

**Red Lion Municipal Authority
Meeting Minutes
Wednesday, June 22, 2016**

Members

Skip Missimer, Vice-Chairman
Brad Smith, Secretary
Jeff Herrman, Asst. Sec/Treas.

Visitors

Dianne Price
Robert Frutiger
Nevin Horne

Others

Keith Kahwajy, Superintendent
Jeff Beard, Asst. Superintendent
Andy Miller, Solicitor
Jason Reichard, Engineer
Stacy Myers, Recording Sec'y

Henry Herrman
Tina Frutiger
Krista Gardner

1. The meeting was called to order @ 7:00p.m. All present participated in the pledge to the flag.
2. Mr. Smith made a motion to approve the May 25th, 2016 Meeting Minutes; Mr. Herrman seconded. All were in favor; motion carried.
3. **WATER USAGE REPORT**—Keith reported usage has been normal
4. **CONNECTIONS REPORT**—0 new connections this month
5. **VISITORS**—
 - A. Krista Gardner from Stambaugh Ness Accounting was present to discuss the preliminary draft of the 2015 Audit for Red Lion Municipal Authority. She explained:
 - The auditor's responsibilities are to perform and express an opinion about whether the financial report (reviewed by the Authority) is materially correct, fairly presented and conformed to the regulatory basis of accounting (that which has been created by the state of Pennsylvania). Ms. Gardner stated an audit provides reasonable, not absolute assurance that the financial report does not contain material misstatements due to fraud or error. It is "reasonable" not absolute because Stambaugh Ness does not look at **everything** that happened during the year.
 - The responsibilities of the Municipal Authority Board and Authority staff is preparing and fairly presenting the financial report, as well as designing, implementing, evaluating and maintaining effective internal controls over financial reporting for the Authority. They are also to provide the auditors with unrestricted access to documents during the audit and have available any people the auditors may need to inquire with. Any subsequent events (anything that would impact the outcome of the audit) would need to be reported to the auditors by the Board or Municipal Authority staff.
 - In the audit scope, the auditors are required to consider internal controls of the Authority to understand processes and procedures in order to assess risks. They identify higher risk areas such as an employee handling cash, to understand internal controls of the entity.
 - Auditors will propose audit entries and/or adjustments and go over them with Connie Boyer & Keith Kahwajy. Once adjusted, the entries are reviewed & approved as part of the audit process.
 - Required communications such as ethics, etc. were reviewed.
 - Understanding verbiage regarding internal controls; there are three levels of deficiencies:
 - "Material weakness" is the highest level of weakness or the greatest significance to the financial statements, such as a dollar threshold. This is something that the Municipal Authority has had for years; however, it is nothing against the Municipal staff. It is simply that the Authority and staff have relied on the auditors to prepare the financial statement and assist with any complex accounting matters. In other words, there is no one **on Municipal staff** that

could prepare that financial report or complete the accrual entries that are proposed at year-end. Financial transfers between investment accounts and the line of credit are examples of this. Ms. Gardner said this is common practice, but the auditors have to disclose it in this report. Most of her municipalities have this finding. A material weakness was on the report last year, based on the fixed assets. An industrial appraisal assessment was completed 8 years ago; however, there were quite a few assets missing from that list. Stambaugh Ness suggested another assessment be done, and it was, near the end of 2015. Land was still excluded from that assessment, so this material weakness is still a part of the 2015 preliminary report. A few other adjustments need to be done, but Ms. Gardner said it's definitely moving in the right direction and hopefully, this comment will not be included in the 2016 audit.

Over the course of 2015, Ms. Gardner has worked with Connie Boyer on bank reconciliations and reconciliations of accounts receivable and Connie is now handling more of this work. Ms. Gardner said "kudos" go to Connie for taking on this responsibility.

- "Significant deficiency" is still significant and is required that the auditor relay that to the Board.
 - "Deficiency" or "good ideas" that the auditors may relay to the Board and/or staff, but not required to communicate to them.
 - Actual draft of the report was reviewed for both sewer and water. As stated before, the reassessment of the old fixed assets may change that line item in the report. The changes will not impact current year activity; it will impact the beginning balance.
 - Income statement review for sewer—2015 is fairly comparable to 2014, with just a couple differences. "Sale of Services" and "Operating Revenues" was lower in 2015 as a result of additional insurance reimbursements received in 2014. "Operating Expenses" also went down in 2015 from 2014 as a result of sewer improvements. Sewer "Net Income" (excess revenues over expenditures) was just under \$300,000 in 2015; very comparable to 2014.
 - Income statement review for water—"Sale of Services" increased approx. \$169,000 in 2015 compared to 2014 as a result of a water rate increase. There was an increase in expenses in 2015 due to sludge removal, diesel fuel cost increase and the Subaru Outback purchase (which will get capitalized as part of the Fixed Assets). Water "Net Income" (excess revenues over expenditures) was approx. \$381,000 in 2015.
 - Debt Statement review—PennVest loan, line of credit for Water Treatment Plant, etc.
 - Ms. Gardner thanked Connie Boyer and all the Municipal Authority staff for their work and all their help through the audit.
- B. Mrs. Price thanked the Authority for the use of their generator during the Suds 'n' Song event.

6. WATER AND SEWER—OLD BUSINESS—

- Solicitor's Report—Andy reported:
 - The easements and cover letters for Linden Terrace properties are complete. There are a total of seven properties with three of them having encroachments in the easement. One of the properties wished to put up a fence so language was included in the agreement that the encroachments could remain and the property owners can maintain them; however, if they ever remove them, they couldn't replace them or encroach again. Mr. Smith made a motion authorizing Chairman Immel to sign the Easement Agreements; Mr. Herrman seconded. All were in favor; motion carried.
 - Cell tower appraisal has not been received yet.

- Requests Executive Session to discuss a personnel matter and a litigation matter.
 - **Engineer's Report**—Jason reported:
 - East Broadway & East Avenue Water Main Replacement—preconstruction meeting will be held on July 7th. A proposed start date is July 18th, 2016.
 - Springhouse Lane/Cape Horn Road Tapping Sleeve/Valve—work has been completed. Application for Payment arrived late; should be presented at July meeting.
 - Act 203 Tapping Fee Update—electronic and hard copies will be distributed to the Board. Rick Resh will be present at July meeting to discuss this. Andy stated that if anyone has questions concerning the Mill Creek Interceptor, they could be directed to Rick that night.
 - **Superintendent's Report**—Keith reported:
 - Authority members attending Council meetings:
 - July 11th—Skip Missimer
 - August 8th—Brad Smith
 - Sampling raw water (LT2) is a new requirement from PA DEP. Sampling will begin October 2016 and last for 24 months. Three quotes have been gathered: PA Environmental quoted \$27,127
ECS Lab quoted \$26,600
EMSL Analytical Laboratories quoted \$19,428—they are part of CoStar. Keith submitted all required paperwork to be in compliance. Mr. Smith made a motion to enter into an agreement with EMSL for the raw water sampling; Mr. Herrman seconded. All were in favor; motion carried.
7. **WATER AND SEWER—NEW BUSINESS**—Keith reported:
- Municipal Authority staff repaired two sewer laterals earlier this month and a third one today (6/22).
 - 2015 Auditor's Report needs to be executed by 6/30/16. This may be signed by Mr. Missimer and/or Mr. Smith in Mr. Immel's absence.
 - Safety Committee Meeting—to be held in July with Borough and Authority staff at Water Treatment Plant.
 - Labeling of all buildings at Water Treatment Plant has been done. Signs should be up before the emergency responders' tour.
 - Authority still pursuing the sale of old generator.
 - Municipal Authority staff is reviewing information on payment options for customers. More will be discussed at July meeting.
8. **NEW WATER TREATMENT FACILITIES**—Keith reported:
- Lobar General Contractors—Request for Payment #41—has been executed
 - Lobar General Contractors—Change Order #18—has been executed
 - Lobar General Contractors—Change Order #19—has been executed
 - June 28th, 2016 @ 6:30pm—a tour of the Water Treatment Plant for all emergency responders (EMA, Police, HazMat, Fire, etc) will take place. Chad Arnold will set this up.
 - Cleveland Brothers—Keith would like a yearly maintenance agreement for the new generator at the Water Treatment Plant. They quoted:
 - 2016--\$1,150
 - 2017--\$1,185
 - 2018--\$1,220
 - Mr. Smith made a motion to approve the quotes and the agreement with Cleveland Brothers. Mr. Herrman seconded. All were in favor; motion carried.

9. **Bills & Statements**—Mr. Smith made a motion to approve the bills and statements; Mr. Herrman seconded. All were in favor; motion carried.
10. **Authority recessed to Executive Session** @ 7:40p.m. to discuss litigation matters and personnel matters related to the pension. Authority reconvened @ 8:40p.m.
11. **Authority adjourned** @ 8:40p.m.
12. **Upcoming Meeting dates**
 - July 13th, 2016—Joint meeting with Dallastown-Yoe Water Authority @ 6:30p.m. to be held at Dallastown Borough Office.
 - July 27th, 2016—Regular meeting of the Red Lion Municipal Authority @ 7:00p.m.

Respectfully submitted by:

Stacy Myers, Recording Secretary