

Citizens Audit Review & Financial Advisory Committee (CARFAC)

March 20, 2013

7:00PM – Radnor Township Municipal Building, Finance Department

Agenda:

1. Approval of Minutes from February 20, 2013 Meeting (attached)
 2. Appointment of Chair person
 3. Realignment of Working Groups and their respective Chairs
 4. 2013 Priorities and On-Going Project Status Reports by Working Group:
 - a. Planning
 - b. Operations
 - c. Audit
 5. Executive Session
 6. General Discussion
 7. Public Participation
 8. Adjourn
-

NOTES:

Current Working Group Assignments		
Planning Group	Operations Group	Audit Group
1. Mark Blair (Chair) 2. Jim Bowes 3. Jerry Linden	1. Joe Ellis (Chair) 2. Leigh Gourmand 3. Karl Bupp	1. Ed Caine (Chair) 2. Laurent Chardonnet 3. Michael Antonoplos (replacing P. Novak)
Realigned Working Group Assignments		
Planning Group	Operations Group	Audit Group
1.	1.	1.
2.	2.	2.
3.	3.	3.
4.	4.	4.

Notes:

1. Karl has already volunteered to move to the Audit Working Group
2. Leigh has volunteered to chair the Operations Working Group
3. Michael has tentatively began working with the Operations Working Group
4. Laurent has participated with the Planning Group in analyzing the Swap agreement
5. There doesn't have to be three members in a working group; but it shouldn't exceed four members to prevent from having a quorum for working group meetings

Citizens Audit Review & Financial Advisory Committee
February 20, 2013, 7:00 p.m.
Radnor Township Municipal Building
Administration Department, 2nd Floor
301 Iven Avenue, Wayne, PA 19087

DRAFT

Meeting Minutes

The meeting was called to order by the Finance Director Bill White at 7:00pm. The meeting was attended by Karl Bupp, Mark Blair, Jerry Linden, Leigh Gourmand, Jim Bowes, Laurent Chardonnet, Joe Ellis, and Michael Antonoplos. Mr. Ed Caine was unable to attend. Township staff members present were Bob Tate, Township Assistant Finance Director, Bill White, Township Finance Director, Robert Zienkowski, Township Manager and Tammy Cohen, Director of Recreational Programming. Also in attendance were representatives from Cresa, the firm that the township engaged to prepare a land inventory and valuation study. There were no members from the public present.

The Committee discussed the following items:

1. **Approval of Minutes:**
 - a. Public Meetings:
 - i. January 20, 2013 Meeting minutes – Approved 8-0-1 (Mr. Antonoplos noting his abstention since he was not at the January meeting).
2. **Executive Session:** CARFAC made a motion to go into executive session to discuss matters of litigation and real estate at 7:02pm. CARFAC concluded their executive session portion of the meeting at approximately 10:00pm.
3. **Working Group Updates:**
 - a. **Planning Update** – No specific update due to time constraints
 - b. **Operations Update** – No specific update due to time constraints
 - c. **Audit** – Karl Bupp notified the Committee that he will be moving from the Operations working group to the Audit working group and work with Ed Caine to make sure that this group continues its function to review the audit progress and results.
4. **General Discussion:**
 - a. Chairman Karl Bupp announced to the Committee that he will be stepping down as Chairman noting that he has enjoyed the time as Chair, but like any good working body, that change in leadership and perspective is a positive move. Consequently, Mr. Bupp noted that he will be making a recommendation to appoint Mr. Blair as Chair at the next CARFAC meeting and that any other interested candidate should notify the Committee.
5. **Public Participation:** No members from the public were present.

Being no further business, the meeting was adjourned at 10:10 p.m.

To: Radnor Township Board of Commissioners Finance Committee
From: Citizens Audit Review & Financial Advisory Committee ("CARFAC")
Date: November 14, 2012
Re: Conversation to discuss 2013 priorities

We'd like to discuss how to be of greatest service to the Board of Commissioners and our citizens in 2013. We request a meeting with the Board's Finance Committee Dec. 5, 2012 at 7:00pm. All Commissioners are welcome.

CARFAC's view of its priorities for 2013:

- 1) Planning & Budgeting
 - a. Continue to work to understand the Pension and Other Post-Employment Benefits ("OPEB") liabilities and educate residents and staff.
 - b. Provide input to Township staff on possible resolution strategies.
 - c. Continue to update and refine the five-year planning model.
 - d. Assist Township staff in development of its 2014 strategic plan.
 - e. Analyze the Swaption.
- 2) Audit
 - a. Continue to work with staff to eliminate Material Weaknesses and Significant Deficiencies while reducing Deficiencies identified by the auditors.
 - b. Continue to work with staff to improve financial controls and processes.
- 3) Operations
 - a. Continue to work with staff on ways to streamline and enhance financial operations at the Township to improve service and reduce costs.
 - b. Assist in the specification, selection and implementation of a new financial system for the township.
 - c. Work with Township staff to enhance, refine and add to the accounting policy and procedure manual.
 - d. Provide analysis of the revenues and costs of the Township's open space.

CARFAC's view of its accomplishments since inception in 2011:

- 1) Planning & Budgeting
 - a. Worked with Township Staff to develop a five-year operating and capital planning model for Radnor Township.
 - b. Worked with Township staff and outside advisors to develop a comprehensive understanding of the township's pension and OPEB liabilities. Our report included quantified action steps to be considered to help address an out-of-market benefit structure and reduce the long-term liability. More immediately, during this project, we discovered that the health care trust in which the Township participates was overcharging the Township for retiree healthcare due to misinformation regarding the treatment of Medicare-eligible retirees. Consequently, the Township's monthly medical insurance decreased by \$11,000. This will result in on-going annual savings of about \$132,000.
 - c. Met with Township department heads for in-depth 2013 budget reviews. These conversations produced a budgetary reduction of \$369,685 as compared with initial department requests.

2) Audit

- a. Assisted staff in significantly reducing the number of Material Weaknesses, Significant Deficiencies and Other Deficiencies in Township financial controls and procedures identified by the outside Auditor:

	2008	2009	2010	2011
Material	11	10	6	2 *
Significant	4	3	4	1 *
Other	18	14	17	14 *
Total	33	27	27	17

* For 2011, several of the Management Letter comments were addressed in 2011, but still included in the Auditor's letter. The following table reflects the total comments after those items are removed:

	2011		
	Noted in Letter	Addressed in 2011	Net Outstanding Matters
Material	2	1	1
Significant	1	1	0
Other	14	5	9
Total	17	7	10

- b. Worked with Township Staff to reduce annual audit fees by \$9,828 or 8.2% during the next three years (2012-2014) through improved audit coordination and preparation.
- c. Worked with Township staff to complete the 2011 Comprehensive Annual Financial Report ("CAFR") in a timely manner. The 2011 CAFR was submitted to the Government Finance Officers Association ("GFOA") for consideration for the Certificate of Achievement for Excellence in Financial Reporting. Radnor Township last earned this distinction in 2007.

3) Financial Operations

- a. Reviewed and assisted in the revision of Township collection and audit procedures for Business Privilege Tax and Mercantile Tax returns. This review assisted in the drafting of revised legislation that will streamline the collection process by combining the annual license and return into one filing. It will also significantly improve the Township's ability to quickly and accurately audit Mercantile Tax returns.
- b. Assisted in the design and development of the Voluntary Contribution Payment for Services program by researching alternative tax programs in use by other municipalities.
- c. Reviewed information regarding certain transactions and items in 2012 including:
- i. 2009 Bond Refunding process
 - ii. Biennial Auditor General audit of the Township's pensions
 - iii. Radnor Township Swaption and 2007-2009 Strategic Plans



STATE OF NEVADA A REPORT TO OUR CITIZENS

FOR FISCAL YEAR ENDED JUNE 30, 2012

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THE NEVADA VISION

Nevada's leaders will work to protect the health and welfare of its communities by promoting a healthy economy, a business-friendly environment and excellent schools.

PLANS FOR THE FUTURE

Ensure a Healthy Economy

- Establish a stable revenue base
- Attract skilled and educated workers
- Maintain a business-friendly environment

Provide First Rate Education for all Nevadans

- Enable schools to determine the needs of their students
- Improve high school graduation rates
- Remove barriers to higher education

Continue to diversify Nevada's Economy

- Business IT Ecosystems
- Mining
- Renewable Energy



"A Vast Sea of Emptiness"
Colton Witt

DEMOGRAPHIC INFORMATION

	Calendar Year 2010	Calendar Year 2011
Population *	2,704,283	2,723,322
Per Capita Income	36,938	38,173
Visitor Volume	50,101,227	51,372,307
	Fiscal Year 2011	Fiscal Year 2012
Public School Enrollment	438,866	444,003
State Government Employees	25,814	25,372
Unemployment Rate *	13.5%	11.6%



* Figures have been updated to reflect revised estimates for calendar year 2010 and fiscal year 2011.



For additional information, visit: controller.nv.gov

NEVADA'S PROGRESS

IN FISCAL YEAR 2012

Renewable Energy

Nevada has an abundance of solar, geothermal and wind resources with the potential to drive a strong economy. As the renewable energy industry matures, our business environment and policies will become even more important than the natural resources at our disposal. Today's challenge is to provide the best business environment for employers that design, manufacture and install renewable power generation systems. The State's renewable portfolio standards require all public utilities to generate 25% of their electricity from renewable energy resources by 2025. In calendar year 2011, 16% of the State's net electricity generation came from renewable sources, up from only 10% in 2010. Several of the world's largest solar projects are located in Nevada. Boulder City's Copper Mountain, 55-megawatt solar photovoltaic power plant, is currently the largest in the United States. Nevada is second in the nation in geothermal energy production, with 22 plants capable of generating 469-megawatts of power. The Spring Valley Wind Farm located near Ely in White Pine County consists of 66 2.3-megawatt wind turbines capable of producing enough energy to power 45,000 homes. The project, which was completed in July 2012, created 225 jobs during construction and 13 permanent positions, and is expected to generate \$20 million in tax revenues over the next 20 years.

Mining

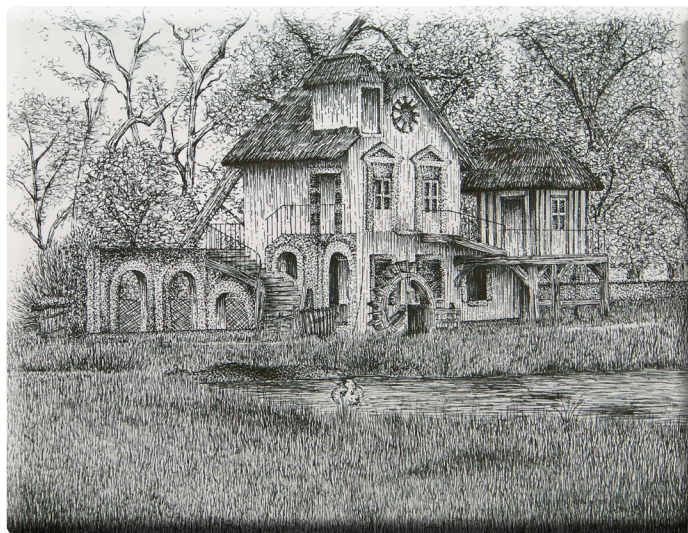
Nearly 80% of the gold mined in the United States comes from Nevada. This remains a lucrative industry as gold prices remain strong. During the fiscal year the number of mining jobs grew by 2,200 to over 16,200 employed in the natural resources and mining industry. Employment in this sector is expected to increase by 5.7% annually. Mineral tax revenues increased from \$243 million in fiscal year 2011 to \$253 million in fiscal year ended June 2012.

Business IT Ecosystems

Apple, Inc. has committed to invest \$400 million over the next four years in a new data center and office building in Washoe County. The data center estimates that they will add 35 employees and more than 200 contractors. Apple's application agreement with the State includes tax abatements: sales tax reduced to 2% for up to three four-year periods; and a reduction in personal property taxes by 85% for up to three 10-year periods.

Education

The Adequate Yearly Progress (AYP) results for all Nevada public schools show improvement over last year's results. This year, 49% or 339 of our schools met the AYP requirements, up from 45%, or 308 schools, last year. Among the schools that met AYP, 56 received distinguished recognition as High Achieving, Continuing Exemplary, Exemplary or Exemplary Turnaround. This is an improvement of 24 schools or 43% over last year. This is the last year that Nevada will report AYP results since the State has adopted a new Common Core Standards measure system. Nevada was granted a waiver from U.S. Department of Education's "No Child Left Behind" mandates by adding a condition that the State adopts a 100-point index system to measure students' performance. This differs from No Child Left Behind in that it measures students' progress rather than focusing on test scores at grade levels. Nevada will replace old standardized tests and create new ones based on Common Core Standards. Nevada joins 32 other states and the District of Columbia that have abandoned the federal measure system.



"Home Sweet Home"
Nicole Kersting

PERFORMANCE MEASURE HIGHLIGHTS

	FY 11	FY 12	Goal
Reduce highway fatalities	270	255	0
Percent of roads rehabilitated annually	4.5%	3.6%	7.8%
Nevada's national ranking of freeway miles congested	40 th	40 th	25 th
Graduation rates (11 and 12 report cards)	70.3%	68.8%	74.4%
Expenditures per pupil (11 and 12 report cards)	\$ 8,515	\$ 7,716	\$ 9,424



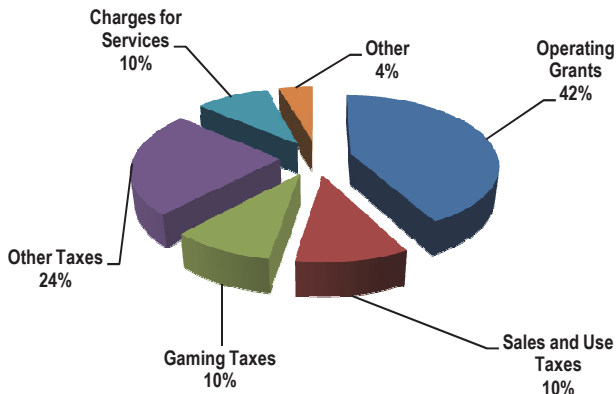
For additional information, visit: controller.nv.gov

NEVADA'S FINANCES

REVENUES AND EXPENSES

PRIMARY GOVERNMENT SOURCES OF REVENUE

FY 2012 REVENUES BY SOURCE



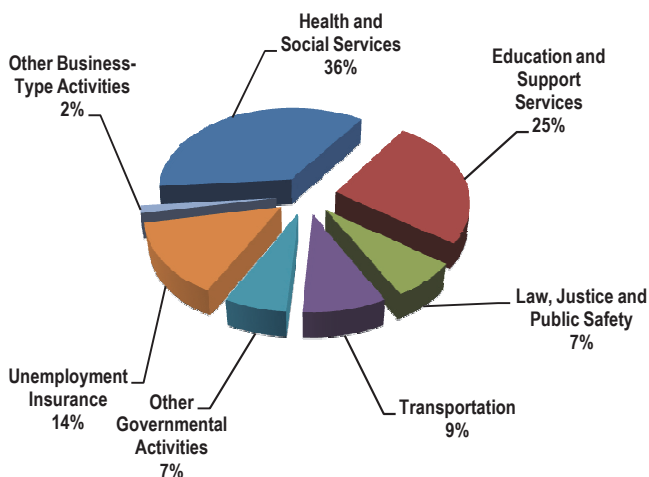
Revenues by Source Expressed in Thousands	2011 Revenue	2012 Revenue	% Change
Operating Grants	\$ 4,302,041	\$ 3,954,105	-8.09%
Sales and Use Taxes	931,911	967,373	3.81%
Gaming Taxes	850,021	884,928	4.11%
Other Taxes	2,177,341	2,264,736	4.01%
Charges for Services	967,637	888,479	-8.18%
Other	401,438	403,803	0.59%
Total Revenues	\$ 9,630,389	\$ 9,363,424	-2.77%

Notes

Operating Grants – Primarily federal grants for various state programs.
Other Taxes – Includes modified business tax, insurance premium tax, motor and special fuel tax, property and transfer tax.
Charges for Services – Includes inspections, licensing, permits, and fees.

PRIMARY GOVERNMENT FUNCTIONAL EXPENSES

FY 2012 EXPENSES BY FUNCTION



Expenses by Function Expressed in Thousands	2011 Expenses	2012 Expenses	% Change
Health and Social Services	\$ 3,209,237	\$ 3,250,926	1.30%
Education and Support Services	2,393,536	2,280,899	-4.71%
Law, Justice and Public Safety	667,598	646,701	-3.13%
Transportation	630,657	801,797	27.14%
Other Governmental Activities	740,707	604,538	-18.38%
Unemployment Insurance	1,767,632	1,286,839	-27.20%
Other Business-Type Activities	177,450	139,188	-21.56%
Total Expenses	\$ 9,586,817	\$ 9,010,888	-6.01%

Notes

Other Governmental Activities – Regulation of business, recreation and resource development, general government.
Other Business-Type Activities – Housing, workers' compensation, higher education.

An independent audit of the State's financial statements resulted in an unqualified audit opinion. Financial information in this report is derived from Generally Accepted Accounting Principles (GAAP) data in the State's Comprehensive Annual Financial Report.



To see the Comprehensive Annual Financial Report, visit: controller.nv.gov

WHAT'S NEXT?

FUTURE CHALLENGES AND ECONOMIC OUTLOOK

ECONOMIC CHALLENGES

The recession hit Nevada harder than the other states due to its heavy reliance on the tourism, gaming and construction industries, which suffered serious downturns. The State's economy is growing but lags behind national trends. The projection going forward remains modest.

Sales taxes collected for the fiscal year were \$967 million, an increase of 3.8% over 2011, but remain 15.8% below prerecession levels. Gaming taxes collected for the fiscal year were \$885 million, an increase of 4.1% over last year, but remain down 14% from the peak in 2007. Visitor volume was up 3% compared to the same period in 2011. With the main sources of revenues continuing below prerecession levels, and growing at a modest rate, the State will need to create a broader tax base and not rely on one industry from which to raise revenue.

Nevada continues to experience modest, steady job growth. The unemployment rate in Nevada was 11.6% in June 2012, compared to the national rate of 8.2%. Nevada continues to have the highest unemployment rate in the nation. During 2012, Nevada is expected to have added 13,000 new jobs, compared to only 12,000 jobs added in 2011. Nevada's employment base is expected to grow by 12,000 jobs in 2013, dropping the unemployment rate to 10.6%. The State's largest industry—tourism, gaming and entertainment—has added nearly 20,000 jobs since reaching a recessionary low in November 2009. Other industries, professional and business services, health care and social assistance, trade, transportation and utilities have all seen modest gains since late 2010. While the employment picture is improving, it is a far cry from the growth seen during the most recent expansionary period.

Nevada spent \$1.6 billion on Medicaid in 2012, or 26% of all General Fund expenditures. Caseloads grew 5.6% to 285,485, or 10% of the State's population, and that figure is expected to top 350,000 by 2015. Other changes in the demands for social services during 2012: Temporary Assistance to Needy Families (TANF) decreased by 5%; food stamp recipients increased by 10%; the number of WIC participants increased by less than 1%. Additionally, it is estimated that 22%, or 589,000, Nevadans are uninsured compared to 15% or 46 million nationwide.

EDUCATION

In order to diversify our economy, we need to educate our workforce. Despite continued efforts to improve in key areas, Nevada continues to have the lowest graduation rate in the nation. The Nevada Department of Education reports that only 62% of Nevada's high school students will graduate in four years. In Clark County that rate was even lower at 59%. The Reclaim Your Future program launched this year in Clark County is aimed at getting students back in the classroom. The program includes a mentorship program that reaches out to at-risk students by connecting community volunteers with struggling students to help them make progress towards graduation. Another initiative involves about 300 school and community volunteers visiting the homes of dropouts to encourage students to return to school.

INTERGOVERNMENTAL FINANCIAL DEPENDENCY AND RELATED RISKS

Because funding from the American Recovery and Reinvestment Act (ARRA) has ended and overall federal spending will likely be shrinking, Nevada's funding from federal sources is uncertain. These numbers show Nevada's dependence on federal funds:

- Federal revenues to Nevada: \$4.7 billion, or 51% of all revenues to the State
- Federal grants from the State of Nevada to local governments: \$704 million – 39% K-12 education, 39% public welfare
- Major contributing federal departments: Labor – 36%, Health and Human Services – 28%, Agriculture – 15%, Education – 6%, Transportation – 10%
- 2011 to 2012 decreased Federal revenue: \$163 million
- Amount of investments in Federal Securities: \$7,759,539,927



*We want to hear from you! Do you believe this report should include any other information?
Please contact Kim Wallin, State Controller at (775) 684-5632.*