



CITY COUNCIL

Finance, Audit & Budget Committee

Monday, June 16, 2014
City Council Office
5:30 pm

- 1. COW re Penn Street Properties at 4:30 pm Council Office**
- 2. Nominations Committee at 5 pm Council Office**

The Budget and Finance Committee's responsibilities include Annual Budget Review, Capital Improvement Programs, Financial Reports, Taxes (Rates, exonerations and exemption appeals), Fee Assessments, Review of Budget & Financial Reports, oversight of the City's external auditing, internal controls and any other financial or business practices, and reviewing the work of the City Auditor.

Committee Members: Ms. Reed, Ms. Goodman-Hinnershitz (Co-Chairs) and Mr. Waltman

Although Council committee meetings are open to the public, public comment is not permitted at Council Committee meetings. However, citizens are encouraged to attend and observe the meetings. Comment from citizens or professionals during the meeting may be solicited on agenda topics via invitation by the Committee Chair. All electronic recording devices must be at the entry door in all meeting rooms and offices, as per Bill No. 27-2012

I. Legislative Review

- Establishment of Fund 55 Retail Sewer Fund and a Budget Amendment to transfer money from Fund 54 Sewer Fund
- Act 47 Amendment – 1 year/5 year (G. Mann)
- Review Act 111 and Proposed Amendment (attached)

II. RAWA External Audits

- Overview of the Audits – D. Cituk
- Review Audit Management Letters (attached)

II. Review Finance Reports

- Review Expenditures
- Addition of 4th Medic Unit – financial impact
- Review Bank Statement Activity
- Review Transfers

IV. Update from City Auditor re Internal Audits

- Compliance-transfers
- Update on the status of all capital projects currently underway
- Select audits for 2014

FOLLOW UP ISSUES

2014 Finance Committee Topics

March

- Fire SAFER Grant vs. Fire Overtime

April

- Winter Storm Related Expenses – snow removal, salt, pothole repair
- Update on Lease Agreements for City owned properties used by outside organizations
- Update Defined Contribution Plan for new hires
- Update Collection Report for Delinquent Taxes and Misc Fines & Fees (RE01)

July

- Recovery Plan Amendment – waiting for actuarial report from Pension Boards



Members of PKF North American Network, Pennsylvania Institute of CPAs,
American Institute of Certified Public Accountants Div. of CPA Firms/SEC & Private Practice Sections
www.herbein.com

June 16, 2006

Reading Area Water Authority
Board of Directors
815 Washington Street
Reading, PA 19601

In planning and performing our audit of the financial statements of Reading Area Water Authority for the year ended December 31, 2005, we considered the Authority's internal control in order to determine our auditing procedures for purposes of expressing an opinion on the financial statements and not to provide assurance on internal control.

During our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency.

Policies and Procedures

The Authority has an unusual structure, in that most of its expenditures consist of lease payments to the City of Reading. The Authority also has significant expenses of its own, and should formalize its policies and procedures with regard to budgeting, financial reporting, bank accounts, billing, and human resources.

Although the Authority has only two employees, it would be wise to formalize the arrangement to clarify the benefits and obligations of each party. The Authority may wish to implement specific policies and procedures with regard to human resources, especially if there are any plans to hire additional employees.

Utilization of Financial Information

One of our typical audit procedures is a predictive test for revenue. We should be able to obtain summary data for the total gallons of water consumed and see a correlation to the amount of revenue generated. For the 2005 test, the number of gallons consumed and recorded in the billing system were distorted by problems with billing throughout the year. The only way we were able to satisfy ourselves regarding revenue and receivables was by using flow through the Maiden Creek facility. This flow needs to be monitored and should be able to be correlated with monthly billing.

We recommend that management develop policies and procedures with the City of Reading finance department that address what reconciliation processes should take place on a monthly basis. We also recommend that at the same time that this is done a study be done on receivables and past due accounts. An allowance currently is adjusted at year end. We recommend this be monitored and adjusted throughout the year.

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Other Offices: PITTSBURGH GREENSBURG



The Authority does not appear to fully utilize the information that is available for management decisions. The importance of this function has increased, since the City has reassumed responsibility for water billings. We recommend the following procedures at a minimum:

- Comparison of billings with water consumption data for reasonableness / correlation
- Analysis of billed amounts compared to amounts actually received
- Timely posting of all collections so past due notices are only sent to those accounts truly past due.

We also will continue to recommend that the Authority work together with the City of Reading to reconcile the expenses paid to the water department on a more frequent basis. A formal quarterly assessment of the expenses incurred in exchange for the monthly lease payments would allow the Authority to act upon any inefficient practices and improve the long-term financial situation.

We would be happy to discuss these comments in further detail at your convenience. We would also be happy to assist you in implementing any of these suggestions.

Sincerely,

Herbein + Company, Inc.



Members of PKF North American Network, Pennsylvania Institute of CPAs,
American Institute of Certified Public Accountants Div. of CPA Firms/SEC & Private Practice Sections
www.herbein.com

June 22, 2007

Reading Area Water Authority
Board of Directors
815 Washington Street
Reading, PA 19601

In planning and performing our audit of the financial statements of Reading Area Water Authority for the year ended December 31, 2006, we considered the Authority's internal control in order to determine our auditing procedures for purposes of expressing an opinion on the financial statements and not to provide assurance on internal control.

During our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency.

Policies and Procedures / Intergovernmental Communication

The Authority has gone through changes in personnel and in software utilized the last few years. One of the items discussed at last year's closing meeting was the need to define and communicate policies and procedures due to these changes. We wish to communicate this recommendation again and recommend that these procedures be communicated to all who have a major association with the key transactions which impact the Water Authority. Since the Water Authority is dependent on the City for much of its operating information we believe it is vital that the intergovernmental communication regarding billing practices continue. The Water Authority and the City should continue to work together to define and communicate policies and procedures that will benefit all. We suggest continued meetings and communication which will hopefully allow for a better and more timely flow of information between both parties.

Utilization of Financial Information

We have worked with the Water Authority and the City of Reading regarding its utility billing procedures during the past year. Although significant improvements have been made, we believe there is still room for additional enhancements.

We recommend that management develop policies and procedures with the City of Reading finance department that address what reconciliation processes need to take place on a monthly basis. We also recommend that at the same time that this is done a study be done on receivables and past due accounts. An allowance currently is adjusted at year end. We recommend this be monitored and adjusted throughout the year.

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The Authority is doing a better job of utilizing the information that is available for management decisions. We recommend this practice continue with the following procedures done monthly at a minimum:

- Comparison of billings with water consumption data for reasonableness / correlation
- Analysis of billed amounts compared to amounts actually received
- Timely posting of all collections so past due notices are only sent to those accounts truly past due.

We would be happy to discuss these comments in further detail at your convenience. We would also be happy to assist you in implementing any of these suggestions. Thank you for your assistance with this year's audit.

Sincerely,

Herbein + Company, Inc.

Herbein + Company, Inc.



HERBEIN+COMPANY, INC.
CERTIFIED PUBLIC ACCOUNTANTS

Members of PKF North American Network, Pennsylvania Institute of CPAs,
American Institute of Certified Public Accountants Div. of CPA Firms/SEC & Private Practice Sections
www.herbein.com

October 30, 2008

Reading Area Water Authority
Board of Directors
815 Washington Street
Reading, PA 19601

In planning and performing our audit of the financial statements of Reading Area Water Authority for the year ended December 31, 2007, we considered the Authority's internal control in order to determine our auditing procedures for purposes of expressing an opinion on the financial statements and not to provide assurance on internal control.

During our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency.

Policies and Procedures / Intergovernmental Communication

One of the items discussed at last year's closing meeting was the need to define and communicate policies and procedures. We wish to communicate this recommendation again and recommend that these procedures be communicated to all who have a major association with the key transactions which impact the Water Authority. Since the Water Authority is dependent on the City for much of its operating information we believe it is vital that the intergovernmental communication regarding billing practices continue. The Water Authority and the City should continue to work together to define and communicate policies and procedures that will benefit all. We suggest continued meetings and communication which will hopefully allow for a better and more timely flow of information between both parties.

Utilization of Financial Information

We have worked with the Water Authority and the City of Reading regarding its utility billing procedures during the past few years. Although significant improvements have been made, we believe there is still room for additional enhancements.

We recommend that management develop policies and procedures with the City of Reading finance department that address what reconciliation processes need to take place on a monthly basis. We also recommend that at the same time that this is done, a study be done on receivables and past due accounts. An allowance currently is adjusted at year end. We recommend this be monitored and adjusted throughout the year.

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The institution of a formal policy covering potential conflict of interests will provide the Authority with a significantly enhanced system for prevention of future fraud and abuse. The related costs and efforts to put these policies and procedures in place will seem insignificant to the security and benefits they will provide.

SAS (Statement on Auditing Standards) Pronouncements/Internal Control Documentation

In March, 2007, the American Institute of CPA's - the body that establishes standards for audits of nonpublic entities - passed a sweeping set of new standards (SAS 104-111) that revise many fundamental auditing principles for audits of nonpublic entities. Though less in scope than the rules for public company audits, these new standards parallel many of the key themes of Sarbanes-Oxley.

The main objective of these new auditing standards is to strengthen and enhance the quality of the audit, an objective Herbein + Company, Inc. fully supports. We also believe these standards will benefit all stakeholders in the financial reporting process, especially those who rely on your financial statements in making decisions about your company or organization.

Documentation and communication are two key components of the new standards. The Authority is now required to document in writing what internal controls are in place over significant areas of the Authority, i.e., cash receipts, cash disbursements, water billings and financial reporting.

Restricted Cash Accounts

During the past couple of audits, it has been noted that no activity has been recorded for the various M&T trust accounts the Authority has and significant adjustments are necessary at year end. It is suggested that at least on a monthly basis when statements are received, the activity is posted to the Authority's QuickBooks accounting software to reflect the activity occurring within these accounts.

We would be happy to discuss these comments in further detail at your convenience. We would also be happy to assist you in implementing any of these suggestions. Thank you for your assistance with this year's audit.

Sincerely,

Herbein + Company, Inc.

Herbein + Company, Inc.

To the Members of the Board
Reading Area Water Authority
Reading, Pennsylvania

This letter includes comments and suggestions with respect to matters that came to our attention in connection with our audit of the financial statements of the Reading Area Water Authority for the year ended December 31, 2008. These items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the Authority's practices and procedures.

BANK RECONCILIATIONS

A number of reconciling items on the Authority's bank reconciliations are not cleared or resolved. There are a number of items which were the result of prior audit entries and prior year transactions that should be marked as cleared on the reconciliation.

Recommendation:

- ❖ The current bank reconciliation should be reviewed and older reconciling items should be cleared. Going forward, the bank reconciliation should also be reviewed and signed-off on by someone other than the individual preparing it.

ESCROW ACCOUNTS

The activity in the Authority's escrow account is tracked on a schedule which maintains the activity by each depositor/project. However, this schedule is not reconciled to the Authority's trial balance. During the audit we had to reduce the Authority's income by approximately \$ 113,000 to properly reflect the deposits received in the escrow account. We recommend that the schedule prepared by the Authority's staff be reconciled to the trial balance quarterly.

Recommendation:

- ❖ The Authority should reconcile the escrow schedule to the trial balance on a monthly or quarterly basis to ensure the accounts are fairly stated.

TRUST ACCOUNTS

The activity in the Authority's trust accounts is only adjusted at year-end. During the audit, we reduced revenue by approximately \$ 1,160,000 to properly reflect a transfer made from a trust account to the Authority's cash account.

Recommendation:

- ❖ The activity in these accounts which affects the revenue and expenses of the Authority and should be recorded and reconciled on a monthly basis.

PETTY CASH

Petty cash reimbursement checks are posted directly to the petty cash (asset) account instead of the respective expense accounts for which the petty cash was used.

Recommendation:

- ❖ The Authority should adjust the petty cash to its proper amount of \$ 300 and charge future reimbursements to expense accounts.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENT NO. 53, ACCOUNTING AND FINANCIAL REPORTING FOR DERIVATIVE INSTRUMENTS

GASB Statement No. 53 addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by the Authority. GASB Statement No. 53 will be effective for the Authority's fiscal year ending December 31, 2010.

Recommendation:

- ❖ The Authority currently has one derivative instrument in an interest rate swap related to its Guaranteed Water Revenue Bonds, Series of 2003. The Authority will need to evaluate and reflect this swap at its fair value on the Statement of Net Assets for the year ending December 31, 2010.

ACCOUNTS RECEIVABLE

The Authority currently adjusts accounts receivable and the related allowance for uncollectible accounts at year-end. To ensure proper financial reporting to the Board and outside entities, management should be adjusting these accounts during the year.

Recommendations:

- ❖ A print file is generated monthly from the billing system. A procedure should be set-up to use this report to record accounts receivable and revenue. Receipts are currently reported as the Authority's revenue throughout the year (instead of actual billings).
- ❖ Management should create a formula and analysis to adjust the allowance for uncollectible accounts receivable throughout the year.
- ❖ By properly recording the water billing revenue, posting the receipts directly to the accounts receivable account and adjusting the allowance, the Board will receive more accurate financial reports during the year.

ACCOUNTS SENT TO COLLECTIONS

A report is generated from the billing system and is reviewed for accounts to be sent to the collection agency on a monthly basis. However, only one person is involved in this process.

Recommendation:

- ❖ Another individual should review the accounts to be sent to collections and sign-off on the list to indicate approval of the list.

CREDIT CARD RECEIPTS

The Authority's policy is to receive receipts for transactions charged to the Authority's credit cards. During our audit, there were credit card statements paid with no receipts attached.

Recommendation:

- ❖ The Authority should ensure that all supporting documentation/receipts are attached to the credit card statement when being paid.

ARBITRAGE REBATE CALCULATIONS

Tax-exempt debt of the Authority is subject to requirements under the Internal Revenue Code of 1986, as amended, Section 148(f) related to arbitrage calculations. Each bond issue is to have an arbitrage rebate calculation performed every five years.

Recommendation:

- ❖ The Authority's Guaranteed Water Revenue Bonds, Series of 2002 and 2003 have not had an arbitrage rebate calculation performed. Both are past the five year due date for this calculation. We recommend management proceed with having these calculations performed.

BUDGET REPORTING

The Board does not receive a financial statement during the year that compares budget to actual amounts.

Recommendation:

- ❖ The Authority should ensure that budgeted amounts are entered into Quickbooks. Reports should be given to the Members of the Board on a monthly basis that compare actual revenue and expenses to budgeted revenue and expenses.

CAPITAL ASSETS/EXPENDITURES

During the audit, we noted that all capital expenditures paid are charged to construction in progress accounts. Although the items are capital in nature, if they are not part of a larger project or a physical asset that the Authority will put into service, the item should be expensed. We recorded expenses totaling \$ 174,930 and recorded a prior period adjustment of \$ 31,000 to properly remove expense type items from the construction in progress accounts.

Recommendation:

- ❖ The construction in progress accounts should be monitored during the year and any expense item should be removed and properly recorded as an expense.

This letter is intended solely for the information and use of the Members of the Board, management and others within the Authority and is not intended to be and should not be used by anyone other than these specified parties. We appreciate serving the Reading Area Water Authority and would be happy to assist you in addressing and implementing any of the suggestions in this letter.

Reinal Kuntz Leaker LLP

Wyomissing, Pennsylvania
September 28, 2009

**To the Members of the Board
Reading Area Water Authority
Reading, Pennsylvania**

This letter includes comments and suggestions with respect to matters that came to our attention in connection with our audit of the financial statements of the Reading Area Water Authority, a component unit of the City of Reading, as of and for the year ended December 31, 2009. These items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the Authority's practices and procedures.

BANK RECONCILIATIONS

A number of reconciling items on the Authority's bank reconciliations are not cleared or resolved. There are a number of items which were the result of prior audit entries and prior year transactions that should be marked as cleared on the reconciliation. In addition, the Authority's cash balances as of December 31, 2009 were reduced during the audit by approximately \$ 5,000,000 to correct various mispostings and reconciling items.

Recommendation:

- ❖ The current bank reconciliation should be reviewed and older reconciling items should be cleared. Going forward, the bank reconciliation should also be reviewed and signed off by someone other than the individual preparing it.

ESCROW ACCOUNTS

The activity in the Authority's escrow account is tracked on a schedule which maintains the activity by each depositor/project. However, this schedule is not reconciled to the Authority's trial balance. During the audit, we had to reduce the Authority's income by approximately \$ 140,000 to properly reflect the deposits received in the escrow account.

Recommendation:

- ❖ The Authority should reconcile the escrow schedule to the trial balance on a monthly or quarterly basis to ensure the accounts are fairly stated.

ACCOUNTS SENT TO COLLECTIONS

A report is generated from the billing system and is reviewed for accounts to be sent to the collection agency on a monthly basis. However, only one person is involved in this process.

Recommendation:

- ❖ Another individual should review the accounts to be sent to collections and sign off on the list to indicate approval of the list.

CREDIT CARD RECEIPTS

The Authority's policy is to receive receipts for transactions charged to the Authority's credit cards. During our audit, there were credit card statements paid with no receipts attached.

Recommendation:

- ❖ The Authority should ensure that all supporting documentation/receipts are attached to the credit card statement when being paid.

ARBITRAGE REBATE CALCULATIONS

The tax-exempt debt of the Authority is subject to requirements under the Internal Revenue Code of 1986, as amended, Section 148(f) related to arbitrage calculations. Each bond issue is to have an arbitrage rebate calculation performed every five years.

Recommendation:

- ❖ The Authority's Guaranteed Water Revenue Bonds, Series of 2002 and 2003, have not had an arbitrage rebate calculation performed. Both are past the five year due date for this calculation. We recommend management proceed with having these calculations performed.

BUDGET REPORTING

The Board does not receive a financial statement during the year that compares budget to actual amounts.

Recommendation:

- ❖ The Authority should ensure that budgeted amounts are entered into QuickBooks. Reports should be given to the Members of the Board on a monthly basis that compare actual revenue and expenses to budgeted revenue and expenses.

CAPITAL ASSETS/EXPENDITURES

During the audit, we noted that all capital expenditures paid are charged to construction in progress accounts. Although the items are capital in nature, if they are not part of a larger project or a physical asset that the Authority will put into service, the item should be expensed. We recorded expenses totaling \$ 71,901 to properly remove expense items from the construction in progress accounts.

Recommendation:

- ❖ The construction in progress accounts should be monitored during the year and any expense item should be removed and properly recorded as an expense.

This letter is intended solely for the information and use of the Members of the Board, management and others within the Authority and is not intended to be and should not be used by anyone other than these specified parties. We appreciate serving the Reading Area Water Authority and would be happy to assist you in addressing and implementing any of the suggestions in this letter.

Rainald Kurty Leaker LLP

Wyomissing, Pennsylvania
August 13, 2010



To the Members of the Board
Reading Area Water Authority
Reading, Pennsylvania

This letter includes comments and suggestions with respect to matters that came to our attention in connection with our audit of the financial statements of the Reading Area Water Authority (the "Authority"), a component unit of the City of Reading, as of and for the year ended December 31, 2010. These items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the Authority's practices and procedures.

ACCOUNTS RECEIVABLE

The Authority currently adjusts accounts receivable and the related allowance for uncollectible accounts at year-end. To ensure proper financial reporting to the Board and outside entities, management should be adjusting these accounts during the year.

Recommendations:

- A print file is generated monthly from the billing system. A procedure should be set up to use this report to record accounts receivable and revenue. Receipts are currently reported as the Authority's revenue throughout the year (instead of actual billings).
- Management should create a formula and analysis to adjust the allowance for uncollectible accounts receivable throughout the year.
- By properly recording the water billing revenue, posting the receipts directly to the accounts receivable account and adjusting the allowance, the Board will receive more accurate financial reports during the year.

ARBITRAGE REBATE CALCULATIONS

The tax-exempt debt of the Authority is subject to requirements under the Internal Revenue Code of 1986, as amended, Section 148(f) related to arbitrage calculations. Each bond issue is to have an arbitrage rebate calculation performed every five years.

Recommendation:

- The Authority's Guaranteed Water Revenue Bonds, Series of 2002 and 2003, have not had an arbitrage rebate calculation performed. Both are past the five-year due date for this calculation. We recommend management proceed with having these calculations performed.

BUDGET REPORTING

The Board does not receive a financial statement during the year that compares budget to actual amounts.

Recommendation:

- The Authority should ensure that budgeted amounts are entered into QuickBooks. Reports should be given to the Members of the Board on a monthly basis that compare actual revenue and expenses to budgeted revenue and expenses.

PETTY CASH

Replenishment of the Authority's petty cash is recorded in the accounting system by debiting the petty cash account instead of the respective expense accounts.

Recommendation:

- The Authority should ensure that the expenses related to petty cash replenishment are recorded properly.

CAPITAL ASSETS/EXPENDITURES

During the audit, we noted that all capital expenditures paid are charged to construction in progress accounts. Although the items are capital in nature, if they are not part of a larger project or a physical asset that the Authority will put into service, the item should be expensed. We recorded expenses totaling \$ 304,105 to properly remove expense items from the construction in progress accounts.

Recommendation:

- The construction in progress accounts should be monitored during the year and any expense item should be removed and properly recorded as an expense.

ACCOUNTING STAFF

The Authority's current accounting structure was set up when there were only two employees of the Authority and limited activity. Staff is currently providing management with only basic financial information and other limited managerial analysis due to the staffing level. The operations of the Authority have changed considerably in the past few years, specifically with the transfer of the City of Reading water department employees to the Authority. The continued complexities in governmental accounting and expanded operations of the Authority will result in more demands being placed on the accounting staff.

Recommendation:

- Considerable meaningful analysis providing potential cost savings and operational opportunities could be prepared with expanded staffing of the accounting department. Creating a Director of Finance position to assume the basic responsibility of monthly financial reporting and implement a system of operational and managerial analysis would benefit the Authority.

This letter is intended solely for the information and use of the Members of the Board, management and others within the Authority and is not intended to be and should not be used by anyone other than these specified parties. We appreciate serving the Reading Area Water Authority and would be happy to assist you in addressing and implementing any of the suggestions in this letter.

Reinal Kuntz Leisher LLP

Wyomissing, Pennsylvania
August 25, 2011



To the Members of the Board
Reading Area Water Authority
Reading, Pennsylvania

This letter includes comments and suggestions with respect to matters that came to our attention in connection with our audit of the financial statements of the Reading Area Water Authority (the "Authority"), a component unit of the City of Reading, as of and for the year ended December 31, 2011. These items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the Authority's practices and procedures.

ACCOUNTS RECEIVABLE

The Authority currently adjusts accounts receivable and the related allowance for uncollectible accounts at year-end. With the implementation of new accounting software in 2012, the accounts receivable will be recorded throughout the year as billings and payments are processed. However, there is no procedure in place to evaluate and adjust the allowance for uncollectible accounts. To ensure proper financial reporting to the Board and outside entities, management should be adjusting this account during the year.

Recommendation:

- Management should create a formula and analysis to adjust the allowance for uncollectible accounts receivable throughout the year.

BUDGET REPORTING

The Board does not receive a financial statement during the year that compares budget to actual amounts.

Recommendation:

- The Authority should ensure that budgeted amounts are entered into QuickBooks. Reports should be given to the Members of the Board on a monthly basis that compare actual revenue and expenses to budgeted revenue and expenses.

PETTY CASH

Replenishment of the Authority's petty cash is recorded in the accounting system by debiting the petty cash account instead of the respective expense accounts.

Recommendation:

- The Authority should ensure that the expenses related to petty cash replenishment are recorded properly.

CAPITAL ASSETS/EXPENDITURES

During the audit, we noted that certain items that are not capital in nature are charged to construction in progress accounts. If expenditures are not part of a larger project or a physical asset that the Authority will put into service, the items should be expensed. We recorded expenses totaling \$ 304,105 to properly remove expense items from the construction in progress accounts.

Recommendation:

- The construction in progress accounts should be monitored during the year and any expense item should be removed and properly recorded as an expense.

INVOICE PROCESSING

During the audit, we were informed that, before an invoice is paid, the invoice is reviewed and approved by the Executive Director. However, evidence of the performance of these procedures may not always be documented, in writing, on the invoice.

Recommendation:

- The Authority should institute a policy that requires that all vendor invoices and supporting documents be stamped during the disbursement process using a rubber stamp. The stamp should contain designated areas applicable to each of the control procedures in the disbursements cycle and an indication of the date paid and check number. Each area should be initialed by the employee performing the applicable procedure as evidence that the procedure was performed. When all areas are initialed and the date paid and check number indicated, there will exist, for review by the check signer, documentary evidence that all of the control procedures have been performed, an indication of which employees performed the applicable procedures and an indication that the invoices and supporting documents were canceled to prevent reuse, i.e., duplicate payments.

This letter is intended solely for the information and use of the Members of the Board, management and others within the Authority and is not intended to be and should not be used by anyone other than these specified parties. We appreciate serving the Reading Area Water Authority and would be happy to assist you in addressing and implementing any of the suggestions in this letter.

Rainald Kuntz Leaker LLP

Wyomissing, Pennsylvania
October 17, 2012



To the Members of the Board
Reading Area Water Authority
Reading, Pennsylvania

This letter includes a comment and a suggestion with respect to a matter that came to our attention in connection with our audit of the financial statements of the Reading Area Water Authority (the Authority), a component unit of the City of Reading, as of and for the year ended December 31, 2012. This item is offered as a constructive suggestion to be considered part of the ongoing process of modifying and improving the Authority's practices and procedures.

Accounts Receivable

The Authority currently adjusts the related allowance for uncollectible accounts at year-end. With the implementation of new accounting software in 2012, the accounts receivable balance is reconciled throughout the year as billings and payments are processed. However, the allowance for uncollectible accounts is not adjusted during the year. To ensure proper financial reporting to the Members of the Board and outside entities, management should be adjusting this account during the year.

Recommendation:

- Management should adjust the allowance for uncollectible accounts receivable throughout the year.

This letter is intended solely for the information and use of the Members of the Board, management and others within the Authority and is not intended to be, and should not be, used by anyone other than these specified parties. We appreciate serving the Reading Area Water Authority and would be happy to assist you in addressing and implementing the suggestion in this letter.

Reinsel Kuntz Lesher LLP

August 28, 2013
Wyomissing, Pennsylvania

1330 Broadcasting Road, P.O. Box 7008 Wyomissing, PA 19610-6008 main: 610.376.1595 fax: 610.376.7340 www.RKLcpa.com

FOCUSED. ON YOU.

Police & Firefighter Collective Bargaining Law

(Act No. 111)

An Act specifically authorizing collective bargaining between policemen and firemen and their public employers; providing for arbitration in order to settle disputes, and requiring compliance with collective bargaining agreements and findings of arbitrators.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1.

Policemen or firemen employed by a political subdivision of the Commonwealth or by the Commonwealth shall, through labor organizations or other representatives designated by fifty percent or more of such policemen or firemen, have the right to bargain collectively with their public employers concerning the terms and conditions of their employment, including compensation, hours, working conditions, retirement, pensions and other benefits, and shall have the right to an adjustment or settlement of their grievances or disputes in accordance with the terms of this act.

Section 2.

It shall be the duty of public employers and their policemen and firemen employes to exert every reasonable effort to settle all disputes by engaging in collective bargaining in good faith and by entering into settlements by way of written agreements and maintaining the same.

Section 3.

Collective bargaining shall begin at least six months before the start of the fiscal year of the political subdivision or of the Commonwealth, as the case may be and any request for arbitration, as hereinafter provided, shall be made at least one hundred ten days before the start of said fiscal year.

Section 4.

(a) If in any case of a dispute between a public employer and its policemen or firemen employes the collective bargaining process reaches an impasse and stalemate, or if the appropriate lawmaking body does not approve the agreement reached by collective bargaining, with the result that said employers and employes are unable to effect a settlement, then either party to the dispute, after written notice to the other party containing specifications of the issue or issues in dispute, may request the appointment of a board of arbitration.

For purposes of this section, an impasse or stalemate shall be deemed to occur in the collective bargaining process if the parties do not reach a settlement of the issue or issues in dispute by way of a written agreement within thirty days after collective bargaining proceedings have been initiated.

In the case of disputes involving political subdivisions of the Commonwealth, the agreement shall be deemed not approved within the meaning of this section if it is not approved by the appropriate lawmaking body within one month after the agreement is reached by way of collective bargaining.

In the case of disputes involving the Commonwealth, the agreement shall be deemed not approved within the meaning of this section if it is not approved by the Legislature within six months after the agreement is reached by way of collective bargaining.

(b) The Board of arbitration shall be composed of three persons, one appointed by the public employer, one appointed by the body of policemen or firemen involved, and a third member to be agreed upon by the public employer and such policemen or firemen. The members of the board representing the public employer and the policemen or firemen shall be named within five days from the date of the request for the appointment of such board. If, after a period of ten days from the date of the appointment of the two arbitrators appointed by the public employer and by the policemen or firemen, the third arbitrator has not been selected by them, then either arbitrator may request the American Arbitration Association, or its successor in function, to furnish a list of three members of said association who are residents of Pennsylvania from which the third arbitrator shall be selected. The arbitrator appointed by the public employer shall eliminate one name from the list within five days after publication of the list, following which the arbitrator appointed by the policemen or firemen shall eliminate one name from the list within five days thereafter. The individual whose name remains on the list shall be the third arbitrator and shall act as chairman of the board of arbitration. The board of arbitration thus established shall commence the arbitration proceedings within ten days after the third arbitrator is selected and shall make its determination within thirty days after the appointment of the third arbitrator.

Section 5.

Notice by the policemen or firemen involved under Section 4 shall, in the case of disputes involving the Commonwealth, be served upon the Secretary of the Commonwealth and, in the case of disputes involving political subdivisions of the Commonwealth, shall be served upon the head of the governing body of the local governmental unit involved.

Section 6.

Each of the arbitrators selected in accordance with Section 4 hereof shall have the power to administer oaths and compel the attendance of witnesses and physical evidence by subpoena.

Section 7.

(a) The determination of the majority of the board of arbitration thus established shall be final on the issue or issues in dispute and shall be binding upon the public employer and policemen or firemen involved. Such determination shall be in writing and a copy thereof shall be forwarded to both parties to the dispute. No appeal therefrom shall be allowed to any court. Such determination shall constitute a mandate to the head of the political subdivision which is the employer, to the appropriate office of the Commonwealth if the Commonwealth is the employer, with respect to matters which can be remedied by administrative action, and to the lawmaking body of such political subdivision or of the Commonwealth with respect to matters which require legislative action, to take the action necessary to carry out the determination of the Board of arbitration.

(b) With respect to matters which require legislative action for implementation, such legislation shall be enacted, in the case of the Commonwealth, within six months following publication of the findings, and, in the case of a political subdivision of the Commonwealth, within one month following publication of the findings. The effective date of any such legislation shall be the first day of the fiscal year following the fiscal year during which the legislation is thus enacted.

Section 8.

The compensation, if any, of the arbitrator appointed by the policemen and firemen shall be paid by them. The compensation of the other two arbitrators, as well as all stenographic and other expenses incurred by the arbitration panel in connection with the arbitration proceedings, shall be paid by the political subdivision or by the Commonwealth, as the case may be.

Section 9.

The provisions of this act shall be applicable to every political subdivision of this Commonwealth notwithstanding the fact that any such political subdivision, either before or after the passage of this act, has adopted or adopts a home rule charter.

Section 10.

If any provision of this act or the application thereof to any person or circumstances is held invalid, the remainder of this act, and the application of such provision to other persons or circumstances, shall not be affected thereby, and to this end the provisions of this act are declared to be severable.

Section 11.

All acts or parts of acts inconsistent herewith are hereby repealed.

Section 12.

This act shall take effect immediately.

Act 111 Reform – Policemen and Firemen Collective Bargaining Act

Sample Resolution in Support of Senate Bill 1111 and Act 111 Reform *(please modify to fit your municipality's needs)*

A Resolution of the (name of municipality) , Commonwealth of Pennsylvania, supporting amendments to Act 111 of 1968, the Policemen and Firemen Collective Bargaining Act, to provide for a more transparent, fair and balanced arbitration process for municipal police and fire.

WHEREAS, Act 111 of 1968, referred to the Policemen and Firemen Collective Bargaining Act, or simply as Act 111, provides binding interest arbitration to police and fire union personnel in exchange for not being allowed to strike; and

WHEREAS, Act 111, when first enacted in 1968, provided an avenue for enhanced benefits to public safety union personnel to make up for a lower public pay scale; and

WHEREAS, over the last 45 years, both pay and benefits for public safety personnel have increased to the point where they are at unsustainable levels; and

WHEREAS, municipal taxpayers shoulder the burden of public safety expenses through payment of the real property and earned income taxes; and

WHEREAS, in some municipalities there is not enough tax revenue to cover the cost of public safety expenses let alone all other service expenses; and

WHEREAS, Act 111 has not been evaluated or amended by the Pennsylvania General Assembly since its inception in 1968; and

WHEREAS, Senate Bill 1111, introduced by Senator John Eichelberger (R – Blair) and House Bill 1845, introduced by Representative Rob Kauffman (R – Franklin) seek to amend Act 111 in a fair and meaningful manner without eliminating the rights of public safety personnel to collectively bargain; and

WHEREAS, the passage of Senate Bill 1111 or House Bill 1845 will make the current Act 111 collective bargaining process more transparent, fair, and balanced for municipalities, police and fire union personnel, and taxpayers; therefore be it

RESOLVED, that the (name of municipality) supports meaningful and common sense reforms to Act 111 that will result in an affordable and stable public safety workforce; and be it further

RESOLVED, that the (name of municipality) supports the passage of Senate Bill 1111 and House Bill 1845 during this legislative session.

After local adoption, please transmit copies of this resolution to your House and Senate members, Governor Tom Corbett, and the Pennsylvania Municipal League

PRINTER'S NO. 1539

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1111 Session of

2013

INTRODUCED BY EICHELBERGER, WHITE, WAUGH, FOLMER AND BROWNE,
NOVEMBER 8, 2013

REFERRED TO LOCAL GOVERNMENT, NOVEMBER 8, 2013

AN ACT

Amending the act of June 24, 1968 (P.L.237, No.111), entitled "An act specifically authorizing collective bargaining between policemen and firemen and their public employers; providing for arbitration in order to settle disputes, and requiring compliance with collective bargaining agreements and findings of arbitrators," further providing for right to collectively bargain, for duty to exert reasonable efforts, for commencement of collective bargaining, for board of arbitration, for notice, for powers and procedures, for determination of board of arbitration, for costs and

expenses, for applicability, for severability, for repeals and for effective date; and making editorial changes.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11 and 12 of the act of June 24, 1968 (P.L.237, No.111), referred to as the Policemen and Firemen Collective Bargaining Act, are amended to read:

Section 1. Right to collectively bargain.

Policemen or firemen employed by a political subdivision of the Commonwealth or by the Commonwealth shall, through labor organizations or other representatives designated by [fifty percent] 50% or more of such policemen or firemen, have the right to bargain collectively with their public employers concerning the terms and conditions of their employment, which are not otherwise established or prohibited under Federal or State law, including compensation, hours, working conditions, retirement, pensions and other benefits, and shall have the right to an adjustment or settlement of their grievances or disputes in accordance with the terms of this act.

Section 2. Duty to exert reasonable efforts.

It shall be the duty of public employers and their policemen and firemen [employees] employees to exert every reasonable effort to settle all disputes by engaging in collective bargaining in good faith and by entering into settlements by way of written agreements and maintaining the same. Any party may assert an unfair labor practice charge for a refusal to bargain in good faith or a failure to comply with the time periods provided under this act in accordance with the act of June 1, 1937 (P.L.1168, No.294), known as the Pennsylvania Labor Relations Act, for which the Pennsylvania Labor Relations Board shall have jurisdiction.

Section 3. Commencement of collective bargaining.

Collective bargaining shall begin at least [six] ten months before the start of the fiscal year of the political subdivision or of the Commonwealth, as the case may be, and any request for arbitration, as [hereinafter] provided in this act, shall be made at least [one hundred ten] 180 days before the start of [said] the fiscal year.

Section 4. Board of arbitration.

(a) Right to request.--

(1) If in any case of a dispute between a public employer and its policemen or firemen [employees] employees

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the collective bargaining process reaches an impasse and

stalemate, or if the appropriate lawmaking body does not approve the agreement reached by collective bargaining, with the result that [said] the employers and [employees] employees are unable to effect a settlement, then either party to the dispute, after written notice to the other party containing specifications of the issue or issues in dispute, may request the appointment of a board of arbitration.

(2) For purposes of this section, an impasse or stalemate shall be deemed to occur in the collective bargaining process if the parties do not reach a settlement of the issue or issues in dispute by way of a written agreement within [thirty] 60 days after collective bargaining proceedings have been initiated.

(3) In the case of disputes involving political subdivisions of the Commonwealth, the agreement shall be deemed not approved within the meaning of this section if it is not approved by the appropriate lawmaking body within one month after the agreement is reached by way of collective bargaining.

(4) In the case of disputes involving the Commonwealth, the agreement shall be deemed not approved within the meaning of this section if it is not approved by the Legislature within [six months] 180 days after the agreement is reached by way of collective bargaining.

(b) Composition.--

(1) The board of arbitration shall be composed of three persons, one appointed by the public employer, one appointed by the body of policemen or firemen involved, and a neutral third [member] arbitrator to be agreed upon by the public

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employer and such policemen or firemen. The members of the board representing the public employer and the policemen or firemen shall be named within five days from the date of the request for the appointment of such board.

(2) If, after a period of ten days from the date of the appointment of the two arbitrators appointed by the public employer and by the policemen or firemen, the neutral third arbitrator has not been selected by them, then, within five days, either arbitrator may request the American Arbitration Association, or its successor in function, to furnish a list of [three] seven members of [said] the association who are residents of Pennsylvania from which the neutral third arbitrator shall be selected. [The arbitrator appointed by the public employer shall eliminate one name from the list within five days after publication of the list, following

which the arbitrator appointed by the policemen or firemen shall eliminate one name from the list within five days thereafter.] In the case of disputes involving political subdivisions of this Commonwealth, the American Arbitration Association, or its successor in function, shall provide a list that contains, if feasible and practical, at least one name of a resident of the political subdivision in which the public employer is located.

(3) Beginning with the selection of arbitrators which occurs between a public employer and policemen or firemen employed on or after January 1, 2014, the toss of a coin shall determine which party shall be the first to eliminate a name from the list provided in paragraph (2). Each arbitrator shall then engage in alternate eliminations of names from the list until only one name remains on the list. The individual

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whose name remains on the list shall be the neutral third arbitrator and shall act as chairman of the board of arbitration.

(4) The board of arbitration thus established shall commence the arbitration proceedings within ten days after the neutral third arbitrator is selected and shall make its determination within [thirty] 60 days after the appointment of the neutral third arbitrator.

Section 5. Notice.

Notice by the policemen or firemen involved under section 4 shall, in the case of disputes involving the Commonwealth, be served upon the Secretary of the Commonwealth and, in the case of disputes involving political subdivisions of the Commonwealth, shall be served upon the head of the governing body of the local governmental unit involved.

Section 6. Powers and procedures.

(a) Witnesses and evidence.--Each of the arbitrators selected in accordance with section 4 [hereof] shall have the power to administer oaths and compel the attendance of witnesses and physical evidence by subpoena.

(b) Meetings and records.--

(1) Except as otherwise provided under paragraph (2), any hearing at which evidence of record is presented by any party or witness under this act shall be open to the public and all documents and evidence of record submitted by any party at such public hearing shall be public records subject to the act of February 14, 2008 (P.L.6, No.3), known as the Right-to-Know Law. A stenographic recording shall be made of any such hearing .

(2) Paragraph (1) shall not apply to a bargaining

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session between the parties conducted before the hearing or an executive session or other meeting between the arbitrators conducted after the hearing.

Section 7. Determination of board of arbitration.

(a) Finality and comprehensiveness.--The determination of the majority of the board of arbitration thus established shall be final on the issue or issues in dispute and shall be binding upon the public employer and the policemen or firemen involved. Such determination shall be in writing and contain specific findings of fact and conclusions of law with regard to each of the issues presented to the board by the parties. Such issues shall include a complete, accurate and detailed analysis, based on the evidence presented at the hearing, as evaluated and studied in any subsequent executive sessions, of the cost of the award to the political subdivision and the impact it will have on the finances and services provided by the political subdivision; the relationship between projected revenues of the political subdivision and the ability of the political subdivision to pay all the costs of the award, including any cost increases which may result from pre-existing terms and conditions of employment which are allowed to continue under the award; and the impact of the award on the future financial stability of the political subdivision. The determination shall be a public record and a copy thereof shall be forwarded to both parties to the dispute. No appeal [therefrom] shall be allowed to any court[.] if the determination complies with this section, unless the board of arbitration exceeded its powers or jurisdiction, the proceedings were irregular, the determination requires an unconstitutional act or the determination would result in the deprivation of a constitutional right.

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(a.1) Mandate.--[Such] The determination under subsection (a) shall constitute a mandate to the head of the political subdivision which is the employer, or to the appropriate officer of the Commonwealth if the Commonwealth is the employer, with respect to matters which can be remedied by administrative action, and to the lawmaking body of such political subdivision or of the Commonwealth with respect to matters which require legislative action, to take the action necessary to carry out the determination of the board of arbitration.

(b) Effect.--With respect to matters which require legislative action for implementation, such legislation shall be enacted, in the case of the Commonwealth, within six months

following publication of the findings, and, in the case of a political subdivision of the Commonwealth, within one month following publication of the findings. The effective date of any such legislation shall be the first day of the fiscal year following the fiscal year during which the legislation is thus enacted.

(c) References to determination.--A determination of the board may alternatively be referred to as an award or settlement. Such reference shall not affect the applicability of this act.

(d) Issues excluded.--No determination may award or otherwise grant postretirement health or pension benefits which are not required or authorized under Federal or State law, nor any other term or condition of employment that is specifically exempted from collective bargaining under Federal or State law. No determination may award or grant any pension benefit or provision that has been found to be unauthorized, unlawful or excessive by the Department of the Auditor General or any court of law.

Section 8. [The compensation, if any, of the arbitrator appointed by the policemen or firemen shall be paid by them. The compensation of the other two arbitrators, as well as all stenographic and other expenses incurred by the arbitration panel in connection with the arbitration proceedings, shall be paid by the political subdivision or by the Commonwealth, as the case may be.] Costs and expenses.

(a) General rule.--Except as provided for in subsection (b), the public employer and the policemen or firemen who are engaged in the collective bargaining shall bear the costs of their respective appointed arbitrators, witnesses, including any actuary or expert witness, and attorneys in any arbitration proceeding.

(b) Other expenses.--The reasonable fees and costs associated with the neutral third arbitrator and the stenographic and other expenses incurred by the board of arbitration as a result of the arbitration proceedings shall be divided. One-half of such fees and costs shall be paid by the public employer and one-half shall be paid by the policemen and firemen who are engaged in the collective bargaining.

Section 9. Applicability.

The provisions of this act shall be applicable to every political subdivision of this Commonwealth notwithstanding the fact that any such political subdivision, either before or after the passage of this act, has adopted or adopts a home rule

charter.

Section 10. Severability.

If any provision of this act or the application thereof to any person or circumstances is held invalid, the remainder of 20130SB1111PN1539 - 8 -

this act and the application of such provision to other persons or circumstances, shall not be affected [thereby], and to this end the provisions of this act are declared to be severable.

Section 11. Repeals.

All acts or parts of acts inconsistent herewith are hereby repealed.

Section 12. Effective date .

This act shall take effect immediately.

Section 2. This act shall take effect in 60 days.

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CITY of READING
GENERAL FUND FINANCIAL REVIEW SUMMARY
May 2014

The attached files are the General Fund results year to date through May 2014. The documents include the statement of activities (income statement), full year projection, year-end cash flow/balance position, revenue by line item and contingency usage. For comparison purposes, prior year income statement results are also included.

OVERVIEW:

Five months, 41.7% of the full year, have been completed. On a cash basis, the month's year to date surplus/deficit generates a surplus of \$10,677,707. This result does not include the City's full year pension MMO (minimum municipal obligation) of \$9,957,027 (General Fund only) nor the State Pension contribution of \$3,150,000. If 41.7% of this activity is recognized this month, the reported surplus would change to a \$7,841,446 surplus.

Revenues:

Please review both the attached summary and detail revenue line items for differences between actual and budget. Full year revenue projection remains as planned. As occurred last month, May's real estate tax filing amounting to \$8,228,295 is the primary contributor of this month's surplus. 81% of the budgeted real estate tax has been received through May.

Expenditures:

As with revenues, please review the attached summary expenditure line items for differences between actual and budget. Total full year spending projection remains as planned.

Since Police and Fire 2014 spending budgets consume 68% of General Fund operating budget before debt and fees, these two lines items are significant to monitor.

2014 Full Year Projection:

Maintain plan.

Cash Flow:

This month's ending cash position is \$25,914,900 compared to last year's \$19,919,269. The General Fund has provided the following loans: Trash \$850,000; Recycle \$550,000 and Agency \$250,000, totaling \$1,650,000. These must be reimbursed by December 31, 2014.

2014 Contingency Usage:

The budget is \$1,015,038 unspecified and \$1,118,362 specified recycling if moved to general fund, totaling \$2,133,400. The use of this budget is strictly prohibited, requiring council's approval. See Contingency schedule of usage.

City's Bond Rating by Moody's:

Baa2 (low medium grade) compared to a target of **Aaa** (prime). The City will be referred to Moody's rating committee for a potential upgrade. A change in Moody's rating process is forthcoming.

Headcount by Fund:

The general fund full time headcount ended 11 below plan, varying among divisions. The reduced part time employees are associated with the seasonality of crossing guards. The mix of headcount between public safety and non uniform is near plan.

<u>Full Time</u>	<u>Part Time</u>	<u>vs. Plan FT</u>	<u>vs. Plan PT</u>
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General	489		101		6 less than plan	41 less than plan
Shade		1		0	1 less than plan	ok to plan
Sewer	72		5		1 less than plan	3 less than plan
Solid Waste	17		1		2 less than plan	ok to plan
HUD	6		0		1 less than plan	ok to plan
TOTAL		585		107	11 less than plan	44 less than
plan						
General:	<u>Actual FT</u>		<u>% of Total GF</u>		<u>Plan FT</u>	<u>% of Total</u>
<u>of GF</u>			Police	194	39.7 %	
	194	39.2%			Fire	149
			152	30.7%		30.5 %
	343	70.2%		346	69.9%	Public Safety
Non Safety	146	29.8%		149	30.1%	
Total	489	100.0%			495	100.0%

FIVE YEAR PROJECTION:

PFM provide various scenarios.

The 2014 General Fund budget includes a financing fee component of \$6,670,000 of the lease payment from the Water Fund. Stability of this revenue source requires attention in light of the Act 73 restrictions.