



**CHESTER COUNTY TAX
COLLECTION COMMITTEE**

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

CHESTER COUNTY TAX COLLECTION COMMITTEE

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INDEPENDENT AUDITOR'S REPORT

April 25, 2018

Members of the Management Committee
Chester County Tax Collection Committee
Downingtown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the Chester County Tax Collection Committee ("the Committee"), Downingtown, Pennsylvania, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Committee's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Members of the Management Committee
Chester County Tax Collection Committee

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Chester County Tax Collection Committee, Downingtown, Pennsylvania, as of December 31, 2017 and 2016, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Committee's basic financial statements. The budgetary comparison schedule on page 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The budgetary comparison schedule 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

Members of the Management Committee
Chester County Tax Collection Committee

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2018, on our consideration of the Committee'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 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 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 the Committee's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

CHESTER COUNTY TAX COLLECTION COMMITTEE

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

This discussion and analysis of the Chester County Tax Collection Committee ("CCTCC") of Chester County, Pennsylvania, provides an overview of the CCTCC's performance for the years ended December 31, 2017 and 2016. Please read it in conjunction with the CCTCC's financial statements, which begin on page 9.

The purpose of the CCTCC is to oversee collection and to appoint a tax collector to collect, within the Tax Collection District, earned income tax, local services tax, and other taxes. Act 32 requires the CCTCC to assume jurisdiction over earned income tax. Act 32 also allows the CCTCC to assume jurisdiction over other taxes. The CCTCC shall assume jurisdiction over local services tax levied by those taxing authorities that have signed and provided the documentation required by the CCTCC. The CCTCC may also in the future assume jurisdiction over other taxes.

FINANCIAL HIGHLIGHTS

- In 2017, the CCTCC received \$30,000 in committee member allocation, consistent with the amount received in 2016.
- As of December 31, 2017, the CCTCC reported ending net position of \$38,763, a decrease of \$8,812 as compared to December 31, 2016. As of December 31, 2016, the CCTCC reported ending net position of \$47,575, a decrease of \$12,420 as compared to December 31, 2015.

USING THIS ANNUAL REPORT

This annual report consists of three parts: management's discussion and analysis, financial statements, and supplementary information. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The financial statements report information about the CCTCC using full accrual accounting methods as utilized by similar business activities in the private sector. These statements offer both short-term and long-term financial information about its activities.

The statement of net position includes all of the CCTCC's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations (liabilities). It also provides the basis for evaluating the capital structure of the CCTCC and assessing the liquidity and financial flexibility of the CCTCC. All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position. The statement of cash flows provides information about the CCTCC's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and related financing activities; and provides answers to such questions as, "From where did cash come?;" "For what was cash used?;" and "What was the change in cash balance during the reporting period?"

CHESTER COUNTY TAX COLLECTION COMMITTEE

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

FINANCIAL ANALYSIS OF THE COMMITTEE

One of the most important questions asked about the CCTCC's finances is, "Is the CCTCC better or worse off as a result of the year's activities?" The statement of net position and statement of revenues, expenses, and changes in net position report information about the CCTCC's activities in a way that will help answer this question. These two statements report the net position of the CCTCC and changes in net position. The reader can think of the CCTCC's net position (the difference between assets and liabilities) as one way to measure financial health or financial position. Over time, increases or decreases in the CCTCC's net position is one indicator of whether its financial health is improving or deteriorating. However, the reader will need to also consider other nonfinancial factors such as changes in economic conditions, population growth, and new or changed legislation.

The CCTCC's assets exceeded liabilities by \$38,763 at the close of 2017; by \$47,575 at the close of 2016; and by \$59,995 at the close of 2015. Our analysis focuses on the assets (Table 1) and the changes in net position (Table 2) of the CCTCC.

| TABLE 1 | | | |
|---|------------------|------------------|------------------|
| CHESTER COUNTY TAX COLLECTION COMMITTEE'S NET POSITION | | | |
| DECEMBER 31, 2017, 2016, AND 2015 | | | |
| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| Cash | \$ 49,276 | \$ 50,689 | \$ 78,487 |
| Prepaid expenses | - | 500 | 8 |
| Total Assets | <u>49,276</u> | <u>51,189</u> | <u>78,495</u> |
| Accounts payable | <u>10,513</u> | <u>3,614</u> | <u>18,500</u> |
| Total Liabilities | <u>10,513</u> | <u>3,614</u> | <u>18,500</u> |
| Net Position: | | | |
| Unrestricted | <u>38,763</u> | <u>47,575</u> | <u>59,995</u> |
| Total Net Position | <u>\$ 38,763</u> | <u>\$ 47,575</u> | <u>\$ 59,995</u> |

As of December 31, 2017, 2016, and 2015, the largest portion of the CCTCC's net position reflects its available cash. The majority of the accounts payable of the CCTCC was incurred for administrative fees.

The CCTCC is a governmental entity created, organized, and required to appoint a tax collector to collect earned income tax and possibly other taxes throughout the CCTCC District. Revenues for the CCTCC include committee member allocations from the taxing authorities of Chester County and interest income.

CHESTER COUNTY TAX COLLECTION COMMITTEE

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

At the end of 2017, 2016, and 2015, the CCTCC is able to report a positive balance in net position for each year. The revenues for the CCTCC for the years ended 2017, 2016, and 2015 remained relatively consistent.

The CCTCC's unrestricted net position may be used to meet the CCTCC's operating expenses. During 2017, the CCTCC's expenses were \$3,473 less than in 2016. During 2016, the CCTCC's expenses were \$2,207 more than in 2015.

Table 2 shows the changes in net position for the years ended December 31, 2017, 2016, and 2015.

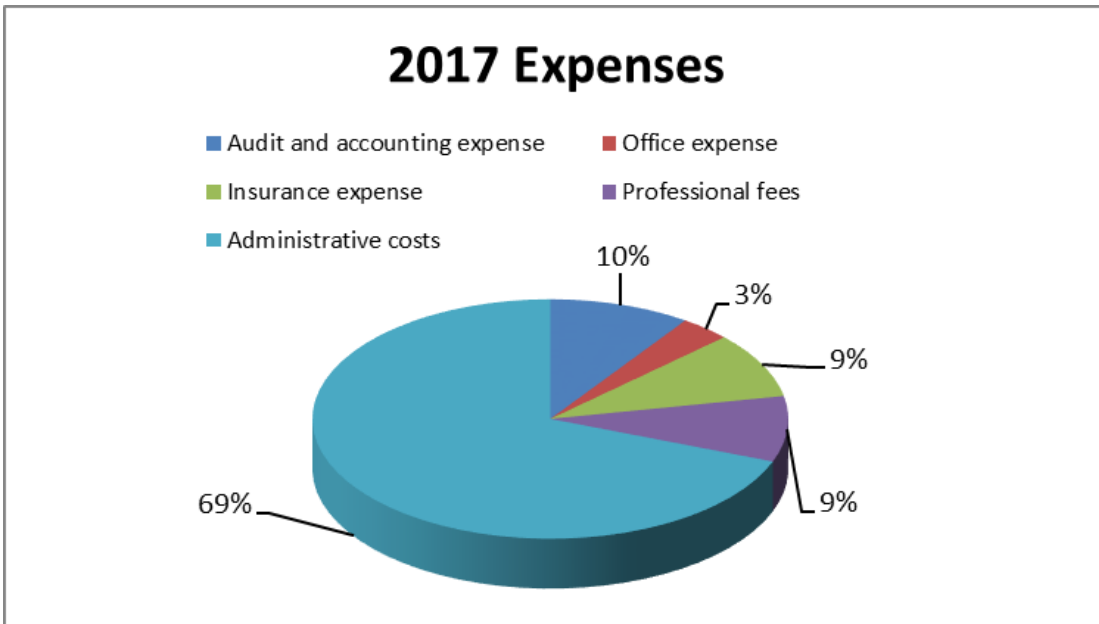
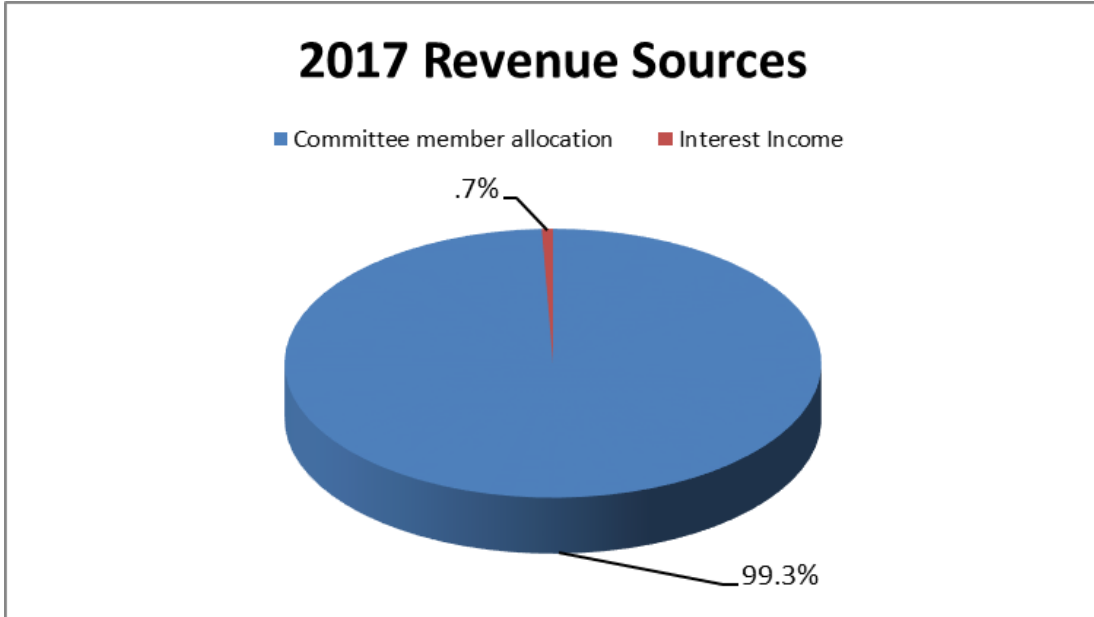
| TABLE 2 | | | |
|---|------------------|------------------|------------------|
| CHESTER COUNTY TAX COLLECTION COMMITTEE'S CHANGE IN NET POSITION | | | |
| FOR THE YEARS ENDED DECEMBER 31, 2017, 2016, AND 2015 | | | |
| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| Revenues: | | | |
| Committee member allocation | \$ 30,000 | \$ 30,000 | \$ 30,000 |
| Interest income | 202 | 67 | 78 |
| Total Revenues | <u>30,202</u> | <u>30,067</u> | <u>30,078</u> |
| Expenses: | | | |
| Audit and accounting expense | 3,750 | 3,600 | 3,500 |
| Office expense | 1,339 | 1,704 | 307 |
| Insurance expense | 3,470 | 3,258 | 3,205 |
| Professional fees | 3,455 | 6,675 | 2,955 |
| Administrative costs | 27,000 | 27,250 | 30,313 |
| Total Expenses | <u>39,014</u> | <u>42,487</u> | <u>40,280</u> |
| Change in Net Position | (8,812) | (12,420) | (10,202) |
| Net Position, January 1 | <u>47,575</u> | <u>59,995</u> | <u>70,197</u> |
| Net Position, December 31 | <u>\$ 38,763</u> | <u>\$ 47,575</u> | <u>\$ 59,995</u> |

As indicated by the following graphs, for 2017, committee member allocation accounted for almost all (99.3 percent) of the total revenues of CCTCC. Interest income makes up the remainder of total revenues. Professional fees accounted for approximately nine percent of the total expenses of CCTCC. Administrative costs accounted for approximately 69 percent of the total expenses of CCTCC, while audit and accounting expense accounted for approximately 10 percent of the total expenses of the CCTCC.

Other expenses include office expense and insurance expense, which make up approximately three and nine percent, respectively, of total expenses of CCTCC.

CHESTER COUNTY TAX COLLECTION COMMITTEE

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)



CHESTER COUNTY TAX COLLECTION COMMITTEE

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

Capital Assets

The CCTCC does not have any capital assets.

Long-term Debt

The CCTCC does not have any long-term debt outstanding.

ECONOMIC FACTORS AND BUDGET

In preparation of the fiscal year 2018 budget, there were no changes to the procedures behind creating the budget. The budget is based upon the future needs of funds to meet the expenses of the CCTCC. Total revenues are budgeted at \$30,150, and total expenses are budgeted at \$41,000 for fiscal year 2017. This represents a net decrease of \$10,850 to net position.

ON-GOING PROJECTS

The CCTCC does not have any currently on-going projects.

REQUESTS FOR INFORMATION

This financial report was designed to provide a general overview of the CCTCC's finances for those with an interest in the government's finances. Questions concerning any of the information provided herein or requests for additional financial information should be addressed to: Administrator, Chester County Tax Collection Committee, 455 Boot Road, Downingtown, PA 19335 or by telephone at 484-237-5043.

**CHESTER COUNTY TAX COLLECTION COMMITTEE
STATEMENTS OF NET POSITION
DECEMBER 31, 2017 AND 2016**

| | 2017 | 2016 |
|---|------------------|------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash | \$ 49,276 | \$ 50,689 |
| Prepaid expenses | - | 500 |
| TOTAL ASSETS | \$ 49,276 | \$ 51,189 |
| LIABILITIES AND NET POSITION | | |
| Current Liabilities: | | |
| Accounts payable | \$ 10,513 | \$ 3,614 |
| TOTAL LIABILITIES | 10,513 | 3,614 |
| Net Position: | | |
| Unrestricted | 38,763 | 47,575 |
| TOTAL NET POSITION | 38,763 | 47,575 |
| TOTAL LIABILITIES AND NET POSITION | \$ 49,276 | \$ 51,189 |

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

CHESTER COUNTY TAX COLLECTION COMMITTEE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|---------------------------------|------------------|------------------|
| OPERATING REVENUES: | | |
| Committee member allocation | \$ 30,000 | \$ 30,000 |
| TOTAL OPERATING REVENUES | <u>30,000</u> | <u>30,000</u> |
| OPERATING EXPENSES: | | |
| Audit and accounting expense | 3,750 | 3,600 |
| Office expense | 1,339 | 1,704 |
| Insurance expense | 3,470 | 3,258 |
| Professional fees | 3,455 | 6,675 |
| Administrative costs | 27,000 | 27,250 |
| TOTAL OPERATING EXPENSES | <u>39,014</u> | <u>42,487</u> |
| OPERATING LOSS | <u>(9,014)</u> | <u>(12,487)</u> |
| NONOPERATING REVENUE: | | |
| Interest income | 202 | 67 |
| TOTAL NONOPERATING REVENUE | <u>202</u> | <u>67</u> |
| CHANGE IN NET POSITION | (8,812) | (12,420) |
| NET POSITION, BEGINNING OF YEAR | <u>47,575</u> | <u>59,995</u> |
| NET POSITION, END OF YEAR | <u>\$ 38,763</u> | <u>\$ 47,575</u> |

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

**CHESTER COUNTY TAX COLLECTION COMMITTEE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Receipts from committee members | \$ 30,000 | \$ 30,000 |
| Payments to suppliers for goods and services | <u>(31,615)</u> | <u>(57,865)</u> |
| NET CASH USED BY OPERATING ACTIVITIES | <u>(1,615)</u> | <u>(27,865)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Investment income | <u>202</u> | <u>67</u> |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>202</u> | <u>67</u> |
| NET DECREASE IN CASH | (1,413) | (27,798) |
| CASH, BEGINNING OF YEAR | <u>50,689</u> | <u>78,487</u> |
| CASH, END OF YEAR | <u>\$ 49,276</u> | <u>\$ 50,689</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net operating loss | \$ (9,014) | \$ (12,487) |
| Adjustments to reconcile change in net operating loss to net cash used by operating activities: | | |
| Decrease (Increase) in assets: | | |
| Prepaid expenses | 500 | (492) |
| Increase (Decrease) in liabilities: | | |
| Accounts payable | <u>6,899</u> | <u>(14,886)</u> |
| NET CASH USED BY OPERATING ACTIVITIES | <u>\$ (1,615)</u> | <u>\$ (27,865)</u> |

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

CHESTER COUNTY TAX COLLECTION COMMITTEE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 BACKGROUND AND PURPOSE

Background

The Chester County Tax Collection Committee (“the Committee”) is a government entity created and organized under Act 32 of 2008, which amended and restated the Local Tax Enabling Act. Under Act 32, the Committee is required to appoint a tax collector to collect income tax and possibly other taxes throughout the Chester County Tax Collection District, and to oversee the appointed tax collector’s collection within the Tax Collection District.

The following school districts and municipalities are within the Tax Collection District. These school districts and municipalities are considered “taxing authorities.”

| | |
|--------------------------------------|--|
| Avon Grove School District | Kennett Square Borough |
| Avondale Borough | Kennett Township |
| Birmingham Township | London Britain Township |
| Caernarvon Township | London Grove Township |
| Caln Township | Lower Oxford Township |
| Chadds Ford Township | Malvern Borough |
| Charlestown Township | Modena Borough |
| Coatesville Area School District | New Garden Township |
| Coatesville City | New London Township |
| Downingtown Area School District | New Morgan Borough |
| Downingtown Borough | Newlin Township |
| East Bradford Township | North Coventry Township |
| East Brandywine Township | Owen J. Roberts School District |
| East Caln Township | Oxford Area School District |
| East Coventry Township | Oxford Borough |
| East Fallowfield Township | Penn Township |
| East Goshen Township | Pennsbury Township |
| East Marlborough Township | Phoenixville Area School District |
| East Nantmeal Township | Phoenixville Borough |
| East Nottingham Township | Pocopson Township |
| East Pikeland Township | Robeson Township |
| East Vincent Township | Sadsbury Township |
| East Whiteland Township | Schuylkill Township |
| Easttown Township | South Coatesville Borough |
| Elk Township | South Coventry Township |
| Elverson Borough | Thornbury Township - Chester County |
| Franklin Township | Thornbury Township - Delaware County |
| Great Valley School District | Tredyffrin Township |
| Honey Brook Borough | Tredyffrin-Easttown School District |
| Honey Brook Township | Twin Valley School District |
| Kennett Consolidated School District | Unionville-Chadds Ford School District |

CHESTER COUNTY TAX COLLECTION COMMITTEE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 BACKGROUND AND PURPOSE (cont'd)

| | |
|-----------------------------------|---------------------------|
| Upper Oxford Township | West Goshen Township |
| Upper Uwchlan Township | West Grove Borough |
| Uwchlan Township | West Marlborough Township |
| Valley Township | West Nantmeal Township |
| Wallace Township | West Nottingham Township |
| Warwick Township | West Pikeland Township |
| West Bradford Township | West Vincent Township |
| West Brandywine Township | West Whiteland Township |
| West Caln Township | Westtown Township |
| West Chester Area School District | Willistown Township |
| West Chester Borough | |

Purpose

The purpose of the Committee is to oversee collection and to appoint a tax collector to collect, within the Tax Collection District, earned income tax, local services tax, and other taxes. Act 32 requires the Committee to assume jurisdiction over earned income tax. Act 32 also allows the Committee to assume jurisdiction over other taxes. The Committee shall assume jurisdiction over local services tax levied by those taxing authorities that have signed and provided the documentation required by the Committee. The Committee may also in the future assume jurisdiction over other taxes.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Committee complies with generally accepted accounting principles ("GAAP"). GAAP includes all relevant Governmental Accounting Standards Board ("GASB") pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Reporting Entity

For financial reporting purposes, the primary government of the Committee includes all boards that make up the Committee's legal entity.

Basis of Presentation

The statement of net position and the statement of activities display information about the Committee as a whole.

CHESTER COUNTY TAX COLLECTION COMMITTEE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The financial statements are prepared using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

The Committee adheres to the provisions of the *GASB Codification of Governmental Accounting and Financial Reporting Standards*, which establishes standards for external financial reporting for all state and local governmental entities, which includes a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. It requires the classification of net position into three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. It is comprised of assets, net of related liabilities, that are required to be set aside by revenue bond covenants for operations, maintenance, and renewal and replacements.
- **Unrestricted** – This component of net position consists of net position that does not meet the definition of “net investment in capital assets” or “restricted.” Administrative expenses are paid with the use of unrestricted resources.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are presented and approved at the annual meeting for all of the Committee delegates. Annual appropriations lapse at the end of the fiscal year. For 2017, there were no budgetary amendments.

Cash

The Committee's cash is considered to be cash held in the bank.

CHESTER COUNTY TAX COLLECTION COMMITTEE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenues and Expenses

Revenues and expenses are distinguished between operating and nonoperating items. Operating revenues generally result from providing services in connection with the Committee's principal ongoing operations. The principal operating revenues of the Committee are committee member allocations.

Operating expenses include mostly administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Committee's policy is to apply restricted net position first.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Currently, there are no estimates used in the financial statements.

NOTE 3 DEPOSITS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2017, the carrying amount of the Committee's deposits was \$49,276, and the bank balance was \$49,276. All of the bank balance was covered by federal depository insurance. At December 31, 2016, the carrying amount of the Committee's deposits was \$50,689, and the bank balance was \$50,689. All of the bank balance was covered by federal depository insurance.

NOTE 4 RELATED PARTY TRANSACTIONS

The Committee is involved in various transactions with the Chester County Intermediate Unit ("CCIU"), which could be a related party because of shared Board members. Both the Board of Directors of the Committee and CCIU are comprised of representatives from various Chester

CHESTER COUNTY TAX COLLECTION COMMITTEE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 RELATED PARTY TRANSACTIONS (cont'd)

County school districts. As of December 31, 2017 and 2016, no Board member served on both the CCIU and Committee's Board of Directors.

The CCIU provides general and administrative services to the Committee for its operations. For the years ended December 31, 2017 and 2016, the Committee was responsible for reimbursing the CCIU \$27,000 and \$27,250, respectively, for general and administrative services provided. Of these amounts, \$6,750 and \$0 were payable to the CCIU as of December 31, 2017 and 2016, respectively.

The CCIU is contracted to provide these services to the Committee through January 31, 2020. Future payments to the CCIU are as follows:

Year Ending December 31,

| | |
|-------|------------------|
| 2018 | \$ 27,000 |
| 2019 | 27,000 |
| 2020 | <u>2,250</u> |
| Total | <u>\$ 56,250</u> |

NOTE 5 SUBSEQUENT EVENTS

The Committee has evaluated all subsequent events through April 25, 2018, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**CHESTER COUNTY TAX COLLECTION COMMITTEE
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2017**

| | Budget | Actual | Variance with Final Budget Positive (Negative) |
|---------------------------------|-----------|-----------|--|
| REVENUES | | | |
| Committee member allocation | \$ 30,000 | \$ 30,000 | \$ - |
| Interest income | 150 | 202 | 52 |
| TOTAL REVENUES | 30,150 | 30,202 | 52 |
| EXPENSES | | | |
| Audit and accounting expense | 3,500 | 3,750 | (250) |
| Office expense | 1,250 | 1,339 | (89) |
| Contingency | 500 | - | 500 |
| Meeting expenses | 250 | - | 250 |
| Insurance expense | 3,500 | 3,470 | 30 |
| Professional fees | 3,000 | 3,455 | (455) |
| Administrative costs | 27,000 | 27,000 | - |
| TOTAL EXPENSES | 39,000 | 39,014 | (14) |
| CHANGE IN NET POSITION | (8,850) | (8,812) | 38 |
| NET POSITION, BEGINNING OF YEAR | 47,575 | 47,575 | - |
| NET POSITION, END OF YEAR | \$ 38,725 | \$ 38,763 | \$ 38 |

OTHER REPORT

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

April 25, 2018

Members of the Management Committee
Chester County Tax Collection Committee
Downingtown, Pennsylvania

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 the Chester County Tax Collection Committee ("the Committee"), Downingtown, Pennsylvania, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Committee's basic financial statements, and have issued our report thereon dated April 25, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Committee's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Committee's internal control. Accordingly, we do not express an opinion on the effectiveness of the Committee'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 Committee'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.

Members of the Management Committee
Chester County Tax Collection Committee

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Committee'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP