

June 29, 2016
7:00 PM

The 2015 Audit Workshop of the Monroe Township Board of Supervisors was called to order by Chairman Kehoe.

ATTENDANCE

Phil Kehoe, Chairman
A.W. Castle, Vice-Chairman
Carl Kuhl, Supervisor

Michael Pykosh, Solicitor
Mark Bruening, Engineer
Catalina Araiza, Manager
Karen Lowery, Recording Secretary

Craig Witmer along with Jessica Mihalov and Karen Larson from Smith, Elliot Kearns & Company were present to review the Power Point presentation of the 2015 Audit review.

Mr. Kehoe thanked Mr. Witmer for the presentation. He opened the workshop to questions from the audience.

GENERAL AUDIT DISCUSSION

Mr. Page, from the Planning Commission, said this was very helpful. He was surprised to see that the township is on a cash based accounting method. Mr. Witmer said this is very common and Pennsylvania doesn't dictate the accounting method for the townships and boroughs.

Mr. Page asked if the cash basis meets the minimum requirements. Mr. Witmer said that some of the requirements are dictated by debt. There are times that GAAP basis account is required, but to date the cash basis has been fine.

Mr. Page referred to Note 5 regarding property taxes and asked for some clarification. He then mentioned that the EIT amount seemed very high. Mr. Witmer said that the EIT amount is common in this area.

Dave DeNicholas, from the Planning Commission, asked for a breakdown of principal and interest for the sewer debt. Mr. Witmer said the principal for 2015 was \$531,000. He added that for 2016 the total payments would equal \$967,000 equaling \$580,000 toward principal and \$388,000 toward interest.

Mr. Bruening stated that in the presentation the Northern and Southern district information is grouped together and it doesn't look so bad, but those involved know the amounts. Mr. Witmer said that Smith, Elliot & Kearns Company will provide a supplemental schedule separating the Northern and Southern financial information with the 2016 audit.

Mr. Kuhl said there have some brief discussion about moving away from cash basis accounting to a modified cash basis accounting. It is not something we are ready to discuss right now, but the current basis is not ideal and we would need to gather asset information.

Mr. Page asked how the township would get estimate of fixed assets. Mr. Witmer said that it depends on the process, either an estimate company could come in or the township could gather the information internally.

SEWER AUDIT DISCUSSION

Mr. Kuhl stated that the Municipal Authority is working on details of the budget. There may be cash available to pay down debt and if so how much.

Mr. Witmer said that when paying down debt the township needs to understand what future needs and future capital projects. He suggested making a 5 to 10 year plan to get a better idea of what excess funds there may be to pay debt.

Mr. Kuhl said the residents are suffering with some of the highest bills in the state and the township appears to have significant reserve that could be used to pay down debt and possibly rate relief.

Bill Beck, of the Municipal Authority, added that he has budgeted to set aside almost a full year of operating costs. He is suggesting to reduce the debt by \$300,000 and reduce the quarterly rates by \$15.00.

Mr. Kehoe said this would be a managerial conversation and an assessment of the sewer accounts would be best to plan and know that proper funding is available for I&I reduction.

Mr. Witmer said it's not his role to say the numbers are correct or not correct. He suggests setting up a management plan. He added that the \$325,000 has been generated with the rate increase, but this not be enough to cover the debt increase.

Mr. Kehoe added that in the 2017 we will need to carve out all carryover amounts, which will be a significant change from how the budget has been prepared in the past. Once we do this for the 1st draft we can get Mr. Witmer's opinion.

Mr. DeNicholas asked if there is a schedule of bond and their call ability. Mr. Kuhl said that payoffs can begin in December 2016. They will be meeting with various financial agencies regarding refinancing the existing bonds. Mr. DeNicholas encourages looking at alternatives.

Mr. Kuhl said that it is unknown how much can be paid off. There may be smaller loan terms through the bank process.

Mr. Kehoe said the Municipal Authority and Planning Commission should work together

to make a recommendation for what is in the best interest of the entire township, then the Supervisors would review the recommendation. Mr. Castle agreed and hopes the recommendation will give insight on areas that need restructured and who will handle what.

Mr. Kehoe said that we need to prepare for when the Authority has budgeted money to do work, who will be doing the work, the road crew or will it be subcontracted. Mr. Castle said that the township is looking at reorganizing some items.

Mr. Kuhl said that there are 3 area: the I&I project, the debt and the Asset Management project. Mr. Castle said this would be a plan for the manager to review. Mr. Kehoe added this would be the merger of the planning and finances.

Kevin Miller, of the Municipal Authority Board, said they are reworking the budget for both districts and getting a good handle on the operations and expenses. They are heading in a good direction of what can be done. The budget for each district will be reviewed and be ready to present to the Supervisors in August.

Ron Eckerd, of the Municipal Authority, said that he is suggesting to pay off the 2010 bond instead of refinancing. The interest rate will climb to 4.37%, so it would be better to pay off the bond and if new money is needed it could be borrowed at a lower interest rate. The Northern district would still have \$200,000 in reserve.

Mr. Kehoe said that the budget may be reformatted and Ms. Wood and Ms. Lowery have been looking at that. Ms. Wood said that she attended a training and the format we currently use for the budget is standard. We need to look at pulling the fund balances out of the projected year end carry over and look at where we are since it has all been dumped into one fund.

Mr. Witmer said that the budget should be based on revenues and expenses. The carryover could be used on years there is a deficit.

Mr. Kuhl said that the biggest unknown is the future capital outlays. We need to know where we need to go to move forward. Mr. Kehoe added that we need to have a solid foundation to move forward.

Mr. Kehoe added that copies of the Power Point presentation are available.

ADJOURN

Mr. Kehoe adjourned the workshop at 7:25 PM

Respectfully submitted,
Karen M. Lowery
Recording Secretary