



CITY OF GERMANTOWN TENNESSEE

1930 South Germantown Road • Germantown, Tennessee 38138-2815
Phone (901) 757-7200 Fax (901) 757-7292 www.germantown-tn.gov

AUDIT COMMISSION MEETING

Monday, March 23, 2009
Administrative Conference Room at 8:00AM

MEMBERS PRESENT: Mayor Sharon Goldsworthy, Patrick Lawton, FAC Chairman Julius Moody, Ralph Gabb

MEMBERS ABSENT: Alderman Ernest Chism

OTHERS PRESENT: Trey Watkins from Watkins Uiberall, PLLC.

CALL TO ORDER

Ralph Gabb, Finance Director, called the March 23, 2009 Audit Commission meeting to order at 8:05 a.m.

GENERAL OVERVIEW

Ralph began by thanking the members of the Audit Commission for coming this morning as well as thanking Trey Watkins, partner from the accounting firm of Watkins Uiberall, PLLC. Ralph called roll as Mayor Sharon Goldsworthy, Patrick Lawton, City Administrator, Julius Moody, Financial Advisory Commission Chairman and Ralph Gabb, Finance Director were present. A quorum was present for the meeting.

APPROVAL OF MINUTES

Ralph asked for approval of the minutes from the March 4, 2008 meeting.

****MOTION****

Julius Moody moved to approve the minutes from the March 4, 2008 Audit Commission meeting. Patrick Lawton seconded and the motion passed unanimously.

Ralph states that the City had received an unqualified opinion for the June 30, 2008 and the report had been sent to the State of Tennessee and Government Finance Officers Association. The State of Tennessee has accepted the City's audit report.

Trey Watkins began a presentation of the Government Wide Statements of Statement of Net Assets. The City has Total Net Assets of \$138,173,128. This represents assets in excess of liabilities. The Statement of Activities presented on page 26 show the change in net assets for the year of \$9,435,751. This represents the excess revenue over expenditures for the year ended June 30, 2008. Trey mention that the audit was performed in record time and this allowed the City to prepare a Popular Annual Financial Report. There were no major adjustments required during the audit.

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Trey referred the commission to page 28 as the reconciliation of shift from the fund basis of government to the government wide basis of reporting. The difference in the shift is the fund basis of reporting utilizes the modified accrual system of accounting and the government wide basis of accounting utilizes the full accrual system. The City's balance sheet under the fund basis recorded assets in the amount of \$36,386,926 and the government wide statements records assets in the amount of \$80,990,475. The largest shift in assets is caused by the recording of fixed assets and debt.

The Mayor asked about the other debt from the Enterprise Funds. Trey explained that the Enterprise Funds paid their own debt through the fees charged to the users of the fund. Ralph explained the City is managing its' debt very well as can be determined when you look at the debt to citizen ratio. This is one of the reasons the City is able to maintain a Triple-A rating from the various rating agencies.

Trey addressed the Proprietary Fund assets from page 33 is \$65,288,326. The Total net assets for the year ended are assets less liabilities is \$57,192,712. The Statement of Revenues, Expenses and Changes in Fund Equity on page 35 shows you that revenues exceed expenses for the year in the amount of \$4,328,506. Trey stated that the Proprietary Funds are very healthy. Ralph went on to explain that the proprietary funds are made up of the utility fund made a profit of \$4,098,363. This large profit is due to the rates being set several years ago at a normal year rain fall and we have experienced drought like weather. This could change in the future years. Also, the Athletic Club is in a transition state and the City place additional funds that would help it during difficult times. The Athletic Club had a profit of \$160,788. The Sanitation Fund had a profit of \$69,355. This fund has a contract with a vendor to pick up the trash in the City over a several year contract. At the beginning of the contract the fund had greater earning that at the end as the rate for trash pick-up is set to anticipate the draw down.

Trey explained the City implemented GASB 45 concerning OPEB requirements as shown on page 38 and 39. At June 30, 2008, the fund had net assets in the amount of \$913,765. Trey asked Ralph if the payments for OPEB were coming out of the Trust. Ralph stated all payments were coming out of the Trust. Trey referred the commission to page 64 for further disclosures on GASB 45. This footnote gives a better understanding of the OPEB plan.

Trey mention the security of the cash and investments within the City. He noted the controls and procedures were tested. Ralph explained the City funds are collateralized at 105% and that SunTrust Bank is part of the State of Tennessee Pool as required by the State. In addition, the City has a portion of its fund with the State of Tennessee Local Government Investment Pool (LGIP). This investment pool is very conservative in its investment. Also, the City is invested in agency funds that are again very conservative in nature.

Ralph explained that the accounting firm did preliminary testing of internal controls in May 2008 to document and determine if the internal controls were sufficient and in place to provide reasonable assurance for an audit. Trey further explained that the firm does not issue an opinion on the internal control but is required as part of the audit to document the internal controls of the City. In May, the firm went through a process of interviewing various City personnel and then followed a transaction through the system. This was documented by the firm to give better assurance that controls are in place. Trey stated that internal controls do not prevent fraud but are in place to be able to detect and catch fraud.

Ralph stated that there were no significant deficiencies in the audit. Trey explained that a change in auditing standards has required the auditor to identify and report on any significant internal control weakness or material weaknesses. A material weakness is more serious than a significant weakness. Trey confirmed that the audit of the City did not detect any significant or material weakness in internal controls.

Trey completed his presentation by saying the audit went smoothly and the client documents were prepared when his staff came to the city.

ACCEPTANCE OF AUDIT MANAGEMENT LETTER

Ralph called for a motion to accept the Audit Management Letter

****MOTION****

Mayor Sharon Goldsworthy moved to accept the Audit Management Letter. Julius Moody seconded and the motion passed unanimously.

ADJOURNMENT

Ralph called for a motion to adjourn

****MOTION****

Mayor Sharon Goldsworthy moved to adjourn. Julius Moody seconded and the motion passed unanimously.

The meeting adjourned at 8:45 a.m.

Respectfully submitted by the Finance Department.