

MINUTES OF THE MEETING OF THE COMMITTEE-OF-THE-WHOLE OF THE CITY OF GROSSE POINTE WOODS HELD ON MONDAY, JANUARY 13, 2020, IN THE CONFERENCE ROOM OF THE MUNICIPAL BUILDING, 20025 MACK AVENUE, GROSSE POINTE WOODS, MICHIGAN.

PRESENT: Mayor Pro-Tem Bryant
Council Members Gafa, Granger, Koester, McConaghy, McMullen
ABSENT: Mayor Novitke

ALSO PRESENT: City Administrator Smith
Treasurer/Comptroller Behrens
City Clerk Hathaway

Also in attendance were Bill Brickey and Josh Yde, from Plante & Moran.

Mayor Pro-Tem Bryant called the meeting to order at 7:02 p.m.

Motion by McMullen, seconded by Granger, that all items on tonight's agenda be received, placed on file, and taken in order of appearance.

Motion carried by the following vote:

Yes: Bryant, Gafa, Granger, Koester, McConaghy, McMullen
No: None
Absent: Novitke

Motion by Granger, seconded by Koester, to excuse Mayor Novitke from tonight's meeting as he is attending to a personal matter.

Motion carried by the following vote:

Yes: Bryant, Gafa, Granger, Koester, McConaghy, McMullen
No: None
Absent: Novitke

Discussion ensued regarding **FY June 30, 2019, audit presentation**. Chair of the Finance Committee McConaghy requested emphasis be placed on discussion pertaining to the material weaknesses. Mr. Brickey stated the City prepares the Comprehensive Annual Financial Report (CAFR), submits it to the Government Financial Officer's Association, and the City receives the financial award annually. Mr. Yde provided an overview of the financial statements and responded to questions.

Mr. Brickey reviewed the letter dated November 27, 2019, and stated the Financial Statements identify an unmodified rating. He also reviewed the four material weakness bullet points identified on Page 3 of the letter and responded to questions.

- He discussed year-end journal entries stating they do not affect cash balances. A decision may need to be made whether the City has the staff to assist with journal entries, or do you need more resources. Plante & Moran cannot assist with these due to being the assigned auditor. Preparation for year-end journal entries takes approximately 3-4 weeks.
- Next he discussed material journal entries to Milk River, regarding bonds and payments. He stated the City is making payments while the County is holding onto the funds, and the reporting needs to be reviewed.
- An Information Technology controls review revealed the Treasurer/Comptroller having administrative access to certain accounting modules. He stated a best practice would be to segregate administrative accesses.
- Errors were found when testing pension reporting. A good practice is to have one person prepare census data, and then have another person review it. This work would take a few days to complete.

Mr. Brickey stated going into next year, three of the material weakness bullets could be eliminated with Milk River reporting taking more time. He stated GASB 88 is a new regulation implemented this year.

He suggested the City look into how the funding valuation is calculated compared to the report used to place retirement funding into the audit; there is a disconnect. The City is using a blended rate that drives up the liability. Most systems do not use a blended rate. Different assumptions are being used. It will be important to find out what the City needs to do to not have a blended rate by working with the actuary and the attorney. The accuracy of the employee census data needs to be verified prior to sending to the actuary.

New GASB regulations are forthcoming in the future and are identified in the letter as GASB 84 – Fiduciary Activities, GASB 87 - Leases, and GASB 90 – Majority Equity Interest.

Mr. Brickey moved onto providing an overview of the Municipal Court Audit and stated there were no findings. The City Clerk was asked to schedule a Judicial Liaison Committee Meeting by Committee Chair McConaghy.

Council Member Koester asked that the water/sewer fund be addressed at the next Finance Meeting for the level of funds in the account. The City Administrator stated that there are projects the City needs to address and are slated for discussion with the Construction Committee including lead service lines. He stated the City will be conducting an audit on each house, replacing lead water services, and replacing aging water mains which will use some funds in the water/sewer account.

Motion by McConaghy, seconded by Granger, regarding the **audit presentation for Year Ended June 30, 2019**, that the Committee-of-the-Whole recommend that the City Council accept the Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019, and the City of Grosse Pointe Woods Municipal Court Financial Report Ended June 30, 2019.

Motion carried by the following vote:

Yes: Bryant, Gafa, Granger, Koester, McConaghy, McMullen

No: None

Absent: Novitke

Motion by Granger, seconded by Gafa, that the meeting of the Committee-of-the-Whole be adjourned at 7:55 p.m. PASSED UNANIMOUSLY.

Respectfully submitted,

Lisa Kay Hathaway
City Clerk

Arthur W. Bryant
Mayor Pro-Tem