

**BUCKS COUNTY TAX
COLLECTION COMMITTEE**

**TAX OFFICER,
KEYSTONE COLLECTIONS GROUP**

FINANCIAL REPORT

DECEMBER 31, 2012

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INDEPENDENT AUDITOR'S REPORT

Committee Members
Bucks County Tax Collection Committee
Doylestown, Pennsylvania

Report on the Financial Statement

We have audited the accompanying statement of cash receipts, cash disbursements, and cash balances as of and for the year ended December 31, 2012, and the related notes to the financial statement, which comprises Bucks County Tax Collection Committee's ("TCC") Tax Officer, Keystone Collections Group, basic financial statement, as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards, generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the above referenced financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Opinion

In our opinion, the statement of cash receipts, cash disbursements, and cash balances referred to above presents fairly, in all material respects, the cash receipts and cash disbursements of Bucks County Tax Collection Committee's ("TCC") Tax Officer, Keystone Collections Group for the year ended December 31, 2012, and its cash balance as of December 31, 2012, on the cash basis of accounting described in Note 1.

Basis of Accounting

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

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2013, on our consideration of Bucks County TCC's Tax Officer, Keystone Collections Group's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bucks County TCC's Tax Officer, Keystone Collections Group's internal control over financial reporting and compliance.



Camp Hill, Pennsylvania
April 2, 2013

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

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

Year Ended December 31, 2012

COLLECTIONS AND RECEIPTS

Resident EIT Received from Employers/Taxpayers within TCD	\$ 88,812,258
Resident EIT Received from Other TCDs	34,484,437
Non-Resident EIT Received for PSD within the TCD	2,056,987
Non-Resident EIT Received for Other TCDs	15,616,245
Delinquent Earned Income Taxes Collected	2,936,251
Open Space Received from within TCD	2,466,705
Open Space Received for Other TCDs	1,268,773
Non-Resident Open Space Received for Other TCDs	1,282,966
Delinquent Open Space Tax Collected	84,039
Costs Recovered by Tax Officer	58,516
Unidentified Collections	137,889

TOTAL COLLECTIONS AND RECEIPTS 149,205,066

DISTRIBUTIONS AND DISBURSEMENTS

EIT Distributions to TCD Members	
Centennial School District	4,638,087
Central Bucks School District	19,917,603
Council Rock School District	14,266,214
New Hope-Solebury School District	3,117,149
Palisades School District	2,032,534
Pennridge School District	7,588,145
Quakertown Community School District	6,721,213
Chalfont Borough	619,373
Doylestown Borough	1,655,273
Dublin Borough	2,049,574
Ivyland Borough	257,770
New Britian Borough	327,418
New Hope Borough	1,009,179
Newtown Borough	877,595
Perkasie Borough	855,066
Quakertown Borough	652,690
Richlandtown Borough	1,152,367
Riegelsville Borough	3,087
Sellersville Borough	664,846
Silverdale Borough	1,865,508
Trumbauersville Borough	67,778

(Continued)

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CASH BALANCES (Continued)
Year Ended December 31, 2012**

DISTRIBUTIONS AND DISBURSEMENTS (Continued)

EIT Distributions to TCD Members (Continued)

Bedminster Township	246,405
Bridgeton Township	134,060
Bristol Township	5,912,505
Buckingham Township	4,878,289
Doylestown Township	3,554,458
Durham Township	164,991
East Rockhill Township	888,275
Haycock Township	272,166
Hilltown Township	113,024
Lower Southampton Township	4,251,803
Milford Township	76,108
New Britian Township	2,449,214
Newtown Township	6,013,283
Nockamixon Township	655,055
Northampton Township	6,842,734
Plumstead Township	2,342,498
Richland Township	167,393
Solebury Township	2,478,810
Springfield Township	1,011,673
Tinicum Township	1,016,901
Upper Makefield Township	2,979,848
Upper Southampton Township	2,025,223
Warminster Township	3,794,830
Warrington Township	3,666,498
Warwick Township	2,683,811
West Rockhill Township	622,866
Wrightstown Township	991,711
Total EIT Distribution to TCD Members	<u>130,572,901</u>

EIT Distributions to Other TCDs (Note 3) 16,899,211

(Continued)

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CASH BALANCES (Continued)
Year Ended December 31, 2012**

Taxpayer Refunds - Current	524,521
Taxpayer Refunds - Delinquent	337,145
Taxpayer Refunds Open Space	21,159
Tax Officer Commissions	851,158
Tax Officer Commissions for Open Space	19,016
Unpaid EIT Invoices	54,826
Unpaid Open Space Invoices	3,004
Costs Retained by Tax Officer	58,516
	<hr/>
TOTAL DISTRIBUTIONS AND DISBURSEMENTS	149,341,457
	<hr/>
Less: Unidentified Collections	137,889
COLLECTIONS AND RECEIPTS OVER/(UNDER) DISTRIBUTIONS AND DISBURSEMENTS AND UNIDENTIFIED COLLECTIONS	(274,280)
Cash Balance - January 1, 2012	1,112,409
Cash Balance - December 31, 2012	<hr/> \$ 838,129 <hr/>

See Notes to Financial Statement.

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

NOTES TO FINANCIAL STATEMENT

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

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

Members of the Tax Collection District 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.

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

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

Subsequent Events: In preparing this financial statement, the Bucks County TCC's Tax Officer, Keystone Collections Group has evaluated events and transactions for potential recognition and disclosure through April 2, 2013, the date the financial statement was available to be issued.

Note 2. Cash Balance and Concentration of Credit Risk

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

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

NOTES TO FINANCIAL STATEMENT

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

Deposits of governmental entities in excess of Federal Depository Insurance limits are required to be secured by pledged collateral either on a pooled or separate basis. These may be bonds of the United States, any State or Commonwealth of the United States, or bonds of any political subdivision of Pennsylvania, or the general state authority or other authorities created by the General Assembly of the Commonwealth of Pennsylvania. The Federal Reserve Bank does not consider earned income tax officers such as Keystone Collections Group to be governmental entities; rather it considers the tax officer to be a collection agency. The accounts are held in trust for the TCC political subdivisions under State law, and therefore constitute public funds. These uninsured deposits of \$838,129 are collateralized under Act 72 of 1971, with securities held by the pledging financial institution, or its trust department or agent, in the name of the TCC's designated tax officer.

The cash balance consists of collections held, in escrow, pending receipt of monthly, quarterly or annual reports identifying amounts due to the appropriate member of Bucks County TCC or other Tax Collection Districts. The cash balance at December 31, 2012, for members of the Bucks County TCC, totaled \$838,129. The following are the entities for which money was held at December 31, 2012, and the amount held for each of those entities.

Members of Bucks County TCD	Amount
Centennial School District	\$ 17,738
Central Bucks School District	69,158
Council Rock School District	44,665
New Hope-Solebury School District	12,680
Palisades School District	7,946
Pennridge School District	81,559
Quakertown Community School District	292,359
Chalfont Borough	2,906
Doylestown Borough	7,046
Dublin Borough	779
Ivyland Borough	804
New Britian Borough	1,528
New Hope Borough	2,446
Newtown Borough	2,568
Perkasie Borough	4,446
Quakertown Borough	4,931
Richlandtown Borough	895
Riegelsville Borough	(72)
Sellersville Borough	2,394
Silverdale Borough	810

(Continued)

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

NOTES TO FINANCIAL STATEMENT

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

Members of Bucks County TCD (Continued)	Amount
Trumbauersville Borough	903
Bedminster Township	5,695
Bridgeton Township	631
Bristol Township	14,846
Buckingham Township	14,711
Doylestown Township	15,133
Durham Township	1,020
East Rockhill Township	4,279
Haycock Township	1,488
Hilltown Township	14,784
Lower Southampton Township	12,853
Milford Township	12,302
New Britian Township	12,734
Newtown Township	19,622
Nockamixon Township	2,989
Northampton Township	23,743
Plumstead Township	7,778
Richland Township	11,195
Solebury Township	12,396
Springfield Township	5,490
Tinicum Township	2,952
Upper Makefield Township	27,977
Upper Southampton Township	6,976
Warminster Township	16,052
Warrington Township	13,873
Warwick Township	11,406
West Rockhill Township	4,661
Wrightstown Township	2,054
	\$ 838,129

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

NOTES TO FINANCIAL STATEMENT

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

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

<u>EIT Distributions to Other TCDs</u>	<u>Amount</u>
Adams	\$ 9,131
Armstrong	528
Beaver	3,961
Bedford	2,502
Berks	647,085
Blair	3,978
Bradford	5,406
Butler	12,551
Cambria	4,585
Cameron	170
Carbon	82,905
Centre	8,677
Chester	823,294
Clarion	38,131
Clearfield	5,202
Clinton	1,064
Columbia	17,540
Crawford	3,931
Cumberland	41,783
Dauphin	50,409
Delaware	177,935
Elk	917
Erie	5,572
Fayette	1,603
Forest	969
Franklin	10,897
Fulton	1,240
Greene	89
Huntingdon	571
Indiana	326
Jefferson	2,290

(Continued)

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

NOTES TO FINANCIAL STATEMENT

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

EIT Distributions to Other TCDs (Continued)	Amount
Juniata	1,503
Lackawanna	26,804
Lancaster	120,467
Lawrence	4,240
Lebanon	17,102
Lehigh	1,908,769
Luzerne	71,294
Lycoming	9,318
Mckean	1,146
Mercer	2,580
Mifflin	700
Monroe	57,668
Montgomery	11,042,288
Montour	1,550
Northampton	1,183,936
Northumberland	6,202
Perry	4,630
Philadelphia	249,663
Potter	851
Schuylkill	43,880
Snyder	6,933
Somerset	5,539
Sullivan	798
Susquehanna	3,408
Tioga	6,006
Union	8,745
Venango	4,939
Warren	38
Washington	13,462
Wayne	1,366
Westmoreland	13,722
Wyoming	2,503
York	48,675

(Continued)

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

NOTES TO FINANCIAL STATEMENT

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

EIT Distributions to Other TCDs (Continued)	Amount
Allegheny Central	19,142
Allegheny North	17,138
Allegheny Southeast	7,263
Allegheny Southwest	19,701
	\$ 16,899,211

Note 4. Source of Earned Income Tax Collections

The earned income tax imposed is currently 0.50% - 1.75% per year, depending on the municipality of:

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

Collections are shared among the applicable taxing jurisdictions within the TCC. The following taxing jurisdictions belong to the Bucks County TCC and are serviced by Keystone Collections Group:

School Districts	Municipalities			
	Boroughs	Boroughs	Townships	Townships
Bensalem Township	Bristol	Perkasie	Bedminster	Newtown
Bristol Borough	Chalfont	Quakertown	Bensalem	Nockamixon
Bristol Township	Doylestown	Richlandtown	Bridgeton	Northampton
Centennial	Dublin	Riegelsville	Bristol	Plumstead
Central Bucks	Hulmeville	Sellersville	Buckingham	Richland
Council Rock	Ivyland	Silverdale	Doylestown	Solebury
Morrisville Borough	Langhorne	Trumbauersville	Durham	Springfield
Neshaminy	Langhorne Manor	Tullytown	East Rockhill	Tinicum
New Hope-Solebury	Morrisville	Yardley	Falls	Upper Makefield
Palisades	New Britian		Haycock	Upper Southampton
Pennridge	New Hope		Hilltown	Warminster
Pennsbury	Newtown		Lower Makefield	Warrington
Quakertown Community	Penndel		Lower Southampton	Warwick
			Middletown	West Rockhill
			Milford	Wrightstown
			New Britian	

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

NOTES TO FINANCIAL STATEMENT

Note 5. Tax Collection Contract

Bucks County TCC has contracted with Keystone Collections Group for the collection and distribution of earned income and net profit taxes. The contract term began January 1, 2012, and will continue through December 31, 2014. The contract calls for a collection fee of 1.39% of tax collections to be retained by Keystone Collections Group upon collection with the net proceeds being distributed.

SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF RECONCILIATION OF MONTHLY REPORTS TO AUDITED RECEIPTS AND
DISBURSEMENTS REQUIRED UNDER SECTION 509(b) OF PENNSYLVANIA ACT 32 OF 2008
Year Ended December 31, 2012**

	Amounts per Tax Collector Monthly Reports	Amounts per Audited Receipts and Disbursements	Variance (See Explanation Below)
Beginning Cash Balance	\$ 1,112,409	\$ 1,112,409	\$ -
Plus Collections and Receipts			
Resident EIT Received from Employers/Taxpayers within TCD	88,812,258	88,812,258	-
Resident EIT Received from Other TCDs	34,484,437	34,484,437	-
Non-Resident EIT Received for PSD within the TCD	2,056,987	2,056,987	-
Non-Resident EIT Received for Other TCDs	15,616,245	15,616,245	-
Delinquent Earned Income Taxes Collected	2,936,251	2,936,251	-
Open Space Received from within TCD	2,466,705	2,466,705	-
Open Space Received for Other TCDs	1,268,773	1,268,773	-
Non-Resident Open Space Received for Other TCDs	1,282,966	1,282,966	-
Delinquent Open Space Tax Collected	84,039	84,039	-
Costs Recovered by Tax Officer	58,516	58,516	-
Unidentified Collections	137,889	137,889	-
TOTAL COLLECTIONS AND RECEIPTS	149,205,066	149,205,066	-

(Continued)

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

**SCHEDULE OF RECONCILIATION OF MONTHLY REPORTS TO AUDITED RECEIPTS AND
DISBURSEMENTS REQUIRED UNDER SECTION 509(b) OF PENNSYLVANIA ACT 32 OF 2008 (Continued)
Year Ended December 31, 2012**

	Amounts per Tax Collector Monthly Reports	Amounts per Audited Receipts and Disbursements	Variance (See Explanation Below)
<hr/>			
Less Distributions and Disbursements			
EIT Distributions to TCD Members	130,572,901	130,572,901	-
EIT Distribution to Other TCDs	15,616,245	15,616,245	-
Non-Resident Open Space Received for Other TCDs	1,282,966	1,282,966	-
Taxpayer Refunds	861,666	861,666	-
Open Space Taxpayer Refunds	21,159	21,159	-
Tax Officer Commissions	851,158	851,158	-
Tax Officer Commissions - Open Space	19,016	19,016	-
Unpaid EIT Invoices	54,826	54,826	-
Unpaid Open Space Invoices	3,004	3,004	-
Costs Retained by Tax Officer	58,516	58,516	-
	<hr/>		
TOTAL DISTRIBUTIONS AND DISBURSEMENTS	149,341,457	149,341,457	-
	<hr/>		
Less: Unidentified Collections	137,889	137,889	-
	<hr/>		
Ending Cash Balance	\$ 838,129	\$ 838,129	\$ -
	<hr/> <hr/>		

Explanation of Variances:

No variances noted for the year ended December 31, 2012

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

**SCHEDULE OF BONDING ANALYSIS
Year Ended December 31, 2012**

	Amount
Earned Income Tax Collections - Current collections within TCD	\$ 88,812,258
Resident EIT Received from Other TCDs	34,484,437
Non-Resident EIT Received for PSD within the TCD	2,056,987
Open Space Received from within TCD	2,466,705
Open Space Received for Other TCDs	1,268,773
Less: taxpayer refunds - earned income taxes	(545,680)
Earned Income Tax Collections - Net	<u>\$ 128,543,480</u>
 Bonding Amount as determined by TCC	 \$ 2,570,000
 Actual Bond Amount	 \$ 2,570,000
 Average weekly amount of tax collections in possession of Tax Officer ¹	 \$ 2,471,990

¹ Per the contract between Bucks County TCC and the Tax Officer, Keystone Collections Group, is required to distribute collections on a monthly basis. However, Keystone Collections Group made weekly distributions to the members of Bucks County TCC. Therefore, they maintain an average collection balance below their bonding requirement set forth in the contract.

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

**SCHEDULE OF COLLECTION FEES CHARGED
Year Ended December 31, 2012**

	Amount
Resident EIT Received from Employers/Taxpayers within TCD	\$ 88,812,258
Resident EIT Received from Other TCDs	34,484,437
Non-Resident EIT Received for PSD within the TCD	2,056,987
Open Space Received from within TCD	2,466,705
Open Space Received for Other TCDs	1,268,773
Less: Taxpayer Refunds - Current and Open Space	(545,680)
Earned Income Tax Collections - Net	<u>\$ 128,543,480</u>
Collection Rate per TCC/Tax Officer Contract	1.39%
Projected Collection Fees	<u>\$ 1,786,754</u>
Collection Fees - Withheld ²	\$ 870,174
Collection Fees - Billed ³	915,566
Collection Fees Charged ⁴	<u>\$ 1,785,740</u>

² Certain school districts and municipalities within Bucks County TCD have opted to have commissions withheld from their distributions. Commissions are calculated and netted against the EIT distributions to the respective PSD. The withheld commissions are included in the aggregate report.

³ Other certain school districts and municipalities within Bucks County TCD have opted to have commissions billed to them by the Tax Officer. Their EIT distributions are gross distributions. The Tax Officer bills the respective PSD for the calculated commissions throughout the year. The billed commissions are not included in the aggregate report. In order to determine total commissions paid to the Tax Officer during the year, billed commissions must be a factor of the calculation.

⁴ Keystone Collections Group calculates commissions at the transaction level. Commissions are calculated to three decimals and the IT logic built into the operating system rounds the calculated commissions to two decimals.

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
Bucks County Tax Collection Committee
Doylestown, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying statement of cash receipts, cash disbursements, and cash balances of Bucks County Tax Collection Committee's ("TCC") Tax Officer, Keystone Collections Group, as of and for the year ended December 31, 2012, and the related notes to the financial statement, which comprises Bucks County Tax Collection Committee's ("TCC") Tax Officer, Keystone Collections Group, basic financial statement, and have issued our report thereon dated April 2, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered Bucks County Tax Collection Committee's ("TCC") Tax Officer, Keystone Collections Group's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Bucks County Tax Collection Committee's ("TCC") Tax Officer, Keystone Collections Group's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the above referenced financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bucks County TCC's Tax Officer, Keystone Collections Group's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Bucks County TCC's Tax Officer, Keystone Collections Group's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bucks County TCC's Tax Officer, Keystone Collections Group's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is positioned to the right of the date and location information.

Camp Hill, Pennsylvania
April 2, 2013

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

Committee Members
Bucks County Tax Collection Committee
Doylestown, Pennsylvania

Report on Compliance

We have audited Bucks County TCC's Tax Officer, Keystone Collections Group's compliance with the provisions described within Pennsylvania Act 32 of 2008 for tax collections and other receipts, investments, reporting, bonding, recordkeeping, distribution of earned income taxes and other disbursements, and administration (hereafter "tax collections and disbursements") that could have a direct and material effect on Bucks County TCC's Tax Officer, Keystone Collections Group for the year ended December 31, 2012.

Management's Responsibility

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

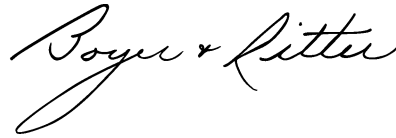
Auditor's Responsibility

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

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

Opinion on Compliance with Pennsylvania Act 32 of 2008

In our opinion, Bucks County TCC's Tax Officer, Keystone Collections Group complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on tax collections and disbursements for the year ended December 31, 2012.

A handwritten signature in cursive script, reading "Boyer & Ritten". The signature is written in black ink and is positioned to the right of the date and location text.

Camp Hill, Pennsylvania
April 2, 2013

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

**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