

**CHESTER COUNTY TAX
COLLECTION COMMITTEE**

**TAX OFFICER,
KEYSTONE COLLECTIONS GROUP**

FINANCIAL REPORT

DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Committee Members
Chester County Tax Collection Committee
Downingtown, Pennsylvania

Report on the Financial Statement

We have audited the accompanying financial statement of Chester County Tax Collection Committee's ("TCC") Tax Officer, Keystone Collections Group, which comprise the statement of cash receipts, cash disbursements and cash balances as of December 31, 2018, and the related notes to the financial statement for the year then ended.

Management's Responsibility for the Financial Statement

Chester County TCC's Tax Officer, Keystone Collections Group's management is responsible for the preparation and fair presentation of the financial statement in accordance with the TCC's accounting policies consistently applied and in conformity with the cash basis of accounting and Pennsylvania Act 32 of 2008. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit 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 above referenced financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

Opinion

In our opinion, the statement of cash receipts, cash disbursements and cash balances referred to above presents fairly, in all material respects, the cash receipts and cash disbursements of Chester County Tax Collection Committee's ("TCC") Tax Officer, Keystone Collections Group for the year ended December 31, 2018, and its cash balance as of December 31, 2018, on the cash basis of accounting described in Note 1.

Basis of Accounting

We draw your attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement that comprises the Chester County TCC's Tax Officer, Keystone Collections Group's basic financial statement. The accompanying Schedules of Supplementary Information, as required by Pennsylvania Act 32 of 2008, are presented for the purpose of additional analysis and are not a required part of the above referenced financial statement of Chester County TCC's Tax Officer, Keystone Collections Group.

Such information is the responsibility of Chester County TCC's Tax Officer, Keystone Collections Group's management and was derived from and relates directly to the underlying accounting and other records used to prepare the above referenced financial statement. The information has been subjected to the auditing procedures applied in the audit of the above referenced financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the above referenced financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2019, on our consideration of Chester County TCC's Tax Officer, Keystone Collections Group's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 the 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 Chester County TCC's Tax Officer, Keystone Collections Group's internal control over financial reporting and compliance.



Camp Hill, Pennsylvania
April 12, 2019

**CHESTER COUNTY TAX COLLECTION COMMITTEE
TAX OFFICER - KEYSTONE COLLECTIONS GROUP**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CASH BALANCES**

Year Ended December 31, 2018

COLLECTIONS AND RECEIPTS

Resident EIT Received from Employers/Taxpayers within the TCD	\$ 110,922,394
Resident EIT Received from Other TCDs	50,048,207
Non-Resident EIT Received for Political Subdivisions within the TCD	22,827,370
Non-Resident EIT Received for Other TCDs	45,744,625
Delinquent Earned Income Taxes Collected	4,153,538
Open Space Received From Employers/Taxpayers within the TCD	10,606,461
Open Space Received from Other TCDs	5,287,707
Non-Resident Open Space Received for Other TCDs	1,970,519
Delinquent Open Space Tax Collected	445,425
Costs Recovered by Tax Officer (Under Act 192)	480,441
Unidentified Collections	837

TOTAL COLLECTIONS AND RECEIPTS

252,487,524

DISTRIBUTIONS AND DISBURSEMENTS

EIT Distributions to TCD Members	
Coatesville Area School District	8,158,093
Downingtown Area School District	16,395,882
Kennett Consolidated School District	4,501,439
Owen J. Roberts School District	7,125,473
Oxford Area School District	2,795,623
Phoenixville Area School District	6,802,636
Twin Valley School District	3,414,979
West Chester Area School District	20,987,579
Avondale Borough	313,686
Downingtown Borough	1,311,712
Elverson Borough	164,190
Honey Brook Borough	219,619
Kennett Square Borough	1,232,264
Malvern Borough	1,835,771
Modena Borough	38,973

(Continued)

**CHESTER COUNTY TAX COLLECTION COMMITTEE
TAX OFFICER - KEYSTONE COLLECTIONS GROUP**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CASH BALANCES (Continued)
Year Ended December 31, 2018**

DISTRIBUTIONS AND DISBURSEMENTS (Continued)

EIT Distributions to TCD Members (Continued)

New Morgan Borough	7,268
Oxford Borough	585,943
Phoenixville Borough	3,139,649
South Coatesville Borough	223,999
West Chester Borough	3,746,746
West Grove Borough	676,024
Caernarvon Township	936,230
Caln Township	2,307,795
Charlestown Township	3,915,533
Coatesville City	3,633,182
East Bradford Township	3,427,882
East Brandywine Township	2,556,958
East Caln Township	1,185,426
East Coventry Township	1,816,267
East Fallowfield Township	1,203,081
East Goshen Township	4,893,999
East Nantmeal Township	701,610
East Nottingham Township	1,833,705
East Pikeland Township	2,412,771
East Vincent Township	2,258,032
East Whiteland Township	6,350,407
Elk Township	421,133
Franklin Township	697,935
Honey Brook Township	1,792,547
Kennett Township	3,517,737
London Grove Township	2,010,661
Lower Oxford Township	959,299
New Garden Township	3,089,378
New London Township	978,783

(Continued)

**CHESTER COUNTY TAX COLLECTION COMMITTEE
TAX OFFICER - KEYSTONE COLLECTIONS GROUP**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CASH BALANCES (Continued)
Year Ended December 31, 2018**

DISTRIBUTIONS AND DISBURSEMENTS (Continued)

EIT Distributions to TCD Members (Continued)

Newlin Township	351,795
North Coventry Township	2,036,984
Penn Township	750,021
Pennsbury Township	637,129
Pocopson Township	955,197
Robeson Township	1,134,367
Sadsbury Township	613,821
Schuylkill Township	3,783,166
South Coventry Township	500,699
Thornbury Twp., Chester County	967,299
Thornbury Twp., Delaware County	1,638,339
Upper Oxford Township	636,998
Upper Uwchlan Township	3,588,078
Uwchlan Township	5,577,557
Valley Township	1,029,923
Wallace Township	873,490
Warwick Township	737,781
West Bradford Township	3,646,731
West Brandywine Township	1,424,420
West Caln Township	1,232,701
West Goshen Township	8,225,989
West Marlborough Township	117,107
West Nantmeal Township	387,518
West Nottingham Township	380,527
West Pikeland Township	2,225,719
West Vincent Township	2,697,093
West Whiteland Township	5,702,053
Westtown Township	2,785,273
Willistown Township	7,183,074
Total EIT Distributions to TCD Members	<u>198,398,748</u>

(Continued)

**CHESTER COUNTY TAX COLLECTION COMMITTEE
TAX OFFICER - KEYSTONE COLLECTIONS GROUP**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CASH BALANCES (Continued)
Year Ended December 31, 2018**

DISTRIBUTIONS AND DISBURSEMENTS (Continued)

EIT Distributions to Other TCDS (Note 3)	47,715,144
Taxpayer Refunds - Current and Delinquent	3,000,704
Taxpayer Open Space Refunds	240,486
Tax Officer Commission	2,365,797
Tax Officer Open Space Commission	205,144
Unpaid EIT Invoices and/or Disbursement Adjustments	(25,314)
Unpaid Open Space Invoices and/or Disbursement Adjustments	(2,137)
TCD Operational Fees	30,000
Costs Retained by Tax Officer (Under Act 192)	480,441
Postage and/or Costs Advanced	96,855
	<hr/>
TOTAL DISTRIBUTIONS AND DISBURSEMENTS	252,505,868
	<hr/>
Less: Unidentified Collections	837
COLLECTIONS AND RECEIPTS OVER/(UNDER) DISTRIBUTIONS AND DISBURSEMENTS AND UNIDENTIFIED COLLECTIONS	(19,181)
Cash Balance - January 1, 2018	1,398,397
Cash Balance - December 31, 2018	<u><u>\$ 1,379,216</u></u>

See Notes to Financial Statement.

**CHESTER COUNTY TAX COLLECTION COMMITTEE
TAX OFFICER - KEYSTONE COLLECTIONS GROUP**

NOTES TO FINANCIAL STATEMENT

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities: Chester County TCC is the Tax Collection Committee representing all taxing jurisdictions within the Chester County Tax Collection District within the Commonwealth of Pennsylvania, as defined by Pennsylvania Act 32 of 2008. The Committee is comprised of representatives from each taxing jurisdiction. All action of the Committee is approved by the representatives using a weighted voting system based on each taxing jurisdiction's percentage of earned income tax revenue and population. The Committee is responsible for overseeing the collection and distribution of earned income and net profit taxes within the Tax Collection District.

Members of the Tax Collection District (TCD) are comprised of all school districts and municipalities within the geographic boundaries of the TCD. Non-members are entities not included within the geographic boundaries of the TCD.

Chester County TCC has contracted with Keystone Collections Group to collect and distribute the earned income and net profit taxes within the Chester County Tax Collection District. Pennsylvania Act 32 of 2008 requires an audit of the receipts and disbursements of these taxes by an independent certified public accountant. This report is intended to meet that requirement.

Summary of Significant Accounting Policies: Chester County TCC's Tax Officer, Keystone Collections Group, maintains financial records related to the Earned Income Tax transactions on the cash basis of accounting which recognizes collections and other receipts when received and disbursements when paid. The accompanying financial statement is prepared in conformity with the cash basis of accounting. Therefore, the statement is not intended to present the financial position or results of operations of Chester County TCC's Tax Officer, Keystone Collections Group in conformity with accounting principles generally accepted in the United States of America.

Subsequent Events: In preparing this financial statement, the Chester County TCC's Tax Officer, Keystone Collections Group has evaluated events and transactions for potential recognition and disclosure through April 12, 2019, the date the financial statement was available to be issued.

Note 2. Cash Balance and Concentration of Credit Risk

The Tax Officer maintains an interest-bearing escrow account that is insured to the maximum by the U.S. Federal Deposit Insurance Corporation ("FDIC"). Amounts over the FDIC insured limit are collateralized dollar for dollar by the bank as required by the Commonwealth of Pennsylvania Act 72 of 1971 to protect public funds.

Deposits of governmental entities in excess of Federal Depository Insurance limits are required to be secured by pledged collateral either on a pooled or separate basis. These may be bonds of the United States, any State or Commonwealth of the United States, or bonds of any political subdivision of Pennsylvania, or the general state authority or other authorities created by the General Assembly of the Commonwealth of Pennsylvania. The Federal Reserve Bank does not consider earned income tax officers such as Keystone Collections Group to be governmental entities; rather it considers the tax officer to be a collection agency. The accounts are held in trust for the TCC political subdivisions under State law, and therefore constitute public funds. These uninsured deposits of \$1,379,216 are collateralized under Act 72 of 1971, with securities held by the pledging financial institution, or its trust department or agent, in the name of the TCC's designated tax officer.

**CHESTER COUNTY TAX COLLECTION COMMITTEE
TAX OFFICER - KEYSTONE COLLECTIONS GROUP**

NOTES TO FINANCIAL STATEMENT

Note 2. Cash Balance and Concentration of Credit Risk (Continued)

The cash balance consists of collections held, in escrow, pending receipt of monthly, quarterly or annual reports identifying amounts due to the appropriate member of Chester County TCC or other Tax Collection Districts. The cash balance at December 31, 2018, for members of the Chester County TCC, totaled \$1,379,216. The following are the entities for which money was held at December 31, 2018, and the amount held for each of those entities.

Members of Chester County TCD	Amount
Coatesville Area School District	\$ 61,941
Downingtown Area School District	91,600
Kennett Consolidated School District	21,249
Owen J Roberts School District	53,831
Oxford Area School District	25,137
Phoenixville Area School District	58,301
Twin Valley School District	32,659
West Chester Area School District	131,525
Avondale Borough	3,971
Downingtown Borough	4,671
Elverson Borough	1,637
Honey Brook Borough	1,662
Kennett Square Borough	3,628
Malvern Borough	9,035
Modena Borough	360
New Morgan Borough	245
Oxford Borough	7,290
Phoenixville Borough	24,779
South Coatesville Borough	1,058
West Chester Borough	9,136
West Grove Borough	7,027
Caernarvon Township	8,241
Caln Township	14,386
Charlestown Township	28,488
Coatesville City	17,007
East Bradford Township	28,068
East Brandywine Township	15,195
East Caln Township	6,399
East Coventry Township	18,537

(Continued)

**CHESTER COUNTY TAX COLLECTION COMMITTEE
TAX OFFICER - KEYSTONE COLLECTIONS GROUP**

NOTES TO FINANCIAL STATEMENT

Note 2. Cash and Concentration of Credit Risk (Continued)

Members of Chester County TCD (Continued)	Amount
East Fallowfield Township	22,725
East Goshen Township	29,273
East Nantmeal Township	6,997
East Nottingham Township	20,585
East Pikeland Township	23,380
East Vincent Township	17,984
East Whiteland Township	19,350
Elk Township	5,011
Franklin Township	8,490
Honey Brook Township	10,291
Kennett Township	14,986
London Grove Township	38,988
Lower Oxford Township	8,129
New Garden Township	13,481
New London Township	30,753
Newlin Township	3,636
North Coventry Township	20,088
Penn Township	6,262
Pennsbury Township	2,271
Pocopson Township	4,275
Robeson Township	16,344
Sadsbury Township	4,436
Schuylkill Township	30,790
South Coventry Township	4,566
Thornbury Township (Chester County)	7,086
Thornbury Township (Delaware County)	8,180
Upper Oxford Township	9,614
Upper Uwchlan Township	23,842
Uwchlan Township	30,085
Valley Township	6,175
Wallace Township	4,958
Warwick Township	5,192
West Bradford Township	16,107
West Brandywine Township	10,878

(Continued)

**CHESTER COUNTY TAX COLLECTION COMMITTEE
TAX OFFICER - KEYSTONE COLLECTIONS GROUP**

NOTES TO FINANCIAL STATEMENT

Note 2. Cash and Concentration of Credit Risk (Continued)

Members of Chester County TCD (Continued)	Amount
West Caln Township	7,074
West Goshen Township	29,403
West Marlborough Township	567
West Nantmeal Township	3,249
West Nottingham Township	2,697
West Pikeland Township	19,479
West Vincent Township	18,200
West Whiteland Township	25,047
Westtown Township	14,375
Willistown Township	86,854
Total	\$ 1,379,216

Note 3. Disbursements to Non-Members of Chester County TCD

The following details the distributions to non-member TCDs as presented in the Statement of Cash Receipts, Cash Disbursements and Cash Balances.

EIT Distributions to Other TCDs	Amount
Adams	\$ 78,188
Armstrong	4,780
Beaver	21,210
Bedford	10,573
Berks	7,422,613
Blair	12,716
Bradford	11,401
Bucks	4,608,022
Butler	42,188
Cambria	11,156
Cameron	1,012
Carbon	60,414
Centre	60,770

(Continued)

**CHESTER COUNTY TAX COLLECTION COMMITTEE
TAX OFFICER - KEYSTONE COLLECTIONS GROUP**

NOTES TO FINANCIAL STATEMENT

Note 3. Disbursements to Non-Members of Chester County TCD (Continued)

<u>EIT Distributions to Other TCDs (Continued)</u>	<u>Amount</u>
Clarion	4,684
Clearfield	20,294
Clinton	12,388
Columbia	30,815
Crawford	4,292
Cumberland	298,162
Dauphin	283,713
Delaware	2,829,839
Elk	4,358
Erie	19,162
Fayette	18,709
Forest	184
Franklin	28,709
Fulton	2,171
Greene	3,374
Huntingdon	5,502
Indiana	9,848
Jefferson	2,153
Juniata	4,863
Lackawanna	80,059
Lancaster	7,063,260
Lawrence	5,387
Lebanon	163,502
Lehigh	891,928
Luzerne	139,815
Lycoming	66,997
McKean	1,685
Mercer	6,717
Mifflin	4,666
Monroe	71,278
Montgomery	21,933,344
Montour	8,237
Northampton	404,256
Northumberland	39,333
Perry	18,516

(Continued)

**CHESTER COUNTY TAX COLLECTION COMMITTEE
TAX OFFICER - KEYSTONE COLLECTIONS GROUP**

NOTES TO FINANCIAL STATEMENT

Note 3. Disbursements to Non-Members of Chester County TCD (Continued)

EIT Distributions to Other TCDs (Continued)	Amount
Philadelphia	(1,507)
Pike	2,572
Potter	696
Schuylkill	98,094
Snyder	25,455
Somerset	5,796
Sullivan	1,364
Susquehanna	7,013
Tioga	16,191
Union	20,687
Venango	7,649
Warren	108
Washington	44,166
Wayne	803
Westmoreland	53,895
Wyoming	12,349
York	251,143
Allegheny Central	53,535
Allegheny North	92,154
Allegheny Southeast	39,939
Allegheny Southwest	155,799
	<u>\$ 47,715,144</u>

Note 4. Source of Earned Income Tax Collections

The earned income tax imposed is currently 0.312% - 2.50% per year, depending on the municipality of:

- Salaries, wages, commissions and other compensation earned by residents of Chester County TCC.
- Net profits earned by residents of the Chester County TCC from self-employment.

Collections are shared among the applicable taxing jurisdictions within the TCC.

**CHESTER COUNTY TAX COLLECTION COMMITTEE
TAX OFFICER - KEYSTONE COLLECTIONS GROUP**

NOTES TO FINANCIAL STATEMENT

Note 4. Source of Earned Income Tax Collections (Continued)

The following taxing jurisdictions belong to the Chester County TCC and are serviced by Keystone Collections Group:

School Districts	Municipalities		
	Boroughs		Townships
Avon Grove	Avondale	Birmingham	North Coventry
Coatesville Area	Downingtown	Caernarvon	Penn
Downingtown Area	Elverson	Caln	Pennsbury
Great Valley	Honey Brook	Chadds Ford	Pocopson
Kennett Consolidated	Kennett Square	Charlestown	Robeson
Owen J Roberts	Malvern	Coatesville City	Sadsbury
Oxford Area	Modena	East Bradford	Schuylkill
Phoenixville Area	New Morgan	East Brandywine	South Coventry
Tredyffrin-Easttown	Oxford	East Caln	Thornbury, Chester County
Twin Valley	Phoenixville	East Coventry	Thornbury, Delaware County
Unionville-Chadds Ford	South Coatesville	East Fallowfield	Tredyffrin
West Chester Area	West Chester	East Goshen	Upper Oxford
	West Grove	East Marlborough	Upper Uwchlan
		East Marlborough	Uwchlan
		East Nantmeal	Valley
		East Nottingham	Wallace
		East Pikeland	Warwick
		East Vincent	West Bradford
		East Whiteland	West Brandywine
		Easttown	West Caln
		Elk	West Goshen
		Franklin	West Marlborough
		Honey Brook	West Nantmeal
		Kennett	West Nottingham
		London Britain	West Pikeland
		London Grove	West Vincent
		Lower Oxford	West Whiteland
		New Garden	Weston
		New London	Willistown
		Newlin	

**CHESTER COUNTY TAX COLLECTION COMMITTEE
TAX OFFICER - KEYSTONE COLLECTIONS GROUP**

NOTES TO FINANCIAL STATEMENT

Note 5. Tax Collection Contract

During 2018, Chester County TCC extended their contract term with Keystone Collections Group. The contract extension covers the annual periods through December 31, 2024. The contract calls for a collection fee of 1.30% of tax collections from January 1, 2018 through June 30, 2018. Effective July 1, 2018, the collection fee changes to 1.25%, to be retained by Keystone Collections Group upon collection with the net proceeds being distributed.

SUPPLEMENTARY INFORMATION

**CHESTER COUNTY TAX COLLECTION COMMITTEE
TAX OFFICER - KEYSTONE COLLECTIONS GROUP**

**SCHEDULE OF RECONCILIATION OF MONTHLY REPORTS TO AUDITED RECEIPTS AND
DISBURSEMENTS REQUIRED UNDER SECTION 509(b) OF PENNSYLVANIA ACT 32 OF 2008
Year Ended December 31, 2018**

	Amounts per Tax Collector Monthly Reports	Amounts per Audited Receipts and Disbursements	Variance (See Explanation Below)
Beginning Cash Balance	\$ 1,398,397	\$ 1,398,397	\$ -
Plus Collections and Receipts			
Resident EIT Received from Employers/Taxpayers within the TCD	110,922,394	110,922,394	-
Resident EIT Received from Other TCDs	50,048,207	50,048,207	-
Non-Resident EIT Received for Political Subdivisions within the TCD	22,827,370	22,827,370	-
Non-Resident EIT Received for Other TCDs	45,744,625	45,744,625	-
Delinquent Earned Income Taxes Collected	4,153,538	4,153,538	-
Open Space Received From Employers/Taxpayers within the TCD	10,606,461	10,606,461	-
Open Space Received from Other TCDs	5,287,707	5,287,707	-
Non-Resident Open Space Received for Other TCDs	1,970,519	1,970,519	-
Delinquent Open Space Tax Collected	445,425	445,425	-
Costs Recovered by Tax Officer (Under Act 192)	480,441	480,441	-
Unidentified Collections	837	837	-
TOTAL COLLECTIONS AND RECEIPTS	252,487,524	252,487,524	-

(Continued)

**CHESTER COUNTY TAX COLLECTION COMMITTEE
TAX OFFICER - KEYSTONE COLLECTIONS GROUP**

**SCHEDULE OF RECONCILIATION OF MONTHLY REPORTS TO AUDITED RECEIPTS AND
DISBURSEMENTS REQUIRED UNDER SECTION 509(b) OF PENNSYLVANIA ACT 32 OF 2008 (Continued)
Year Ended December 31, 2018**

	Amounts per Tax Collector Monthly Reports	Amounts per Audited Receipts and Disbursements	Variance (See Explanation Below)
Less Distributions and Disbursements			
EIT Distributions to TCD Members	198,398,748	198,398,748	-
EIT Distributions to Other TCDs	45,744,625	45,744,625	-
Open Space Distributions to Other TCDs	1,970,519	1,970,519	-
Taxpayer Refunds	3,000,704	3,000,704	-
Taxpayer Refunds Open Space	240,486	240,486	-
Tax Officer Commission	2,365,797	2,365,797	-
Tax Officer Commissions Open Space	205,144	205,144	-
Unpaid EIT Invoices and/or Disbursement Adjustments	(25,314)	(25,314)	-
Unpaid Open Space Invoices and/or Disbursement Adjustments	(2,137)	(2,137)	-
Costs Retained by Tax Officer (Under Act 192)	480,441	480,441	-
Postage and/or Costs Advanced	96,855	96,855	-
TCC operation fees	30,000	30,000	-
TOTAL DISTRIBUTIONS AND DISBURSEMENTS	252,505,868	252,505,868	-
Less: Unidentified Collections	(837)	(837)	-
Ending Cash Balance	\$ 1,379,216	\$ 1,379,216	\$ -

Explanation of Variances:

No variances noted for the year ended December 31, 2018

**CHESTER COUNTY TAX COLLECTION COMMITTEE
TAX OFFICER - KEYSTONE COLLECTIONS GROUP**

**SCHEDULE OF BONDING ANALYSIS
Year Ended December 31, 2018**

Resident EIT Received from Employers/Taxpayers within the TCD	\$ 110,922,394
Resident EIT Received from Other TCDs	50,048,207
Non-Resident EIT Received for Political Subdivisions within the TCD	22,827,370
Open Space Received From Employers/Taxpayers within the TCD	10,606,461
Open Space Received from Other TCDs	5,287,707
Earned Income Tax Collections - Net	<u>\$ 199,692,139</u>
Bonding Amount as determined by TCC	<u>\$ 5,000,000</u>
Actual Bond Amount	<u>\$ 5,000,000</u>
Average weekly amount of tax collections in possession of Tax Officer ¹	<u>\$ 3,840,233</u>
Average semi-weekly amount of tax collections in possession of Tax Officer ¹	<u>\$ 1,920,117</u>
Average balance of tax collections in possession of Tax Officer ¹	<u>\$ 3,006,117</u>

¹ Per Act 32 of 2008 requires Tax Officers to distribute tax collections monthly. The contract between Chester County TCC and the Tax Officer, Keystone Collections Group, requires distribution of tax collections on a weekly basis. Keystone Collections Group made 66 distributions to the members of Chester County TCC; thus, the average balance of tax collections in possession of Keystone Collections Group, at any one time, was approximately \$3,006,000. The Tax Officer maintained the appropriate bond coverage, as required by the TCC.

**CHESTER COUNTY TAX COLLECTION COMMITTEE
TAX OFFICER - KEYSTONE COLLECTIONS GROUP**

**SCHEDULE OF COLLECTION FEES CHARGED
Year Ended December 31, 2018**

	2018 Collections (1.30% Rate)	2018 Collections (1.25% Rate)
Resident EIT Received from Employers/Taxpayers within the TCD	\$ 63,288,424	\$ 47,633,970
Resident EIT Received from Other TCDs	26,550,515	23,497,692
Non-Resident EIT Received for Political Subdivisions within the TCD	12,015,517	10,811,853
Delinquent Earned Income Taxes Collected	1,862,918	2,290,620
Open Space Received From Employers/Taxpayers within the TCD	6,164,455	4,442,006
Open Space Received from Other TCDs	2,799,702	2,488,005
Delinquent Open Space Tax Collected	208,158	237,267
Less: Taxpayer Refunds	(2,445,765)	(795,425)
Less: Audit Collections	(1,122,426)	(818,743)
Earned Income Tax Collections - Net	<u>\$ 109,321,498</u>	<u>\$ 89,787,245</u>
Collection Rate per TCC/Tax Officer Contract	1.30%	1.25%
Projected Collection Fees	<u>\$ 1,421,179</u>	<u>\$ 1,122,341</u>
2018 collections at commission rate 1.30%	\$ 1,421,179	
2018 collections at commission rate 1.25%	<u>1,122,341</u>	
Total Projected Collection Fees	<u>\$ 2,543,520</u>	
Collection Fees Charged ²	\$ 2,570,941	
2018 Extension Agreement Commission Adjustment ³	<u>(27,451)</u>	
Collection Fees Charged - Adjusted	<u>\$ 2,543,490</u>	

² Keystone Collections Group calculates commissions at the transaction level. Commissions are calculated to three decimals and the IT logic built into the operating system rounds the calculated commissions to two decimals.

³ Keystone Collections Group and Chester County TCC signed a contract extension in December 2018. The commission rate was changed from 1.30% to 1.25%, retroactive to July 1, 2018. Keystone Collections Group calculated the retroactive adjustment and made a refund distribution on or before December 5, 2018 in the amount of \$27,451.

DCED COMPLIANCE SECTION

**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***

Committee Members
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 accompanying statement of cash receipts, cash disbursements and cash balances of Chester County Tax Collection Committee’s (“TCC”) Tax Officer, Keystone Collections Group, as of and for the year ended December 31, 2018, and the related notes to the financial statement, which comprises Chester County Tax Collection Committee’s (“TCC”) Tax Officer, Keystone Collections Group, basic financial statement, and have issued our report thereon dated April 12, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered Chester County Tax Collection Committee’s (“TCC”) Tax Officer, Keystone Collections Group’s internal control over financial reporting (“internal control”) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Chester County Tax Collection Committee’s (“TCC”) Tax Officer, Keystone Collections Group’s internal control. Accordingly, we do not express an opinion on the effectiveness of Chester County Tax Collection Committee’s (“TCC”) Tax Officer, Keystone Collections Group’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 above referenced financial statement 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chester County TCC's Tax Officer, Keystone Collections Group's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 Chester County TCC's Tax Officer, Keystone Collections Group'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 Chester County TCC's Tax Officer, Keystone Collections Group's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Camp Hill, Pennsylvania
April 12, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH PENNSYLVANIA ACT 32 OF 2008**

Committee Members
Chester County Tax Collection Committee
Downingtown, Pennsylvania

Report on Compliance

We have audited Chester County TCC's Tax Officer, Keystone Collections Group's compliance with the provisions described within Pennsylvania Act 32 of 2008 for tax collections and other receipts, investments, reporting, bonding, recordkeeping, distribution of earned income taxes and other disbursements, and administration (hereafter "tax collections and disbursements") that could have a direct and material effect on Chester County TCC's Tax Officer, Keystone Collections Group for the year ended December 31, 2018.

Management's Responsibility

Chester County TCC's Tax Officer, Keystone Collections Group's management is responsible for compliance with the requirements of laws, regulations, contracts, and agreements applicable under Pennsylvania Act 32 of 2008.

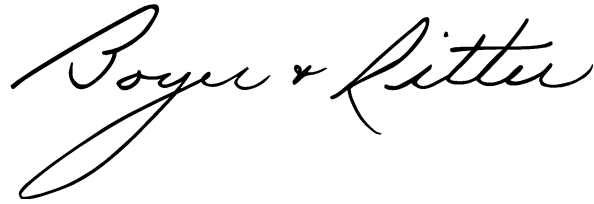
Auditor's Responsibility

Our responsibility is to express an opinion on compliance with Pennsylvania Act 32 of 2008 based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Pennsylvania Act 32 of 2008. Those standards and Pennsylvania Act 32 of 2008 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on tax collections and disbursements occurred. An audit includes examining, on a test basis, evidence about Chester County TCC's Tax Officer, Keystone Collections Group's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance with Pennsylvania Act 32 of 2008. However, our audit does not provide a legal determination on Chester County TCC's Tax Officer, Keystone Collections Group's compliance.

Opinion on Compliance with Pennsylvania Act 32 of 2008

In our opinion, Chester County TCC's Tax Officer, Keystone Collections Group complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on tax collections and disbursements for the year ended December 31, 2018.

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania
April 12, 2019

**CHESTER COUNTY TAX COLLECTION COMMITTEE
TAX OFFICER - KEYSTONE COLLECTIONS GROUP**

**SCHEDULE OF FINDINGS AND NON-COMPLIANCE
Year Ended December 31, 2018**

Findings - Financial Statement Audit

None

Findings of Non-Compliance with Pennsylvania Act 32 of 2008

None