

# CITY AUDITOR'S REPORT

## MONDAY, APRIL 12, 2010

### 2009 D.C.E.D. REPORT

ON 03/31/10, THE CITY OF READING FILED THE 2009 MUNICIPAL ANNUAL FINANCIAL REPORT (DCED-CLGS-30) WITH THE DEPARTMENT OF COMMUNITY & ECONOMIC DEVELOPMENT. THIS REPORT IS A **BASIC SUMMARY** OF FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2009. IT USES THE INFORMATION THAT IS CURRENTLY AVAILABLE FROM OUR ACCOUNTING DIVISION. QUOTING FROM THE SECTION – ***ELECTED AUDITOR'S CERTIFIED OPINION***, THIS “AUDIT ...WAS MADE IN ACCORDANCE WITH LAW RATHER THAN GENERALLY ACCEPTED AUDITING STANDARDS. THESE FINANCIAL STATEMENTS **DO NOT** INCLUDE ALL OF THE DISCLOSURES REQUIRED BY GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.”

THIS **PRELIMINARY REPORT** INDICATES A **\$9,456,001 GENERAL FUND LOSS** FOR THE YEAR ENDING 12/31/2009, WITH **\$76,842,012** IN REVENUE AND **\$86,298,013** IN EXPENSES. THIS **PRELIMINARY REPORT** REVEALS A NEGATIVE FUND BALANCE OF **\$6,696,356** AS OF 12/31/09.

OUR EXTERNAL AUDIT IS JUST BEGINNING, AND THE GENERAL FUND'S ENDING 2009 FUND BALANCE WILL NOT BE FINALIZED UNTIL SOMETIME LATER THIS SUMMER.

### 2010 GUN GRANT

ON 04/06/10, THE CITY DEPOSITED TWO CHECKS (\$45,000 + \$17,000) TOTALLING \$62,000 FOR THE GUN CO-ORDINATOR POSITION INTO ACCOUNT # 01-01-01-3554 (MAYOR'S OFFICE - GIFTS & GRANTS). THE CHECKS CAME FROM “MAYORS AGAINST ILLEGAL GUNS” c/o GELLER & COMPANY, LLC, NEW YORK CITY.

THAT AMOUNT IS BEING USED TO PAY THE SALARY, TRAVEL EXPENSES, AND BENEFITS OF THE GUN CO-ORDINATOR POSITION OF MAXWELL NACHEMAN. NO CITY, COUNTY. OR STATE TAX DOLLARS ARE BEING USED TO FUND THIS POSITION.

## **2009 CITY AUDIT**

TODAY, MONDAY, APRIL 12, 2010, HERBEIN & COMPANY STARTED WITH THE 2009 CITY AUDIT. WITH THE COOPERATION BETWEEN THE FINANCE DEPARTMENT AND OFFICE OF THE CITY AUDITOR, WE ASSIGN RESPONSIBILITIES FOR TIMELY COMPLETION OF HERBEIN AND COMPANY'S REQUESTS. THERE ARE VARIOUS REQUESTS SUCH AS COPIES OF COUNCIL MINUTES, BANK AND INVESTMENT RECONCILIATIONS, BUDGETS, ACCOUNTS RECEIVABLE/PAYABLE ANALYSIS, INCOME STATEMENTS, EXPENSE REPORTS, BALANCE SHEETS, FIXED ASSET REPORTS AND PENSION ACTUARY REPORTS.

PER SECTION 914 OF OUR CITY CHARTER, THERE SHALL BE "...AN ANNUAL INDEPENDENT AUDIT TO BE COMPLETED AND SUBMITTED TO THE MAYOR WITHIN ONE HUNDRED EIGHTY (180) DAYS OF THE CLOSE OF THE FISCAL YEAR."

AS ALWAYS, I WILL PROVIDE THE ADMINISTRATION AND COUNCIL WITH PERIODIC UPDATES THROUGHOUT THE AUDIT PROCESS.

## **2007-2008 STATE LIQUID FUELS AUDIT**

AN AUDITOR FROM THE COMMONWEALTH OF PENNSYLVANIA COMPLETED THE AUDIT OF THE LIQUID FUELS (MOTOR LICENSE) FUND FOR THE YEARS ENDED 12/31/07 AND 12/31/08. THESE ARE STATE FUNDS THAT MUNICIPALITIES RECEIVE TO MAINTAIN, REBUILD, AND REPAIR STREETS AND ROADWAYS. STREET LIGHTING, BRIDGE LIGHTING AND APPLICABLE PERSONNEL COSTS ARE ALSO ALLOWABLE USES OF THESE FUNDS.

THE STATE AUDITOR HAS PREPARED "DRAFT" VERSIONS OF THE 2007 AND 2008 LIQUID FUELS AUDITS. THE "DRAFT" AUDITS ARE STILL SUBJECT TO SUPERVISORY REVIEW IN HARRISBURG. WHEN THE AUDITS ARE REVIEWED AND APPROVED IN HARRISBURG AND THE FINAL AUDITS ARE RECEIVED, WE WILL SHARE THE COMPLETED AUDITS WITH THE ADMINISTRATION AND CITY COUNCIL.

THE CITY RECEIVED GRANTS OF \$1,272,395.77 IN 2007 AND \$1,402,639.75 IN 2008 FOR THE LIQUID FUELS FUND. THE 2010 BUDGET ESTIMATES \$1,183,000.00 IN REVENUES AND THE SAME AMOUNT FOR EXPENDITURES.

THE 2010 LIQUID FUELS BUDGET HAS AN INCREASED EMPHASIS ON STREET/BRIDGE LIGHTING COSTS AND A LESSER EMPHASIS ON STREET PAVING.

I WOULD LIKE TO THANK THE FINANCE AND THE PUBLIC WORKS DEPARTMENTS FOR THEIR COOPERATION WITH US IN WORKING TOGETHER WITH THE STATE AUDITOR TO ASSIST IN THE COMPLETION OF THE 2007 AND 2008 LIQUID FUELS FUND AUDITS.

## **2007-2008 PENSION FUNDS STATE AUDIT**

ON 03/09/10, A PENSION EXIT AUDIT CONFERENCE WAS HELD WITH STATE AUDITORS REGARDING ALL THREE (3) PENSION FUNDS (POLICE, FIRE, AND OFFICER'S & EMPLOYEES) FOR THE YEARS 2007 AND 2008. CARL GEFFKEN - ACTING MANAGING DIRECTOR & FINANCE DIRECTOR, DAWN CIENIEWICZ - ACCOUNTING/TREASURY MANAGER, SHELLY FIZZ - PENSION ADMINISTRATOR AND I WERE IN ATTENDANCE.

THESE "DRAFT" AUDITS ARE STILL SUBJECT TO SEVERAL LEVELS OF REVIEW IN HARRISBURG. WHEN THE AUDITS ARE REVIEWED AND APPROVED IN HARRISBURG AND FINAL AUDITS ARE RECEIVED, WE WILL SHARE THOSE AUDITS WITH ALL CONCERNED PARTIES.

## **ACT 47 MEETING**

ON APRIL 8<sup>TH</sup>, 2010, I ATTENDED A PUBLIC MEETING REGARDING THE CITY OF READING'S FINANCIAL RECOVERY. THIS MEETING WAS HELD AT THE MILLER CENTER ON THE CAMPUS OF READING AREA COMMUNITY COLLEGE.

DEAN KAPLAN, ACT 47 COORDINATOR FROM PFM, AND SEVERAL OTHERS OPENED THE MEETING WITH A BRIEF OVERVIEW OF THE CITY'S FINANCES FROM THE PAST FEW YEARS AND SOLICITED COMMENTS AND SUGGESTIONS FROM THOSE IN ATTENDANCE.

THE PFM GROUP IS STILL IN THE PROCESS OF DRAFTING A PROPOSED FISCAL RECOVERY PLAN FOR THE CITY. THE PLAN WILL BE RELEASED SOMETIME IN MAY OF THIS YEAR.

A SECOND PUBLIC MEETING IS SCHEDULED TO BE HELD ON MONDAY THE 26<sup>TH</sup>, AT A TIME AND PLACE TO BE ANNOUNCED LATER.