

June 19, 2019

To the Board of Supervisors
New Hanover Township
Reading, Pennsylvania

We have audited the financial statements of the New Hanover Township as of and for the year ended December 31, 2018, and have issued our report thereon dated June 18, 2019. Professional standards require that we advise you of the following matters relating to our audit.

OUR RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENT AUDIT

As communicated in our engagement letter dated May 9, 2019, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the New Hanover Township solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

PLANNED SCOPE AND TIMING OF THE AUDIT

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

COMPLIANCE WITH ALL ETHICS REQUIREMENTS REGARDING INDEPENDENCE

The engagement team, others in our firm, as appropriate, our firm and our network firms have complied with all relevant ethical requirements regarding independence.

QUALITATIVE ASPECTS OF THE ENTITY'S SIGNIFICANT ACCOUNTING PRACTICES

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the New Hanover Township is included in Note A to the financial statements. During the year, the Township changed its method of accounting from the cash basis to the full accrual and modified accrual basis of accounting. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Management's estimate of the minimum municipal obligation for the pension plan is based on actuarial estimates.
- Management's estimate of accumulated depreciation and depreciation expense is based on original cost and estimated useful lives.

- Management's estimate of the net pension liability and related deferred outflows and inflows of resources is based on actuarial calculations.
- Management's estimate of the fair value of investments is based on market values as of the financial statement date.
- Management's estimate of the accrued compensated absences is based on hourly rates and policies regarding payment of time banks.

We evaluated the key factors and assumptions used to develop the above estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

The financial statement disclosures are neutral, consistent and clear.

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE AUDIT

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

UNCORRECTED AND CORRECTED MISSTATEMENTS

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances, or disclosures and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedule of material misstatements that we identified as a result of our audit procedures was brought to the attention of, and corrected by, management.

To the Board of Supervisors
New Hanover Township

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DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, 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, which could be significant to the New Hanover Township's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

REPRESENTATIONS REQUESTED FROM MANAGEMENT

We have requested certain written representations from management, which are included in the management representation letter dated June 18, 2019.

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 and accounting matters.

OTHER SIGNIFICANT MATTERS, FINDINGS OR ISSUES

In the normal course of our professional association with the New Hanover Township, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the New Hanover Township's auditors.

This report is intended solely for the information and use of the Board of Supervisors and management of the New Hanover Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



MAILLIE LLP
*Certified Public Accountants and
Business Consultants*

Client: **59878 - New Hanover Township**
 Engagement: **2018 - New Hanover Township**
 Period Ending: **12/31/2018**
 Trial Balance: **TB**
 Workpaper:

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 101			
To reclass principal paid on sewer debt from expense to the liability accounts			
10-261300	Guaranteed Sewer Note 1998	358,000.00	
10-261350	Guaranteed Sewer Note 2003	143,000.00	
10-492018	Transfer to fund 18	1,000.00	
18-261400	Guaranteed Sewer Note	1,000.00	
10-471-300	Revenue Note Principal		502,000.00
18-392010	Transfer From Fund 10		1,000.00
Total		<u>503,000.00</u>	<u>503,000.00</u>
Adjusting Journal Entries JE # 102			
To reclass principal / interest on 2011 Note per confirmation			
04-471-100	General Obligation Notes	1,407.00	
04-472-100	General Obligation Notes		1,407.00
Total		<u>1,407.00</u>	<u>1,407.00</u>
Adjusting Journal Entries JE # 103			
To accrue equipment repair to paver			
01-437-374	Heavy Equipment Maintenance	8,106.00	
01-200200	Accounts Payable		8,106.00
Total		<u>8,106.00</u>	<u>8,106.00</u>
Adjusting Journal Entries JE # 104			
To capitalize fixed assets in the sewer fund			
10-164000	Sewer Equipment	28,379.00	
18-165000	CIP	606,310.00	
10-409-740	Capital - Machinery/Equipment		28,379.00
18-471-720	West Branch Intercept Project		606,310.00
Total		<u>634,689.00</u>	<u>634,689.00</u>
Adjusting Journal Entries JE # 105			
To record depreciation expense			
08-08	Sewer Depreciation Expense	760,435.00	
10-170000	Accum Depreciation		760,435.00
Total		<u>760,435.00</u>	<u>760,435.00</u>
Adjusting Journal Entries JE # 106			
To remove Ford Ranger that was sold during the year			
10-170000	Accum Depreciation	16,232.00	
10-165000	Vehicles		16,232.00
Total		<u>16,232.00</u>	<u>16,232.00</u>

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 Trial Balance: **TB**
 Workpaper:

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 107			
To reallocate Health Insurance Expense			
01-225000	Health Ins (Sec 125) Payable	44,505.00	
08-100100	Cash in Combined Fund - Swr Op	8,416.00	
96-100100	Cash in Combined Fund - Parks	730.00	
01-100100	Cash in Combined Fund - Gen Fd		9,147.00
01-401-196	Health Insurance		2,114.00
01-402-196	Health Insurance		2,181.00
01-406-196	Health Insurance		1,397.00
01-410-196	Health Insurance		17,628.00
01-413-196	Health Insurance		1,397.00
01-430-196	Health Insurance		10,641.00
08-406-196	Health Insurance		2,924.00
08-429-196	Health Insurance		5,492.00
96-406-196	Health Insurance		730.00
Total		<u>53,651.00</u>	<u>53,651.00</u>

Adjusting Journal Entries JE # 108
 PBC entry to adjust Fund 40

01-130040	Due from Escrow Fd	11,377.00	
01-130040	Due from Escrow Fd	21,583.00	
08-130040	Due from Escrow	2,349.00	
40-138000	Due from Developers	42,463.00	
40-380-100	Reimb General Engineering Fees	13,726.00	
40-380-600	SALDO Admin Fees	19,383.00	
40-380-700	Escrow Admin/Filing Fee	2,200.00	
01-361-310	SALDO Fees		21,583.00
01-395-000	Refunds		11,377.00
08-395-000	Refunds		2,349.00
40-230001	Due to General Fund		11,377.00
40-230001	Due to General Fund		21,583.00
40-230008	Due to Sewer Fund		2,349.00
40-380-100	Reimb General Engineering Fees		42,463.00
Total		<u>113,081.00</u>	<u>113,081.00</u>