington asked if the "supplement amount" the township has on hand typical of a township of this size. Mr. Bieber fund balance is on the higher end, but it depends what is in the works such as significant road projects. Ms. Pennington suggested lowering taxes. Rich explained with the uncertainty in the past two budget cycles due to COVID it was unpredictable to see how the township was going to fair. Mr. Bieber stated generally lowering taxes is not recommended. Keeping things stable is preferred since taxpayers have a harder time accepting a tax increase. Supervisor Long indicated there have been several delays in purchases in the past two years, however there have been several purchases this year due to failing equipment. The final letter is management representation letter which states everything requested during the course of the audit was provided by the township, nothing was withheld, actual answers were given and there is no knowledge of fraud or non-compliance was brought to Herbein's attention.

The audit exit concluded at approximately 3:00 p.m.

Respectfully submitted,

Susan J. Brown
Township Secretary