

# BOROUGH OF STATE COLLEGE

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WEBSITE: [www.statecollegepa.us](http://www.statecollegepa.us)

## OFFICE HOURS

Monday — Friday

8:00 — 5:00

To: Members of Bellefonte and State College Area School Districts

From: Borough of State College Tax Office

Re: 2012 Audited Financial Statements – Local Services Tax Account

Date: June 27, 2013

### Independent Auditor's Report

Enclosed you will find the audited Local Services Tax Account *Financial Statements* for the Borough of State College Tax Office. The report covers the operations of the Tax Office for the time period January 1, 2012 through December 31, 2012.

The Independent Auditor's Report includes the following items that relate to the financial statements:

Statement of Assets and Liabilities Arising from Cash Transactions  
Statement of Receipts, Disbursements, and Changes in Cash Balance  
Notes to Financial Statement

I am pleased to report that at this time, there are no recommendations that require follow-up. Please contact the Tax Office at (814) 234-7120 or by writing [centretaxagency@statecollegepa.us](mailto:centretaxagency@statecollegepa.us) if you have any questions or wish to discuss the audited *Financial Statements*.

If you would like a member of the Tax Office to meet with you to discuss the collection of your Local Services Tax, please contact:

Linda Welker, Manager of Tax Services

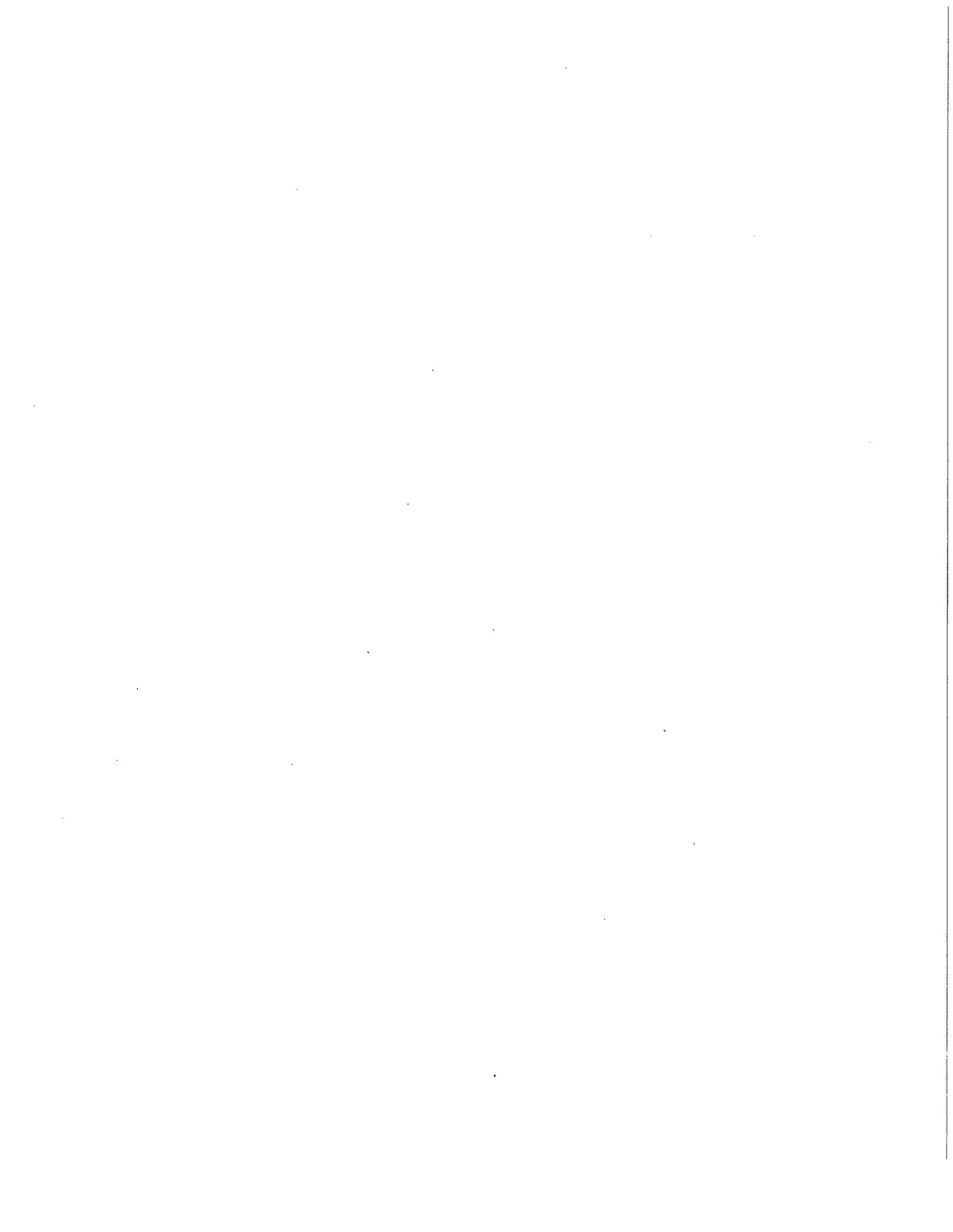
(814) 278-4707

Email: [lwelker@statecollegepa.us](mailto:lwelker@statecollegepa.us)

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#### Taxpayers' Bill of Rights Notice

You are entitled to receive a written explanation of your rights with regard to the assessment, audit, appeal, enforcement, refund, and collection of certain municipal and school taxes. The written explanation is entitled *Taxpayers Bill of Rights Disclosure Statement*. Upon receiving a request from you, the Tax Office will provide you a copy of the Disclosure Statement at no charge. You may request a copy in person or by mailing a request to the Address shown above.



**Borough of State College Tax Office**

**Local Services Tax Account**

**Financial Statements**

Year Ended December 31, 2012 with  
Independent Auditor's Report

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# BOROUGH OF STATE COLLEGE TAX OFFICE

## LOCAL SERVICES TAX ACCOUNT

YEAR ENDED DECEMBER 31, 2012

### TABLE OF CONTENTS

#### **Independent Auditor's Report**

#### **Financial Statements:**

Statement of Assets and Liabilities Arising from Cash Transactions	1
Statement of Receipts, Disbursements, and Changes in Cash Balance	2
Notes to Financial Statements	3

### Independent Auditor's Report

Members of the Borough Council  
Borough of State College

We have audited the statement of assets and liabilities arising from cash transactions of the Borough of State College Tax Office (Tax Office), Local Services Tax Account as of December 31, 2012, and the related statement of receipts, disbursements, and changes in cash balance for the year then ended, and the related notes to the financial statements.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### **Opinion on Cash Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of the Tax Office's Local Services Tax Account at December 31, 2012 and the related statement of receipts, disbursements, and changes in cash balance for the year then ended, on the cash basis of accounting as described in Note 2.

**Basis of Accounting and Presentation**

We draw your attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a comprehensive 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. In addition, the financial statements present only the local services tax activity of the Tax Office and are not intended to present the financial position and results of operations of the Borough of State College.

Pittsburgh, Pennsylvania  
June 27, 2013

# BOROUGH OF STATE COLLEGE TAX OFFICE

## LOCAL SERVICES TAX ACCOUNT

### STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

DECEMBER 31, 2012

<u>Assets</u>	
Cash	<u>\$ 4,663</u>
<u>Liabilities Arising From Cash Transactions</u>	
Tax collections due to other governments:	
Borough of State College	\$ 2,060
State College Area School District	590
College Township	1,017
Ferguson Township	546
Halfmoon Township	2
Harris Township	47
Patton Township	<u>401</u>
<b>Total Liabilities Arising from Cash Transactions</b>	<u><u>\$ 4,663</u></u>

See accompanying notes to financial statements.

# BOROUGH OF STATE COLLEGE TAX OFFICE

## LOCAL SERVICES TAX ACCOUNT

### STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCE

YEAR ENDED DECEMBER 31, 2012

#### Receipts:

Local services tax collections	\$ 3,191,421
Interest	56
Total receipts	<u>3,191,477</u>

#### Disbursements:

Collections distributed to member municipalities:	
Borough of State College	1,162,668
State College Area School District	371,281
Bellefonte Area School District	51,081
Bellefonte Borough	106,144
Benner Township	118,590
College Township	640,098
Ferguson Township	343,823
Halfmoon Township	1,462
Harris Township	29,368
Spring Township	90,350
Patton Township	252,006
Total collections distributed to member municipalities	<u>3,166,871</u>
Refunds to individuals	22,453
Transfers to other tax accounts	2,153
Total disbursements	<u>3,191,477</u>

**Net Change in Cash Balance** -

#### Cash:

Beginning of year	<u>4,663</u>
End of year	<u>\$ 4,663</u>

See accompanying notes to financial statements.

# BOROUGH OF STATE COLLEGE TAX OFFICE

## LOCAL SERVICES TAX ACCOUNT

### NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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#### 1. ORGANIZATION AND PURPOSE

The Borough of State College Tax Office (Tax Office) was created pursuant to the provisions of Act No. 511 of 1965, as amended, of the Commonwealth of Pennsylvania. The Tax Office operates under the direction of the Borough of State College (Borough) Council and provides for collection of the local services enacted by State College Area School District, Bellefonte Area School District, Bellefonte Borough, Benner Township, College Township, Ferguson Township, Halfmoon Township, Harris Township, Patton Township, Spring Township, and the Borough (collectively, the Taxing District).

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Reporting Entity

The Tax Office is an Agency Fund of the Borough. These financial statements reflect only the tax collections and remittances of the Tax Office and do not include the operating costs of the Tax Office or any other activity of the Borough. Operating costs of the Tax Office are shared by the members of the Taxing District and are not reflected in these financial statements.

##### Basis of Accounting

The statement of receipts, disbursements, and changes in cash balance is prepared on the cash basis. Accordingly, only those transactions involving the receipt or disbursement of cash are reflected on this statement. The statement of assets and liabilities arising from cash transactions includes cash and related liabilities to governmental units occurring as the result of the receipt of cash by the Tax Office.

#### 3. REGULATIONS CONCERNING TAX COLLECTIONS

The local services tax rate can be levied up to a maximum of \$52 per year (\$47 municipal / \$5 school) and is levied on taxpayers working within the Taxing District. The tax is collected throughout the calendar year in installments based on payroll periods. All employers with work sites within the Taxing District are required to deduct local services tax from their employees at the site of employment. Exemptions apply for taxpayers whose total earned income is less than established

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# BOROUGH OF STATE COLLEGE TAX OFFICE

## LOCAL SERVICES TAX ACCOUNT

### NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

income thresholds, with a mandatory exemption of \$12,000 for tax rates that exceed \$10.

The following table shows the 2012 tax rate and exemption level for the Taxing District:

	<u>School Rate</u>	<u>Municipal Rate</u>	<u>Municipal Exemption</u>	<u>School Exemption</u>
<b>State College Area School District</b>				
Benner Township	\$ 5	\$ 47	\$ 12,000	\$ -
College Township	5	47	12,000	-
Ferguson Township	5	47	12,000	-
Halfmoon Township	5	5	1,000	-
Harris Township	5	47	12,000	-
Patton Township	5	47	12,000	-
State College Borough	5	47	12,000	-
<b>Bellefonte Area School District</b>				
Marion Township *	10	-	-	1,000
Walker Township *	10	-	-	1,000
Bellefonte Borough	5	47	12,000	1,000
Benner Township	5	47	12,000	1,000
Spring Township	5	47	12,000	1,000

\* Township does not levy the local services tax, the school district levies up to the maximum rate allowed of \$10.

#### 4. CASH

The provisions of Act No. 511 and the Commonwealth of Pennsylvania Tax Collection Manual are silent in relation to the investing of undistributed funds, but the Borough Code provides for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations or those of their agencies or instrumentalities,

# BOROUGH OF STATE COLLEGE TAX OFFICE

## LOCAL SERVICES TAX ACCOUNT

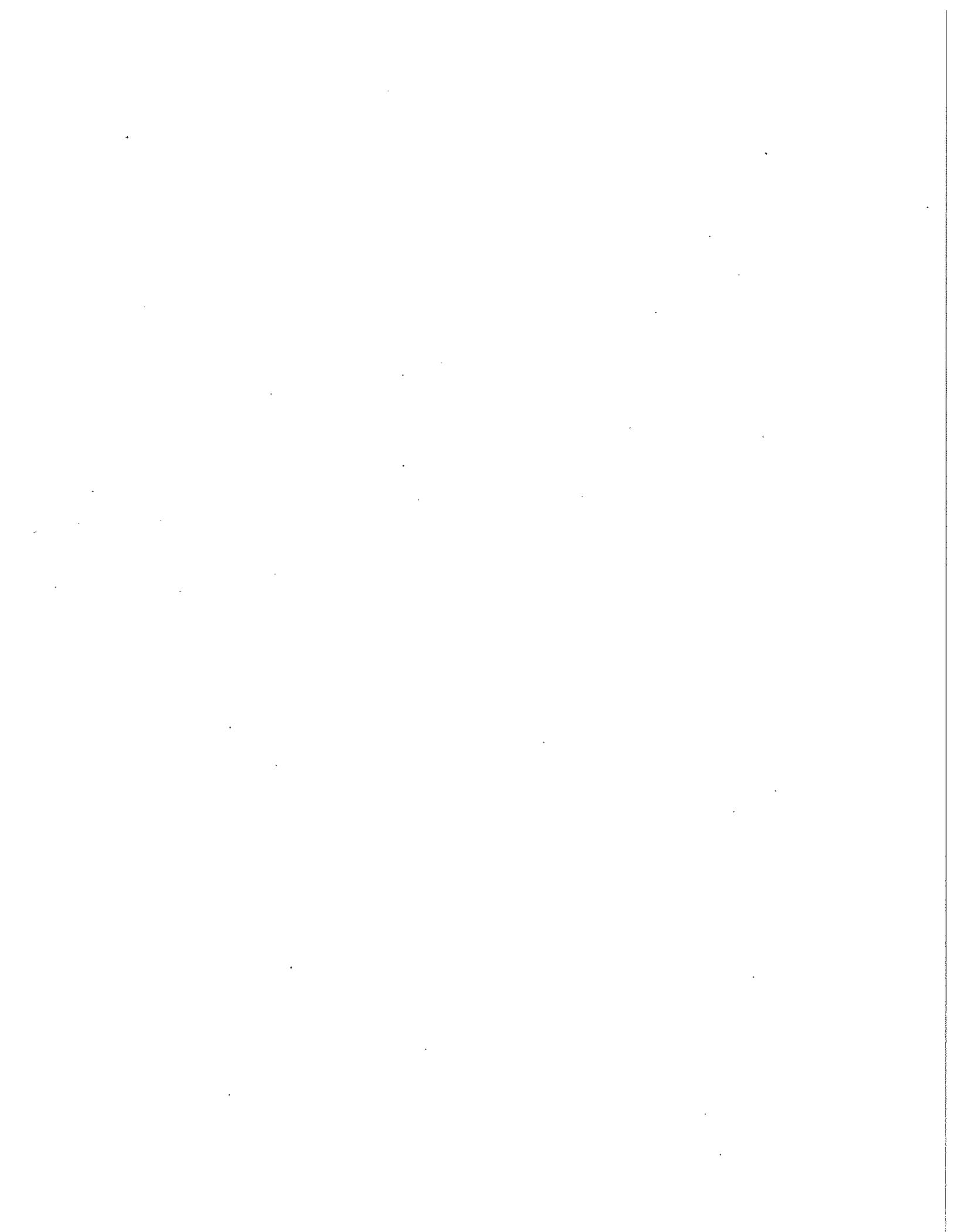
### NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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insured or collateralized time deposits, and certificates of deposit. The Borough Code does not prescribe regulations relating to demand deposits.

The Tax Office's cash is subject to custodial credit risk, which is the risk that in the event of a bank failure, the Tax Office's deposits may not be returned to it. The Tax Office does not have a formal deposit policy for custodial credit risk. As of December 31, 2012, none of the Tax Office's bank balance of \$20,567 was exposed to custodial credit risk. In the event the bank balance is exposed to custodial credit risk, funds are collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. The carrying amount of the Tax Office deposits was \$4,663. The difference between the carrying amount and the bank balance is due to checks issued but not presented to the bank as of December 31, 2012.





To: Centre County Tax Collection District Members  
From: Centre Tax Agency  
Re: 2012 Audited Financial Statements  
Date: June 27, 2013

Independent Auditor's Report

Enclosed you will find the audited *Financial Statement and Supplementary Information* for the Centre County Tax Collection District's Tax Officer, Centre Tax Agency. The report covers the operations of the Agency for the time period January 1, 2012 through December 31, 2012.

In February 2013, the Pennsylvania Governor's Center for Local Government Services had provided suggested audit procedures for Tax Officer's serving as Act 32 Tax Officers. Those audit procedures included a framework that covers three primary areas of reporting. Those areas are as follows:

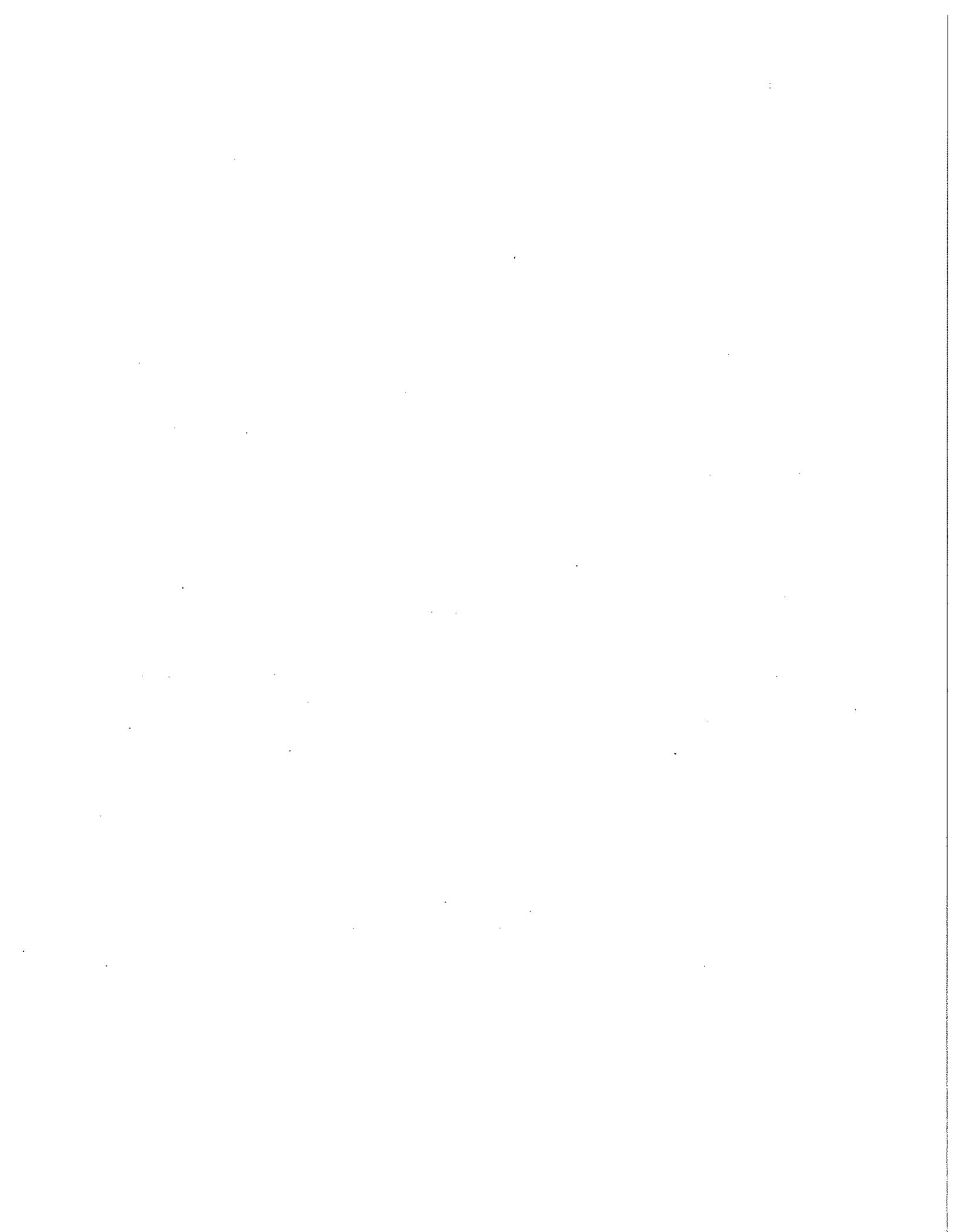
Financial Statements  
Supplementary Information  
DCED Compliance Section

You will find that Maher Duessel has structured their report to meet the guidelines provided.

We will be scheduling a follow-up meeting with our Auditors and software developer (RBA Professional Data Systems Inc.) to discuss a possible report format change that was discussed with the tax office staff during this year's audit field work. The monthly Act 32 Report, as presented by Centre Tax Agency, was successfully audited; however, the auditors have come forward with a proposed change on how refunds appear within the report. If the proposed change is agreed upon, RBA will make the necessary modifications to the program. Information related to this change will be provided, when available, in the next monthly memo that is sent with your distribution detail.

Please contact the Centre Tax Agency at (814) 234-7120 or by writing [centretaxagency@statecollegepa.us](mailto:centretaxagency@statecollegepa.us) if you have any questions or wish to discuss the audited *Financial Statement and Supplementary Information*. If you would like a member of the Centre Tax Agency to meet with you to discuss the collection of your local taxes, please contact:

Linda Welker, Manager of Tax Services  
(814) 278-4707  
Email: [lwelker@statecollegepa.us](mailto:lwelker@statecollegepa.us)



**Centre County  
Tax Collection Committee**

**Tax Officer,  
Centre Tax Agency**

Financial Statement and  
Supplementary Information

Year Ended December 31, 2012  
with Independent Auditor's Reports

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# CENTRE COUNTY TAX COLLECTION COMMITTEE TAX OFFICER – CENTRE TAX AGENCY

YEAR ENDED DECEMBER 31, 2012

## TABLE OF CONTENTS

### **Independent Auditor's Report**

#### **Financial Statement:**

Statement of Cash Receipts, Cash Disbursements, and Cash Balance	1
Notes to Financial Statement – Cash Basis	2

#### **Supplementary Information:**

Reconciliation of Monthly Reports to Audited Financial Statement	5
Schedule of Bonding Analysis	6
Schedule of Collection Fees Charged	7

#### **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 <i>Government Auditing Standards</i>	8
Independent Auditor's Report on Compliance with Pennsylvania Act 32 of 2008	10
Schedule of Findings and Non-Compliance	11

**MaherDuessel**  
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### Independent Auditor's Report

Committee Members  
Centre County Tax Collection Committee

#### **Report on the Financial Statement**

We have audited the accompanying statement of cash receipts, cash disbursements, and cash balance of the Centre County Tax Collection Committee's Tax Collector, Centre Tax Agency (CTA), as of and for the year ended December 31, 2012, and the related notes to the financial statement.

#### ***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting as described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a 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 the 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 financial statement is free from 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 the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

***Opinion on Cash Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, cash receipts and cash disbursements of CTA for the year ended December 31, 2012, and its cash balance as of December 31, 2012, in conformity with the basis of accounting described in Note 2.

***Basis of Accounting and Presentation***

We draw your attention to Note 2 to the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a comprehensive 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.

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprises CTA's financial statement as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statement.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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, the information is fairly stated in all material respects in relation to the financial statement as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated Date, 2013 on our consideration of CTA'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 CTA's internal control over financial reporting and compliance.

**CENTRE COUNTY TAX COLLECTION COMMITTEE  
TAX OFFICER - CENTRE TAX AGENCY**

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

YEAR ENDED DECEMBER 31, 2012

**Cash Receipts:**

<b>Cash Receipts:</b>	
<u>Collections:</u>	
Resident earned income tax receipts:	
Employers and taxpayers within Centre County	\$ 30,448,806
Other tax collection districts	12,704,218
Non-resident earned income tax receipts:	
Political subdivisions within Centre County	535,105
Other tax collection districts	176,267
Other	810
Total collections	<u>43,865,206</u>
Investment Income	<u>4,904</u>
<b>Total Cash Receipts</b>	<b><u>43,870,110</u></b>

**Cash Disbursements:**

<b>Cash Disbursements:</b>	
<u>Distributions:</u>	
Earned income tax distributions to Centre County tax collection district members, net of commissions and refunds	33,850,855
Earned income tax distributions to other tax collection districts	<u>9,135,402</u>
Total distributions	<u>42,986,257</u>
Taxpayer refunds	51,484
Tax Officer commissions	<u>832,369</u>
<b>Total Cash Disbursements</b>	<b><u>43,870,110</u></b>

<b>Change in Cash Balance</b>	<u>-</u>
Cash Balance - January 1, 2012	<u>-</u>
Cash Balance - December 31, 2012	<u><u>\$ -</u></u>

See accompanying notes to financial statement.

# CENTRE COUNTY TAX COLLECTION COMMITTEE TAX OFFICER – CENTRE TAX AGENCY

## NOTES TO FINANCIAL STATEMENT – CASH BASIS

YEAR ENDED DECEMBER 31, 2012

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### 1. NATURE OF ACTIVITIES

Centre County Tax Collection Committee (Committee) is the Tax Collection Committee representing all taxing jurisdictions within the Centre County Tax Collection District, Pennsylvania, as defined by Pennsylvania Act 32 of 2008 (Act 32). 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 Centre County Tax Collection District (TCD).

Members of the 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.

The earned income tax is imposed on 1) salaries, wages, commissions, and other compensation earned by residents of the TCD and 2) net profits from self-employment earned by residents of the TCD.

The Committee has contracted with the Borough of State College (Borough) d/b/a Centre Tax Agency (CTA) to collect and distribute earned income and net profits taxes within the TCD. Act 32 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.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Accounting and Presentation

CTA 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 on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

This financial statement reflects only CTA's earned income tax receipts and disbursements related to the TCD and does not include the operating costs of CTA or any other activity of the Borough.

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# CENTRE COUNTY TAX COLLECTION COMMITTEE TAX OFFICER – CENTRE TAX AGENCY

## NOTES TO FINANCIAL STATEMENT – CASH BASIS

YEAR ENDED DECEMBER 31, 2012

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### **3. CASH BALANCE AND CONCENTRATION OF CREDIT RISK**

The contract between the Committee and CTA includes a deposit and investment policy that governs the investment of all funds in CTA's custody. Throughout 2012, CTA maintained checking and interest-bearing deposit accounts.

CTA's cash is subject to custodial credit risk, which is the risk that in the event of a bank failure, CTA's deposits may not be returned to it. CTA does not have a formal deposit policy for custodial credit risk. As of December 31, 2012, \$250,000 of CTA's \$ 3,540,254 bank balance was insured by the Federal Deposit Insurance Corporation. The remaining bank balance of \$3,290,254 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits had no carrying amount as of December 31, 2012. The difference between the carrying amount and the bank balance is due to December 2012 distributions that did not clear the bank until January 2013.

### **4. TAX COLLECTION CONTRACT**

The Committee has contracted with CTA for the collection and distribution of earned income and net profit taxes. The contract term began January 1, 2012 and continues through December 31, 2014. The contract calls for a collection fee of 2.4% of tax collections to be retained by CTA upon collection, with the net proceeds being distributed.

In accordance with the contract, CTA provided the Committee a bond in the amount of \$12,000,000, which was in effect for calendar year 2012. Effective January 1, 2013, the bond amount was increased to \$15,000,000.

### **5. DISTRIBUTIONS TO TCD MEMBERS**

Distributions to members within the TCD, net of commissions and refunds, for the year ended December 31, 2012, are as follows:

# CENTRE COUNTY TAX COLLECTION COMMITTEE

## TAX OFFICER – CENTRE TAX AGENCY

### NOTES TO FINANCIAL STATEMENT – CASH BASIS

YEAR ENDED DECEMBER 31, 2012

	Resident	Total	Net Receipts			
	Tax rate	Collections	Refunds	Available	Commission	Distribution
Bellefonte Borough	0.50%	\$ 493,540	\$ -	\$ 493,540	\$ (11,844)	\$ 481,697
Benner Township	0.50%	329,031	(412)	328,619	(7,886)	320,732
Boggs Township	0.50%	170,621	-	170,621	(4,094)	166,527
Burnside Township	0.50%	39,878	-	39,878	(957)	38,921
Centre Hall Borough	0.50%	76,297	-	76,297	(1,831)	74,466
College Township	0.50%	989,652	(8,759)	980,893	(23,552)	957,341
Ferguson Township	1.40%	4,632,560	-	4,632,560	(111,170)	4,521,390
Gregg Township	0.50%	158,579	-	158,579	(3,806)	154,774
Haines Township	0.50%	67,430	-	67,430	(1,618)	65,811
Halfmoon Township	0.50%	309,757	(248)	309,508	(7,428)	302,081
Harris Township	0.50%	595,943	-	595,943	(14,301)	581,642
Howard Borough	0.50%	51,016	-	51,016	(1,224)	49,792
Howard Township	0.50%	60,704	-	60,704	(1,457)	59,247
Huston Township	0.50%	89,305	-	89,305	(2,143)	87,162
Marion Township	0.50%	71,467	(468)	70,999	(1,704)	69,295
Miles Township	0.50%	63,590	-	63,590	(1,526)	62,064
Milesburg Borough	0.50%	63,855	-	63,855	(1,532)	62,323
Millheim Borough	0.50%	49,158	-	49,158	(1,180)	47,979
Patton Township	0.50%	1,328,407	-	1,328,407	(31,879)	1,296,528
Penn Township	0.50%	57,132	-	57,132	(1,371)	55,761
Port Matilda Borough	0.50%	40,066	-	40,066	(961)	39,105
Potter Township	0.50%	264,467	-	264,467	(6,347)	258,120
Snow Shoe Borough	0.50%	43,702	-	43,702	(1,049)	42,653
Snow Shoe Township	0.50%	100,539	-	100,539	(2,413)	98,126
Spring Township	0.50%	566,496	-	566,496	(13,595)	552,902
State College Borough	1.30%	3,427,168	(14,076)	3,413,092	(81,921)	3,331,171
Union Township	0.50%	90,050	-	90,050	(2,161)	87,889
Unionville Borough	0.50%	17,228	-	17,228	(413)	16,815
Walker Township	0.50%	373,034	(368)	372,666	(8,943)	363,723
Worth Township	0.50%	54,687	-	54,687	(1,312)	53,374
Bald Eagle Area School	2.05%	3,242,050	-	3,242,050	(77,801)	3,164,249
Bellefonte Area School	1.05%	3,534,246	(2,620)	3,531,626	(84,751)	3,446,875
State College Area School	0.95%	11,399,084	(24,533)	11,374,551	(272,988)	11,101,563
Penns Valley Area School	1.30%	1,883,968	-	1,883,968	(45,211)	1,838,757
<b>Total</b>		<b>\$ 34,734,708</b>	<b>\$ (51,484)</b>	<b>\$ 34,683,224</b>	<b>\$ (832,369)</b>	<b>\$ 33,850,855</b>

## **Supplementary Information**

**CENTRE COUNTY TAX COLLECTION COMMITTEE  
TAX OFFICER - CENTRE TAX AGENCY**

**RECONCILIATION OF MONTHLY REPORTS TO AUDITED  
FINANCIAL STATEMENT**

YEAR ENDED DECEMBER 31, 2012

<b>Collections and receipts:</b>	Total Monthly Reports	Reconciling Items	Audit
Collections:			
Resident EIT received from employers/taxpayers within the TCD	\$ 30,397,322	\$ 51,484 (1)	\$ 30,448,806
Resident EIT received from other TCDs	12,704,218	-	12,704,218
Non-resident EIT received for political subdivisions within the TCD	535,105	-	535,105
Non-resident EIT received for other TCDs	176,267	-	176,267
Other	810	-	810
Total collections	43,813,722	51,484	43,865,206
Investment income	4,904	-	4,904
<b>Total collections and receipts</b>	<b>\$ 43,818,626</b>	<b>\$ 51,484</b>	<b>\$ 43,870,110</b>
<b>Distributions and disbursements:</b>			
Distributions:			
EIT distributions to TCD members	\$ 34,735,956	\$ (885,101) (1)	\$ 33,850,855
EIT distributions to other TCDs	9,135,402	-	9,135,402
Taxpayer refunds	(51,522)	51,522 (1)	-
Total distributions	43,819,836	(833,579)	42,986,257
Taxpayer refunds	-	51,484 (1)	51,484
Tax Officer commissions	-	832,369 (1)	832,369
<b>Total distributions and disbursements</b>	<b>\$ 43,819,836</b>	<b>\$ 50,274</b>	<b>\$ 43,870,110</b>
<b>Tax Officer commissions</b>	<b>832,245</b>		

(1) The Tax Officer policies described below regarding monthly reporting account for the following reconciling items:

Refunds (\$51,484) - resident earned income tax receipts are shown net of refunds and earned income tax distributions are shown at gross, before deducting refunds, the offset of which is reflected in the taxpayer refund line item.

Commissions (\$832,369) - earned income tax distributions are shown at gross, before deducting commissions. The commissions are then shown in the disbursement section of the monthly reports as an offset to total distributions.

The following other reconciling items included above represent corrections to the February activity after the monthly report was submitted:

EIT distributions to TCD members	\$ (1,248)
Taxpayer refunds	\$ 38
Tax officer commissions	\$ 124

**CENTRE COUNTY TAX COLLECTION COMMITTEE  
TAX OFFICER - CENTRE TAX AGENCY**

**SCHEDULE OF BONDING ANALYSIS**

YEAR ENDED DECEMBER 31, 2012

Collections:

Resident earned income tax receipts:

Employers and taxpayers within Centre County	\$ 30,448,806
Other tax collection districts	12,704,218

Non-resident earned income tax receipts:

Political subdivisions within Centre County	535,105
Other tax collection districts	176,267

Other	<u>810</u>
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Total collections	<u>\$ 43,865,206</u>
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Bonding amount as determined by Centre County

Tax Collection Committee	\$ 12,000,000
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Actual bond amount	\$ 12,000,000
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Average monthly amount of tax collections in possession of tax officer	\$ 3,655,434
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Note: Per the contract between Centre County Tax Collection Committee and the Tax Officer, Centre Tax Agency is required to distribute collections on a monthly basis.

**CENTRE COUNTY TAX COLLECTION COMMITTEE  
TAX OFFICER - CENTRE TAX AGENCY**

**SCHEDULE OF COLLECTION FEES CHARGED**

YEAR ENDED DECEMBER 31, 2012

Collections for political subdivisions within Centre County Tax Collection District, net of refunds	\$ 34,683,224
Collection rate per contract between tax officer and Centre County Tax Collection Committee	<u>2.40%</u>
Projected collection fees	<u>\$ 832,397</u>
Collection fees charged	<u>\$ 832,369</u>

**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  
Centre County Tax Collection Committee

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 statement of the Centre County Tax Collection Committee's Tax Collector, Centre Tax Agency (CTA), which comprises the statement of cash receipts, cash disbursements, and cash balance as of and for the year ended December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated June 27, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statement, we considered CTA'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 CTA's internal control. Accordingly, we do not express an opinion on the effectiveness of CTA'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 CTA's 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 over financial reporting 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 CTA's financial statement is free of 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*.

Committee Members  
Centre County Tax Collection Committee  
Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters

**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.

Pittsburgh, Pennsylvania  
June 27, 2013

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Certified Public Accountants

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Independent Auditor's Report on Compliance with Pennsylvania Act 32 of 2008

Committee Members  
Centre County Tax Collection Committee

We have audited the Centre County Tax Collection Committee's Tax Office Centre Tax Agency's (CTA) compliance with the provisions within Pennsylvania Act 32 of 2008 for the year ended December 31, 2012. Compliance with the requirements referred to above is the responsibility of CTA's management. Our responsibility is to express an opinion on CTA's compliance based on our audit.

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 the Pennsylvania Governor's Center for Local Government Services Suggested Audit Procedures. Those standards and the Pennsylvania Governor's Center for Local Government Services Suggested Audit Procedures require that we plan and perform the audit to obtain reasonable assurance about whether CTA complied with the compliance requirements that could have a material effect on its compliance with the provisions within Pennsylvania Act 32 of 2008. An audit includes examining, on a test basis, evidence about CTA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of CTA's compliance with those requirements.

In our opinion, CTA complied, in all material respects, with the compliance requirements referred to above that are applicable to the provisions of Pennsylvania Act 32 of 2008 for the year ended December 31, 2012.

This report is intended solely for the information and use of the Centre County Tax Collection Committee, members within the Centre County Tax Collection District, CTA, and any required government authorities and is not intended to be and should not be used by anyone other than these specified parties.

Pittsburgh, Pennsylvania  
June 27, 2013

**CENTRE COUNTY TAX COLLECTION COMMITTEE  
TAX OFFICER – CENTRE TAX AGENCY**

**SCHEDULE OF FINDINGS AND NON-COMPLIANCE**

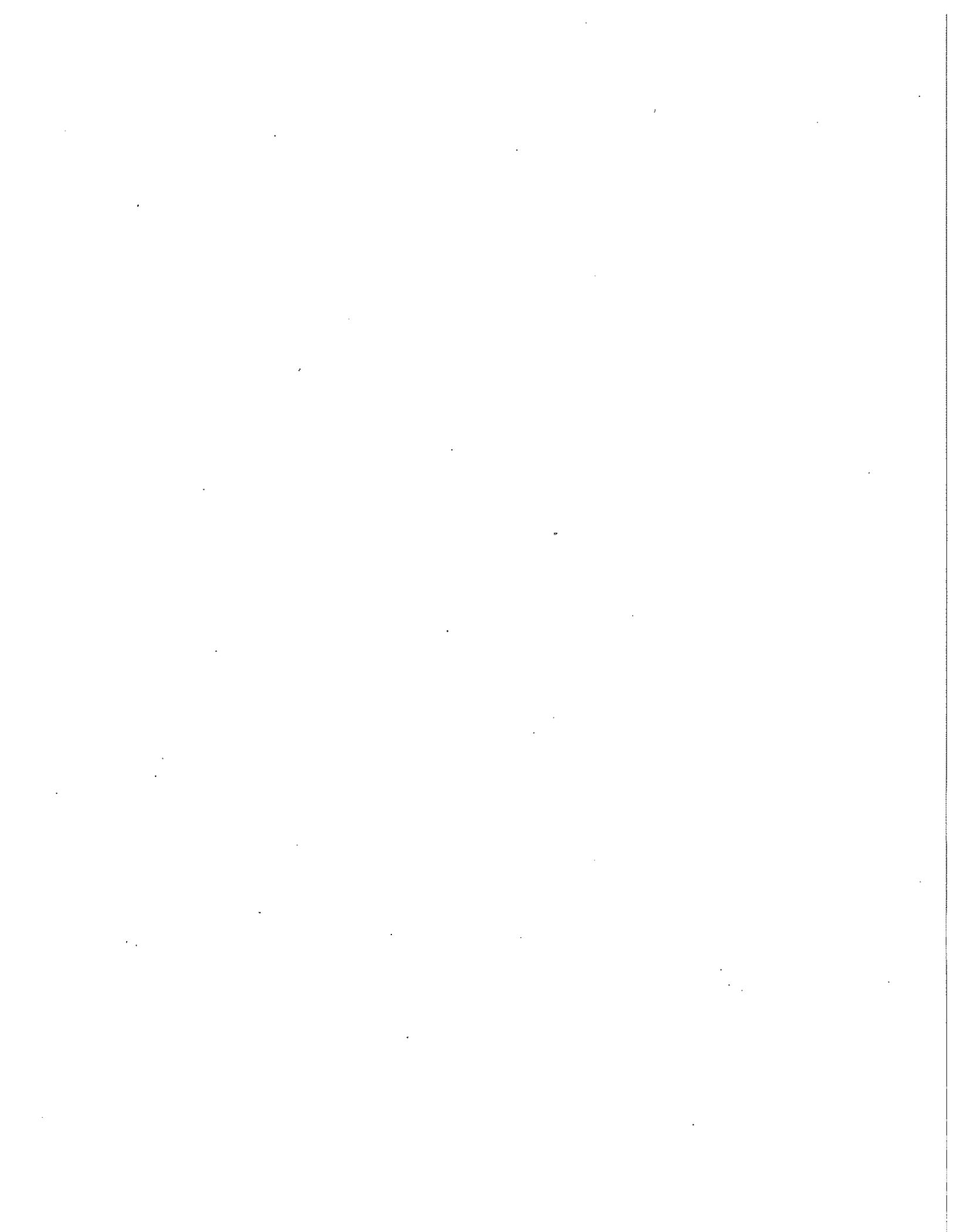
**YEAR ENDED DECEMBER 31, 2012**

**Findings - Financial Statement Audit**

None

**Findings of Non-Compliance with Pennsylvania Act 32 of 2008**

None



Committee Members  
Centre County Tax Collection Committee

We have audited the statement of cash receipts, cash disbursements, and cash balance of the Centre County Tax Collection Committee's Tax Officer, Centre Tax Agency (CTA), as of and for the year ended December 31, 2012.

We reported on internal controls and their operations in the 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*, dated June 27, 2013. However, during our audit, we noted a certain matter involving internal controls and other operational matters that is presented for your consideration. This letter does not affect our report dated June 27, 2013 on the financial statement. Our comment and recommendation, which has been discussed with the appropriate members of management, is intended to improve internal control or result in other operating efficiencies.

We had the following comments on another matters for your consideration:

**Online Banking**

We noted that online banking is used to make transfers between accounts within CTA and to make ACH payments to certain political subdivisions within the tax collection district. Management should review the access parameters for the online banking system to ensure that user access is restricted according to the user's assigned job responsibilities (i.e., to only allow transfers between accounts or CTA managed accounts or to only allow ACH payments to previously approved vendors). Consideration should also be given to having the banking system generate notifications to other CTA personnel when an online banking transaction occurs. Also, an approval process should be implemented for the setup of ACH vendors in the online banking system. Ideally, this approval process would be built into the online banking system through electronic approvals and notifications.

**Monthly Reporting**

In comparing CTA's monthly tax collector reports to the form prescribed by the Commonwealth of PA Department of Community and Economic Development (DCED), we noted the following:

- The aggregate monthly report should include a year-to-date column;
- Refunds are currently netted against collection revenue, included in the gross distribution to members, and then reported as a negative amount to offset the gross distribution on the refund line item. The DCED form appears to be formatted so that refunds are included in gross collections and then shown separately as a positive disbursement. Distributions to members would be net of refunds;

- Commissions are currently included in the gross distribution to members and then listed separately as a disbursement with the formula for total distributions and disbursements subtracting the disbursement total from the distribution total rather than adding it. The DCED form appears to be formatted so that distributions to members are shown net of commissions. This would allow for the distribution and disbursement totals to be added to arrive at the total distributions and disbursements which would then equal the total collections and receipts.

The above mentioned items relate primarily to presentation; our audit did not result in differences in any of the individual amounts reported. Although the DCED instructions do not provide detailed guidance on the presentation of these items, CTA should review its current monthly reporting format and consider whether revisions should be made.

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This communication is intended solely for the information and use of the Centre County Tax Collection Committee, members within the Centre County Tax Collection District, management of CTA, and any required government authorities and is not intended to be and should not be used by anyone other than these specified parties.

Pittsburgh, Pennsylvania  
June 27, 2013