

01-20
March 18, 2015

A workshop session of the Municipal Service Commission of the City of Wyandotte, Michigan, was held at the office of the Commission on Wednesday, March 18, 2015 at 4:00 P.M.

ROLL CALL: Present: Commissioner - Michael Sadowski
Leslie G. Lupo
Gerald P. Cole
Robert K. Alderman
Bryan Hughes

General Manager
& Secretary -Rod Lesko

Also Present -Paul LaManes
Steve Timcoe
Steve Colwell
Charlene Hudson
William Weirich
William Brickey
Alisha Davis
Valerie Hall
Mike Pente
Chris Brohl
Cable TV Volunteer

March 18, 2015

WATER FUND ANALYSIS OF NET INCOME AND OPERATING REVENUE YEARS ENDED SEPTEMBER 30.

The Water Department continues to be very consistent and has over a long period of time.

Net income of \$637,000.

Water has embarked on significant capital projects subsequent to fiscal 2014 and has a healthy fund balance to satisfy any obligations relative to those capital projects without the need to issue additional debt.

CABLE FUND OPERATING REVENUE - TWO YEAR COMPARISON YEARS ENDED SEPTEMBER 30

The Cable Fund has experienced stabilized performance since 2012 and continues to through 2014 due to matching rate increases with costs to provide services, mainly the cost of programming, which has risen steadily and accounts for approximately 57% of total operating expenses.

ANALYSIS OF OPERATING REVENUE AND EXPENSES YEARS ENDED SEPTEMBER 30

Operating expenses are up ½% between 2013 and 2014.

Royalties are 57% of the cost structure and are a variable expense relative to subscriber levels.

2007 to 2011 Cable wasn't covering its expenses.

2012 to 2014 Cable has stabilized, covering expenses and building adequate working capital and fund balance to address needed capital investments in the system without adding additional debt.

Alisha Davis, Plante Moran, giving overview on various standard audit letters.REQUIRED AUDIT COMMUNICATION

Qualitative Aspect of Accounting Practices:

1. New accounting standard GASB 65, addresses deferred outflows (i.e. Related to prior bond transactions, accounting treatment has changed due to GASB 65)
2. Certain transactions involving the MDOT grant from FY13 were billed in FY14. Unfortunate circumstances involving the former grant manager resulted in the timing issue.

NATURE OF QUESTIONS

Auditors Report on Internal Controls:

Bank Reconciliations were done in a timely matter until the

01 - 23
March 18, 2015

conversion to BS&A. We encourage the Department to ensure timely preparation of bank reconciliations going forward in BS&A.

Closing of Fiscal Year 2014 was affected due to the conversion to BS&A and staff time spent on catching up due to the shortcomings of the system in the Electric billing area. The lack of timeliness reduced the Department's ability to review its accounting records as thoroughly as normal and resulted in several adjustments to the Department's financial statements (including fixed assets, grant revenue, employer portion of the defined contribution plan, unearned revenue and accounts receivable).

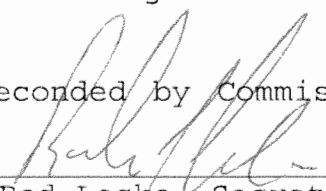
MATERIAL WEAKNESS

Due to the BS&A conversion, billing issues and General Ledger issues were detected. Although these were corrected timely and the appropriate bills were correctly distributed to Department customers, the underlying consumption data on which bills are based were not corrected in the system, but rather were manually corrected on the bills. The system could not facilitate retro correction of consumption data units. The result is that the Department was not able to produce a system report which accurately represents the number of KWh consumed by Electric Department Customers during the year and had to use alternative methods to proof KWh related data.

GRANT ACTIVITY

Making sure all Grant Activity, MDOT and Department of Energy has been reconciled. Communication of matters suffered due to the unfortunate circumstances involving the former grant manager and have been corrected now that a new grant manager has been appointed.

MOTION by Commissioner Lupo and seconded by Commissioner Alderman to adjourn. 4:29 p.m.



Rod Lesko, Secretary