

Reporting and insights from
2022 audit:

Township of Ferguson,
Pennsylvania

December 31, 2022

This communication is intended solely for the information and use of the Board of Supervisors, and, if appropriate, management, and is not intended to be and should not be used by anyone other than these specified parties.

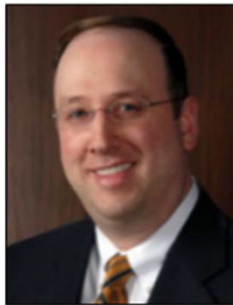


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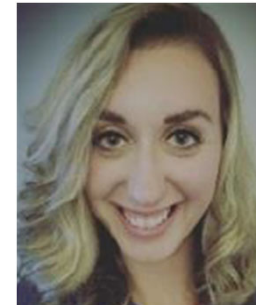
Client service team



John Compton, CPA
Partner
John.Compton@bakertilly.com



Adam Hartzel, CPA
Senior Manager
Adam.Hartzel@bakertilly.com



Christine Zoerner
Senior
Christine.Zoerner@bakertilly.com



Executive summary

We have substantially completed our audit of the financial statements of the Township of Ferguson, Pennsylvania (“the Township”) for the year ended December 31, 2022, and issued our report on September 28, 2023. This letter presents communications required by our professional standards.

Your audit should provide you with confidence in your financial statements. The audit was performed based on information obtained from meetings with management, data from your systems, knowledge of your Township’s operating environment and our risk assessment procedures. We strive to provide you clear, concise communication throughout the audit process and of the final results of our audit.

Additionally, we have included information on key risk areas the Township of Ferguson should be aware of in your strategic planning. We are available to discuss these risks as they relate to your organization’s financial stability and future planning.



Responsibilities


RESPONSIBILITIES

Our responsibilities

As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of the Township’s internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing an opinion based on our audit about whether the financial statements prepared by management, with the oversight of the Board of Supervisors:
 - Are free from material misstatement
 - Present fairly, in all material respects, and in accordance with accounting principles generally accepted in the United States of America
- Our audit of the basic financial statements does not relieve management or those charged with governance of their responsibilities.


AUDIT OBJECTIVES




Our responsibilities

We are also required to communicate significant matters related to our audit that are relevant to the responsibilities of the Board of Supervisors, including:

- Internal control matters
- Qualitative aspects of the Township's accounting practice including policies, accounting estimates and financial statement disclosures
- Significant unusual transactions
- Significant difficulties encountered
- Disagreements with management
- Circumstances that affect the form and content of the auditors' report
- Audit consultations outside the engagement team
- Corrected and uncorrected misstatements
- Other audit findings or issues

AUDIT OBJECTIVES

Management's responsibilities

Management	Auditor
 <p>Prepare and fairly present the financial statements</p>	<p>Our audit does not relieve management or the Board of Supervisors of their responsibilities</p>
 <p>Establish and maintain effective internal control over financial reporting</p>	<p>An audit includes consideration of internal control over financial reporting, but not an expression of an opinion on those controls</p>
 <p>Provide us with written representations at the conclusion of the audit</p>	<p>See Appendix B for a copy of management's representations</p>



Audit status



AUDIT STATUS

Significant changes to the audit plan

There were no significant changes made to either our planned audit strategy or to the significant risks and other areas of emphasis identified during the performance of our risk assessment procedures.



Audit approach and results


AUDIT APPROACH AND RESULTS

Planned scope and timing

Audit focus

Based on our understanding of the Township and environment in which you operate, we focused our audit on the following key areas:

- Key transaction cycles
- Areas with significant estimates
- Implementation of new accounting standards
- Areas of complexity including:
 - Pension accounting

Our areas of audit focus were informed by, among other things, our assessment of materiality. Materiality in the context of our audit was determined based on specific qualitative and quantitative factors combined with our expectations about the Township's current year results.

AUDIT APPROACH AND RESULTS

Key areas of focus and significant findings

Significant risks of material misstatement

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. Within our audit, we focused on the following significant risks noted below.

Significant risk areas	Testing approach	Conclusion
Management override of controls	Incorporate unpredictability into audit procedures, emphasize professional skepticism and utilize audit team with industry expertise	Procedures identified provided sufficient evidence for our audit opinion

AUDIT APPROACH AND RESULTS

Key areas of focus and significant findings

Other key areas of emphasis

We also focused on other areas that did not meet the definition of a significant risk, but were determined to require specific awareness and a unique audit response.

Other key areas of emphasis	Testing approach
Cash and investments	Confirmation of balances and detail testing of reconciliation(s)
Revenues and receivables	Confirmation and predictive testing
Expenditures and payables	Detail testing of activity
Payroll	Detail testing
Pension liabilities	Review of assumptions, recalculation of amounts
Long-term debt	Confirmation of activity and outstanding balances
Capital assets including infrastructure	Detail testing of activity
Financial reporting and disclosures	Analytical review, comparison with requirements


AUDIT APPROACH AND RESULTS

Internal control matters

We considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements. We are not expressing an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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.

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 combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

AUDIT APPROACH AND RESULTS

Internal control matters

A significant 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. We identified the following deficiency as significant deficiency:

- Continuing disclosure compliance – the Township’s continuing disclosure requirement is due to be filed by October 1 of each year for the fiscal year ended the previous December 31. The Township made its December 31, 2022 continuing disclosure filing on October 12, 2022.

AUDIT APPROACH AND RESULTS

Internal control matters

Other comments and recommendations

- Expand the existing chart of accounts related to the stormwater fund where accounts are needed to be classified under utility accounts to separate receipts and disbursements for the same purpose to prevent activity from inadvertently being understated
- Review of all accounts year to year in order to avoid a material adjustment that should have been posted
- Pcard and credit card best practices to be reviewed


AUDIT APPROACH AND RESULTS

Required communications

Qualitative aspect of accounting practices

Accounting policies: Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application.

- The significant accounting policies used by the Township are described in Note 1 to the financial statements.
- The Township adopted GASB Statement No. 87, Leases, effective January 1, 2022. The standard was implemented in current year, which resulted in the recognition of a lease receivable and deferred inflow of resources at January 1, 2022.

Accounting estimates: Accounting estimates, including fair value estimates, are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements, the degree of subjectivity involved in their development and because of the possibility that future events affecting them may differ significantly from those expected.

AUDIT APPROACH AND RESULTS

Required communications

The following estimates are of most significance to the financial statements:

Estimate	Management's process to determine	Baker Tilly's conclusions regarding reasonableness
Accrued compensated absences	Evaluation of hours earned and accumulated in accordance with employment policies and average wage per hour rates	Reasonable in relation to the financial statements as a whole
Net pension liability and related deferrals	Evaluation of information provided by the Pennsylvania Retirement System, including the assumptions utilized	Reasonable in relation to the financial statements as a whole
Taxes Receivable within the General Fund and the related allowance for doubtful collections on taxes	Estimation of probability of collections based on historical data	Reasonable in relation to the financial statements as a whole
Depreciation	Evaluate estimated useful life of the asset and original acquisition value	Reasonable in relation to the financial statements as a whole

There have been no significant changes made by management to either the processes used to develop the particularly sensitive accounting estimates or to the significant assumptions used to develop the estimates noted above.

Financial statement disclosures: The disclosures in the basic financial statements are neutral, consistent and clear.


AUDIT APPROACH AND RESULTS

Required communications

Significant unusual transactions

There have been no significant transactions that are outside the normal course of business for the Township or that otherwise appear to be unusual due to their timing, size or nature.

Significant difficulties encountered during the audit

We encountered no significant difficulties in dealing with management and completing our audit.

Disagreements with management

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the **basic** financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.



AUDIT APPROACH AND RESULTS

Required communications

Audit report

There have been no departures from the auditors' standard report.

Audit consultations outside the engagement team

We encountered no difficult or contentious matters for which we consulted outside of the engagement team.

Other audit findings or issues

We encountered no other audit findings or issues that require communication at this time.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.


AUDIT APPROACH AND RESULTS

Required communications

Other information in documents containing audited financial statements

The Township's audited financial statements will be included in the Annual Comprehensive Financial Report (ACFR). Our responsibility for this information does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. We have read the ACFR to determine whether a material inconsistency exists between the other financial information and the financial statements. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, was materially inconsistent with the information, or manner of its presentation, in the basic financial statements.


AUDIT APPROACH AND RESULTS

Required communications

Uncorrected misstatements and corrected misstatements

Professional standards require us to accumulate misstatements identified during the audit, other than those that are clearly trivial and to communicate accumulated misstatements to management. Management is in agreement with the misstatements we have identified, and they have been corrected in the Township's financial statements. The schedule within the Appendix summarizes the corrected misstatements, other than those that are clearly trivial, that, in our judgment, may not have been detected except through our auditing procedures. In our judgment, the internal control matters letter within the Appendix C describes the effects on the financial reporting process indicated by the corrected misstatements, other than those that we consider to be of a lesser magnitude than significant deficiencies and material weaknesses.


AUDIT APPROACH AND RESULTS

Required communications

Management's consultations with other accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing or accounting matters.

Written communications between management and Baker Tilly

The Appendix includes copies of material written communications with management, including a copy of the management representation letter.

Compliance with laws and regulations

We did not identify any non-compliance with laws and regulations during our audit.

Fraud

We did not identify any known or suspected fraud during our audit.



AUDIT APPROACH AND RESULTS

Required communications

Going concern

Pursuant to professional standards, we are required to communicate to you, when applicable, certain matters relating to our evaluation of the Township's ability to continue as a going concern for a reasonable period of time but no less than 12 months from the date the financial statements are issued or available to be issued, including the effects on the financial statements and the adequacy of the related disclosures, and the effects on the auditor's report. No such matters or conditions have come to our attention during our engagement.

Independence

We are not aware of any relationships between Baker Tilly and the Township that, in our professional judgment, may reasonably be thought to bear on our independence.

Related parties

We did not have any significant findings or issues arise during the audit in connection with the Township's related parties.


AUDIT APPROACH AND RESULTS

Required communications

Other matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information, which accompanies the financial statements but is not RSI. With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the other information, which accompanies the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.


AUDIT APPROACH AND RESULTS

Nonattest services

The following nonattest services were provided by Baker Tilly:

- Adjusting journal entries and GASB 34 conversion entries, subject to Township review and approval
- Technical assistance with certain account reconciliations, as requested, subject to Township review and approval
- Technical assistance with preparing the financial statements, subject to Township review and approval
- Preparation of DCED CLGS-30, subject to Township review and approval

None of these nonattest services constitute an audit under generally accepted auditing standards.




Audit committee resources

Visit our resource page for regulatory updates, trending challenges and opportunities in your industry and other timely updates.

[Visit the resource page.](#)

A low-angle, upward-looking photograph of several modern skyscrapers with glass facades. The buildings are set against a clear blue sky. A bright sun flare is visible at the top center, where the buildings converge. The overall color palette is dominated by blues and greys.

Financial Statement Analysis
December 31, 2022



How Do We Analyze Gov't Financial Statements?

- No simple measure of operations such as “earnings per share”...
- Rather, we look for budgetary integrity - have the funds raised been spent in accordance with the law (budget)?
- Finally, General Fund balance is a common benchmark

General Fund Budget Vs. Actual at December 31, 2022

- As of year end, the General Fund balance was \$10,946,204.
- The Township recognized the American Rescue Plan money as lost revenue for police salaries of approximately \$2.2 million.

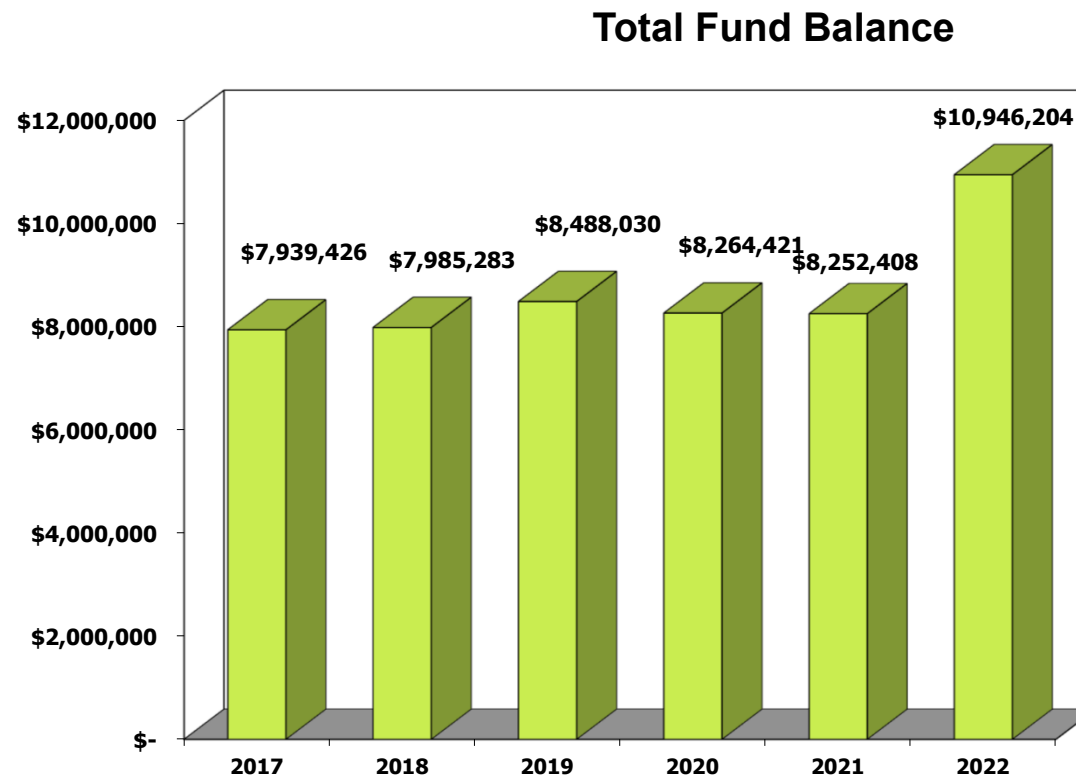
	<u>Budget Original and Final</u>	<u>Actual</u>	<u>Variance With Final Budget - Positive (Negative)</u>
Revenues			
Taxes	\$ 10,375,962	\$ 11,478,600	\$ 1,102,638
Licenses and permits	295,152	315,901	20,749
Fines and forfeits	45,400	39,119	(6,281)
Interest and rents	116,529	149,720	33,191
Intergovernmental	1,699,032	2,735,100	1,036,068
Charges for service	184,750	176,914	(7,836)
Miscellaneous	255,281	171,717	(83,564)
Total revenues	<u>12,972,106</u>	<u>15,067,071</u>	<u>2,094,965</u>
Expenditures			
General government	1,707,516	1,873,986	(166,470)
Public safety	3,926,227	3,585,447	340,780
Health and welfare	28,500	25,759	2,741
Public works, sanitation	85,000	-	85,000
Public works, highways	1,187,272	1,100,308	86,964
Public works, other services	144,496	109,148	35,348
Culture and recreation	1,556,452	1,362,886	193,566
Community development	89,241	52,182	37,059
Insurance and other operating	2,432,879	1,812,881	619,998
Total expenditures	<u>11,157,583</u>	<u>9,922,597</u>	<u>1,234,986</u>
Excess of revenues over expenditures	<u>1,814,523</u>	<u>5,144,474</u>	<u>3,329,951</u>
Other Financing Sources (Uses)			
Transfers, out	<u>(2,549,397)</u>	<u>(2,450,678)</u>	<u>98,719</u>
Net changes in fund balances	<u>\$ (734,874)</u>	<u>2,693,796</u>	<u>\$ 3,428,670</u>
Fund Balances, Beginning		<u>8,252,408</u>	
Fund Balances, Ending		<u>\$ 10,946,204</u>	



Analysis - General Fund Balance

- At December 31, 2022 the General Fund fund balance was approximately \$10.9M – this represents 402 days of spending, deemed healthy
- This healthy fund balance will provide the Township with the ability to meet future budget challenges.
- Overall results:
 - Actual revenues were 13.9% > budget
 - Actual expenditures were 11.1% < budget, with positive variances in almost every function
 - Prior to transfers, excess revenues over expenditures were \$3.3M exceeding the budgeted excess revenues over expenditures of \$3.3M

Historical Year End Fund Balance – General Fund



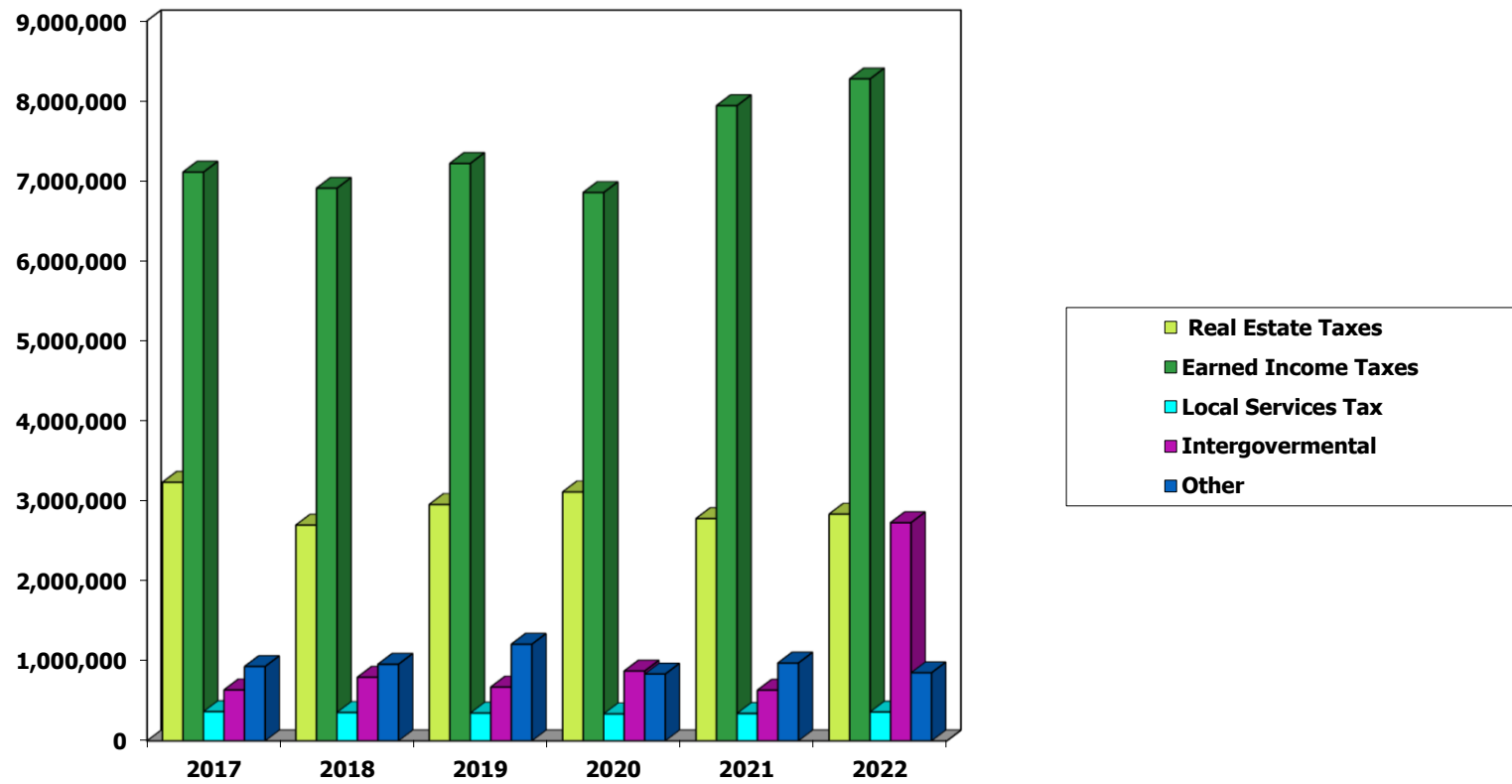
Assets – Liabilities = Fund Balance

Capital Reserve Fund Budget Vs. Actual at December 31, 2022

- As of year end, the Capital Reserve Fund fund balance was \$267,800.
- The Township had ongoing street and road projects completed during 2022.

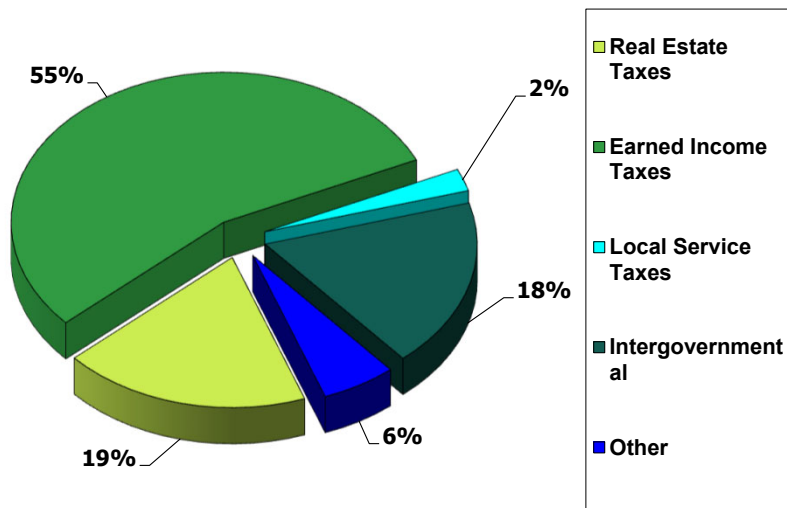
	<u>Budget Original and Final</u>	<u>Actual</u>	<u>Variance With Final Budget - Positive (Negative)</u>
Revenues			
Interest and rents	\$ 22,000	\$ 19,637	\$ (2,363)
Intergovernmental	272,800	1,000	(271,800)
Total revenues	<u>294,800</u>	<u>20,637</u>	<u>(274,163)</u>
Expenditures			
General government	367,950	-	367,950
Public safety	175,100	114,102	60,998
Public works, highways	829,229	584,207	245,022
Culture and recreation	39,750	36,904	2,846
Capital outlay	161,649	458,725	(297,076)
Total expenditures	<u>1,573,678</u>	<u>1,193,938</u>	<u>379,740</u>
Excess of expenditures over revenues	<u>(1,278,878)</u>	<u>(1,173,301)</u>	<u>105,577</u>
Other Financing Sources			
Transfers, in	2,050,000	400,000	(1,650,000)
Sale of capital assets	10,000	5,100	(4,900)
Total other financing sources	<u>2,060,000</u>	<u>405,100</u>	<u>(1,654,900)</u>
Net change in fund balances	<u>\$ 781,122</u>	<u>(768,201)</u>	<u>\$ (1,549,323)</u>
Fund Balances, Beginning		<u>1,036,001</u>	
Fund Balances, Ending		<u>\$ 267,800</u>	

General Fund Revenues By Source

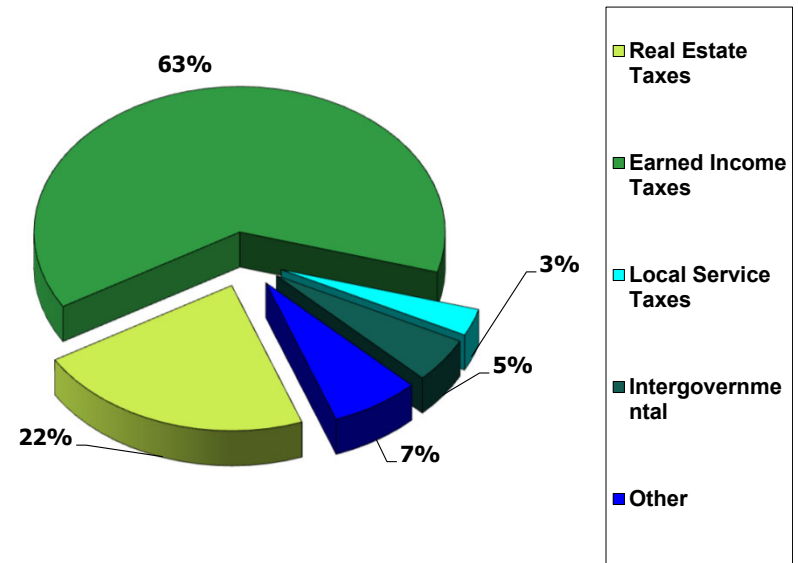


General Fund Revenues

General Fund Revenues – 2022

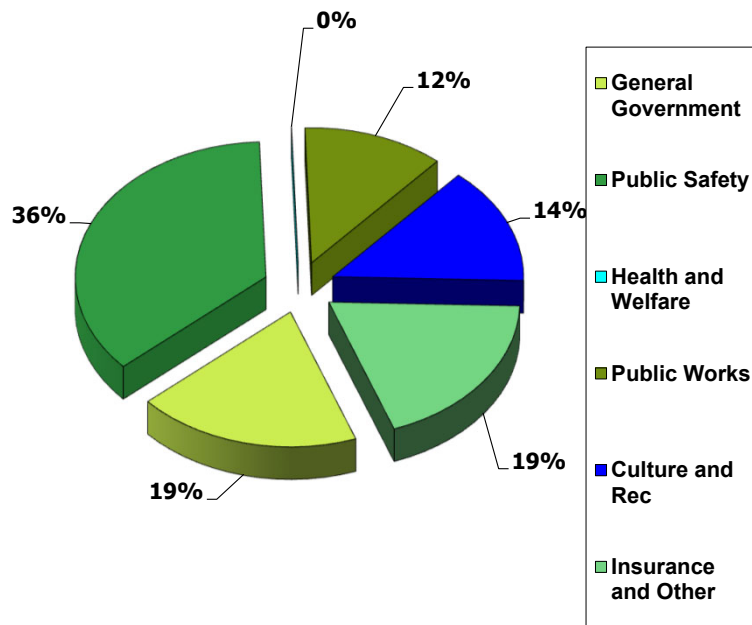


General Fund Revenues – 2021

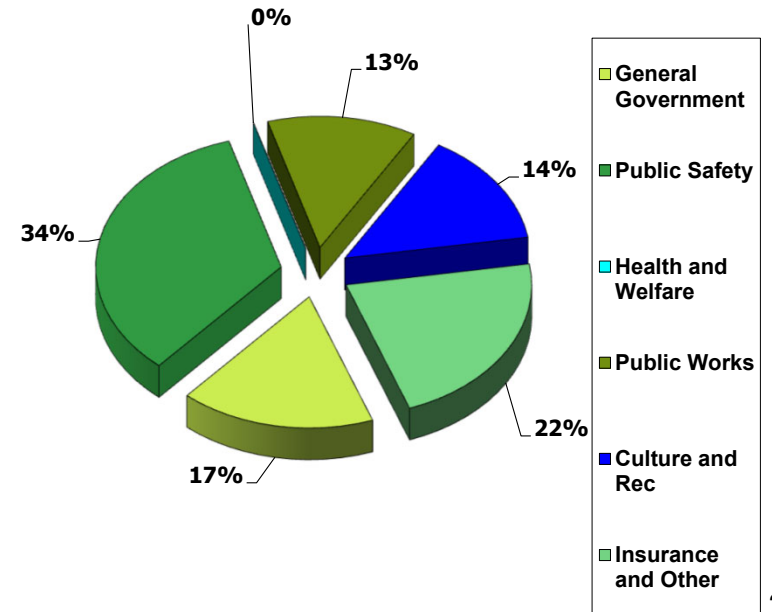


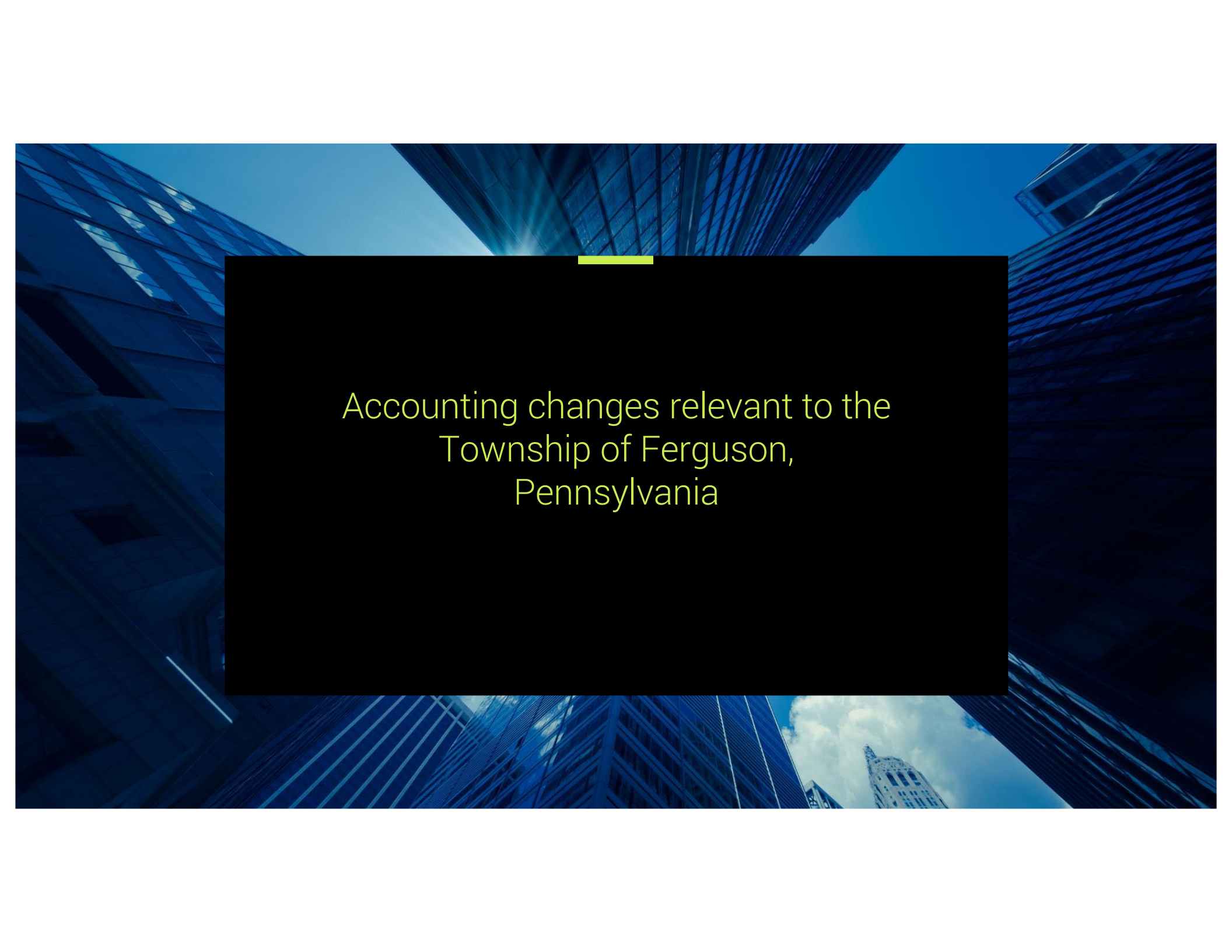
General Fund Expenses

General Fund Expenses – 2022



General Fund Expenses – 2021




A low-angle, upward-looking photograph of several modern skyscrapers with glass facades. The buildings are set against a clear blue sky. A bright sun flare is visible at the top center, where the buildings converge. The overall color palette is dominated by blues and greys.

Accounting changes relevant to the
Township of Ferguson,
Pennsylvania

ACCOUNTING CHANGES RELEVANT TO TOWNSHIP OF FERGUSON

Future accounting standards update

GASB Statement Number	Description	Potentially Impacts You	Effective Date
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	✓	12/31/23
96	Subscription-Based Information Technology Arrangements	✓	12/31/23
99	Omnibus	✓	12/31/23
100	Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62	✓	12/31/23
101	Compensated Absences	✓	12/31/23



Trending challenges and
opportunities
for organizations

TRENDING CHALLENGES AND OPPORTUNITIES

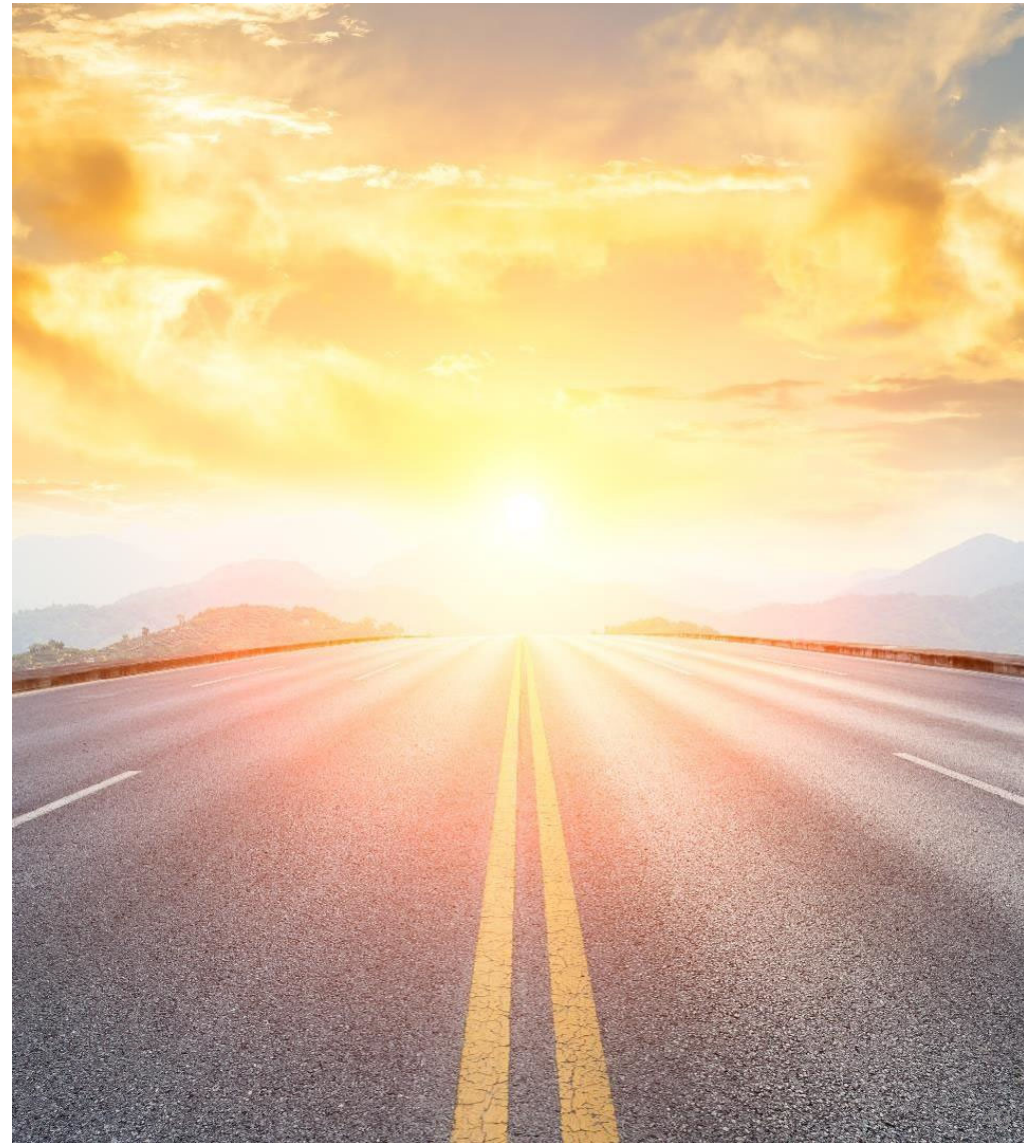
Turning toward recovery and growth

Many organizations are focusing on the strategic restart and ramp up of their operations.

With great uncertainty about what recovery will look like—or how long it will take—it is essential for your organization to understand the scenarios you may face and plan your path back to growth.

We can help you chart a way forward that will enhance and maximize your value, minimize further disruption and keep your workforce safe.

Visit our [resource center](#) for timely, actionable insights.



TRENDING CHALLENGES AND OPPORTUNITIES

Compliance with federal awards

Challenge

The COVID-19 crisis has had a significant effect on the nation, including recipients of federal awards resulting from various congressional acts. Federal funding adds an increased level of scrutiny and brings new challenges around compliance, reporting and administration.

Finance and spending departments are operating in unprecedented times as they manage and administer these funds while also remaining economically viable, maintaining operations and adapting to the “new normal.”

Recommendation

Learn more about [compliance for federal funds](#) obtained for pandemic response efforts.

TRENDING CHALLENGES AND OPPORTUNITIES

Recession proofing measures

Challenge

Ever aware of the need to balance the needs of diverse constituents against constrained revenue streams and conflicting priorities, public leaders strive to effectively deploy scarce resources while maintaining the highest levels of accountability and transparency.

In times of crisis, additional challenges emerge to maintain essential services, ensure citizen safety, protect their workforce and jumpstart programs to mitigate negative local economic impacts—all while focusing on planning for long-term effects of revenue shortages and the subsequent recovery.

Developing strategic clarity, aligning resources with priorities, strengthening performance, optimizing processes and leveraging technology are imperative.

Recommendation

Learn about [proactive measures to insulate your organization](#) from financial hardship and to [optimize your organization's performance](#).



TRENDING CHALLENGES AND OPPORTUNITIES

Recruiting and hiring

Challenge

Public sector entities in need of key workforce personnel, such as city or county managers and administrators, city or county attorneys, fire chiefs, police chiefs and other departmental directors, may find themselves in an unenviable position during a pandemic.

Organizations need the talent, but a pandemic can disrupt essential business processes and cause apprehension about access to desirable candidates.

Hiring leaders should proactively discuss what-if scenarios, evaluate short-term and long-term hiring priorities, and plan for situations where immediate recruitment is imperative.

Recommendation

Learn the key considerations and actions for [recruiting and hiring](#) in a crisis.

TRENDING CHALLENGES AND OPPORTUNITIES

Risk assessment

Challenge

Organizations today manage ever-expanding priorities in a constantly evolving, disruptive risk environment. Undetected risks, insufficient internal controls and inefficient business processes may negatively impact not only the entity but also its workforce and the community at large.

Risk assessment and internal audit prove essential to identifying top risks and the appropriateness of response in order to:

- Manage risk and compliance
- Enhance governance and strategy
- Optimize operations
- Gain assurance around key functions and processes that contribute toward meeting organizational goals

Recommendation

Learn about the key considerations for the [risk assessment process and internal audit planning](#).



TRENDING CHALLENGES AND OPPORTUNITIES

Economic development

Challenge

In today's complex economic landscape, communities face the daunting challenge of rebuilding their local economies. Restoring the momentum of economic expansion and investment to enhance quality of life for residents and produce long-term financial gain for the community is at the forefront of concerns.

Whether attracting growth to maximize opportunity built around community strengths or accounting for the many unknowns caused by major disruptions, a robust economic development strategy is essential to recovery.

Recommendation

Learn about the advantages of creating an [economic development strategic plan and the framework](#) to follow.

The background of the slide is a vibrant blue and orange digital landscape. It features a grid of glowing lines, floating binary code (0s and 1s) in various sizes and colors (white, yellow, orange), and abstract data visualization elements like lines and shapes. The overall aesthetic is futuristic and data-driven.

TRENDING CHALLENGES AND OPPORTUNITIES

Harnessing data and analytics for strategic insight and decision-making

Challenge

In crisis and recovery, organizations are investing in advanced analytic solutions to help them not only make better decisions faster and more consistently, but also to improve operational efficiency and performance. Of all the business analytics available, advanced analytic solutions should be at the top of your priority list given the impact it can have on your business.

Recommendation

Learn more about [data & analytics strategy and roadmaps](#), [MDM and data process re-engineering](#), [AI strategy, data visualization](#) and other digital and analytic capabilities.

TRENDING CHALLENGES AND OPPORTUNITIES

Information technology and cybersecurity

Challenge

While return-to-work scenarios are being developed, it is likely that remote workforces will remain a reality for many organizations in the short- to mid-term. Though many organizations have been able to adapt on a short-term basis, some will not be prepared for long-term operation on a remote and virtual basis. Organizations should increase monitoring of invasive cyber events, given the likely increase in hackers sending out fake emails, website links and ransomware attacks – and also consider:

- Adequacy of IT controls and security
- Performance of remote infrastructure supporting operations
- Improvements to remote applications for communication, collaboration and workflow
- Alternatives for data entry, work and information flow

Recommendation

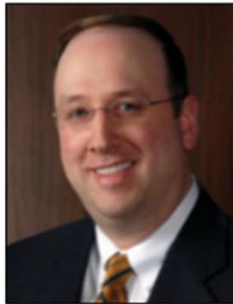
[Learn more](#) about information technology and cybersecurity, including [System & Organization Controls reporting](#).

A blurred background image showing several people in a meeting or office setting. The focus is on the text in the foreground.

Appendix A: Client service team

CLIENT SERVICE TEAM

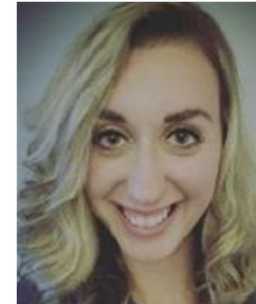
Client service team




John Compton, CPA
Partner
john.compton@bakertilly.com



Adam Hartzel, CPA
Senior Manager
adam.hartzel@bakertilly.com



Christine Zoerner
Senior
Christine.Zoerner@bakertilly.com



Appendix B: Management
representation letter



TOWNSHIP OF FERGUSON

3147 Research Drive • State College, Pennsylvania 16801
Telephone: 814-238-4651 • Fax: 814-238-3454
www.twp.ferguson.pa.us

September 28, 2023

Baker Tilly US, LLP
431 Science Park Road, Suite 302
State College, Pennsylvania 16803

Dear Baker Tilly US, LLP:

We are providing this letter in connection with your audit of the financial statements of the Township of Ferguson, Pennsylvania as of December 31, 2022 and for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Ferguson, Pennsylvania and the respective changes in financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America (GAAP). We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 7, 2023.
- 2) The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. We have engaged you to advise us in fulfilling that responsibility. The financial statements include all properly classified funds of the primary government required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.

- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, if any, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.
- 7) All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
- 8) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 9) All known audit and bookkeeping adjustments have been included in our financial statements, and we are in agreement with those adjustments.
- 10) We are not aware of any known actual, possible, pending, or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with accounting principles generally accepted in the United States of America, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 11) Guarantees, whether written or oral, under which the Township is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 12) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the Board of Supervisors or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 13) We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- 14) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.
- 16) We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you the names of our related parties and all the related party relationships and transactions, including side agreements, of which we are aware.

Other

- 18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 19) We have identified to you any previous financial audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 20) The Township has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources or fund balance or net position.
- 21) We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 22) There are no:
 - a) Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.
 - b) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.
 - c) Nonspendable, restricted, committed, or assigned fund balances that were not properly authorized and approved.

- 23) In regards to the nonattest services performed by you listed below, we acknowledge our responsibility related to these nonattest services and have 1) accepted all management responsibility; 2) designated an individual with suitable skill, knowledge, or experience to oversee the services; 3) evaluated the adequacy and results of the services performed, and 4) accepted responsibility for the results of the services.
 - a) Adjusting journal entries and GASB-34 conversion entries, subject to Township review and approval
 - b) Technical assistance with certain reconciliations, as required, subject to Township review and approval
 - c) Technical assistance with preparing the financial statements, subject to Township review and approval
 - d) Preparation of DCED CLGS-30, subject to Township review and approval

None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

- 24) The Township of Ferguson has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 25) The Township of Ferguson has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.
- 26) The financial statements properly classify all funds and activities.
- 27) All funds that meet the quantitative criteria in GASB Statement No. 34 and No. 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 28) Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
- 29) Provisions for uncollectible receivables, if any, have been properly identified and recorded.
- 30) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 31) Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
- 32) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 33) Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).
- 34) Provision, when material, has been made to reduce excess or obsolete inventories to their estimated net realizable value.
- 35) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.

- 36) Tax-exempt bonds issued have retained their tax-exempt status.
- 37) The operations and rate setting process meet the condition for application of accounting for regulated operations as outlined in GASB No. 62. All regulatory items included in the financial statements have been approved and are being accounted for in accordance with specific action taken by the regulatory body and as such the expectation of future recovery or refund is reasonable.
- 38) We have accounted for asset retirement obligations where we are a minority owner in accordance with FASB ASC 410, *Asset Retirement and Environmental Obligations* as allowed by GASB No. 83. All legal obligations, including those under the doctrine of promissory estoppels, associated with the retirement of tangible long-lived assets have been recognized. These obligations were recognized when incurred using management's best estimate of fair value. We believe the liability as presented is reasonable and fairly stated.
- 39) We have evaluated and identified any legally enforceable asset retirement obligations. We assume responsibility for, and agree with, the findings of specialists in measuring the asset retirement obligations. We have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.
- 40) We have appropriately disclosed the Township of Ferguson's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy. We have also disclosed our policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available.
- 41) With respect to the supplementary information, (SI):
- We acknowledge our responsibility for presenting the SI in accordance with accounting principles generally accepted in the United States of America, and we believe the SI, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the SI have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - If the SI is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
- 42) We assume responsibility for, and agree with, the findings of specialists in evaluating the pension actuarial valuation and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.

- 43) We have evaluated and considered all potential tax abatements and believe all material tax abatements have been properly reported and disclosed.
- 44) We have implemented GASB Statement No. 87, *Leases*, and believe that all required disclosures and accounting considerations have been identified and properly classified in the financial statements in compliance with the Standard.

Sincerely,

Township of Ferguson, Pennsylvania

Signed: 
Township Manager

Signed: 
Assistant Township Manager

The background of the slide is a collage of modern glass skyscrapers. The buildings are primarily blue and white, with large windows reflecting the sky and surrounding environment. In the foreground, there are lush green trees. A central black rectangular box contains the text.

Appendix C: Uncorrected and corrected misstatements



APPENDIX C: CORRECTED MISSTATEMENTS

Material corrected misstatements

Adjusting journal entries were proposed related to the posting in 2022 investment activity for the Police Pension Fund and Tudek Memorial Fund.

A blurred background image showing several people in a meeting or office setting. The focus is on a central black box containing text. The text is in a light green color and is centered within the box. The background shows people sitting around a table, with some papers and a laptop visible. The overall scene is out of focus, emphasizing the text in the foreground.

Appendix D: Two-way
communication regarding your
audit

APPENDIX D: TWO-WAY COMMUNICATION REGARDING YOUR AUDIT

Two-way communication regarding your audit

As part of our audit of your financial statements, we are providing communications to you throughout the audit process. Auditing requirements provide for two-way communication and are important in assisting the auditor and you with more information relevant to the audit.

As this past audit is concluded, we use what we have learned to begin the planning process for next year's audit. It is important that you understand the following points about the scope and timing of our next audit:

- a) We address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.
- b) We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:
 - Identify types of potential misstatements.
 - Consider factors that affect the risks of material misstatement.
 - Design tests of controls, when applicable, and substantive procedures.
- c) We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations and provisions of contracts or grant programs.
- d) The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.

APPENDIX D: TWO-WAY COMMUNICATION REGARDING YOUR AUDIT

Two-way communication regarding your audit

Our audit will be performed in accordance with auditing standards generally accepted in the United States of America

We are very interested in your views regarding certain matters. Those matters are listed here:

- a) We typically will communicate with your top level of management unless you tell us otherwise.
- b) We understand that the governing board has the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of the entity. Management has the responsibility for achieving the objectives of the entity.
- c) We need to know your views about your organization's objectives and strategies, and the related business risks that may result in material misstatements.
- d) We anticipate that the Township will receive an unmodified opinion on its financial statements.
- e) Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?
- f) Have you had any significant communications with regulators or grantor agencies?
- g) Are there other matters that you believe are relevant to the audit of the financial statements?

APPENDIX D: TWO-WAY COMMUNICATION REGARDING YOUR AUDIT

Two-way communication regarding your audit

Also, is there anything that we need to know about the attitudes, awareness and actions of the governing body concerning:

- a) The entity's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control?
- b) The detection or the possibility of fraud?

We also need to know if you have taken actions in response to developments in financial reporting, laws, accounting standards, governance practices, or other related matters, or in response to previous communications with us.

With regard to the timing of our audit, here is some general information. If necessary, we may do preliminary financial audit work during the months of December and January. Our final financial fieldwork is scheduled during February to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our financial audit procedures at our office and may issue drafts of our report for your review. Final copies of our report and other communications are issued after approval by your staff. This is typically 6-12 weeks after final fieldwork, but may vary depending on a number of factors.

Keep in mind that while this communication may assist us with planning the scope and timing of the audit, it does not change the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing and extent of procedures necessary to obtain sufficient appropriate audit evidence.

We realize that you may have questions on what this all means, or wish to provide other feedback. We welcome the opportunity to hear from you.