



CITY OF GERMANTOWN TENNESSEE

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Audit Commission Meeting

Thursday, March 1, 2018 – 9:00 a.m.
Administrative Conference Room
City Hall, 1930 S. Germantown Road

MEMBERS PRESENT: Alderman Rocky Janda, Patrick Lawton, Julius Moody, and Mayor Mike Palazzolo

OTHERS PRESENT:

- Linda Rathje - Interim Finance Manager
- Trey Watkins and Clay Province - Watkins Uiberall, PLLC

CALL TO ORDER

Chairman Moody, called the March 1st, 2018 Audit Commission meeting to order.

ESTABLISHMENT OF QUORUM

Chairman Moody then called the roll and announced that a quorum was present

APPROVAL OF MINUTES

Chairman Moody asked for approval of the minutes from the May 2nd, 2017 Audit Commission meeting.

****MOTION****

Mr. Lawton moved to approve the minutes from the May 2nd, 2017 Audit Commission meeting. Mayor Palazzolo seconded and the motion passed unanimously.

REVIEW OF 2017 AUDIT

Mr. Clark Province of Watkins Uiberall said due to the City's great organizational skills, everything went well as a clean/unmodified opinion had once again been issued for the June 30, 2017 audit.

As for Financial Highlights (Management's Discussion and Analysis), Mr. Province advised that our General Fund is in a very healthy state; the City's Governmental total fund balance is \$59,353,989 with 25% of total General Fund Expenditures representing an unassigned fund balance of \$10,963,650. Also, during the fiscal year, the City's total debt decreased by \$3,860,453.

Referring to the Government-wide Financial Statement, Mr. Province stated that the City's Net Position at June 30, 2017 total \$255,333,407 (Governmental Activities \$186,574,124 and Business-Type Activities \$68,759,283). To be able to report positive balances in both categories of net position (government as a whole and separate governmental and business-type activities) at the end of the current fiscal year is really important as they are reflective of the City and its ability to repay debt. Mr. Province said General Fund Revenues were up this year by \$2,118,296 (primarily due to local sales tax) and Expenditures came in lower by \$1,888,268 mainly due to concerted efforts of the City government to control cost.

Mr. Province spoke on the new pension liability disclosure that affects the City's net assets. He said for many years, governments basically had pension liabilities out there that promised to fund retirement benefits however, when the time came for these benefits to be paid to the retirees, the trust had been exhausted as there were no available funds. Per GASB Statement No. 74, pension liability for Other Post Employee Benefits (OPEB) must be included on the books and also disclosed in the notes as required supplementary information as of June 15, 2017. It will affect our net position and show as a liability on our business-type fund. Mr. Lawton advised that our OPEB Trust Fund is on a thirty-year plan and Mr. Province acknowledged that the plan is 71% funded.

A compliance or single audit is required as well if the City extends more than \$750,000 in Federal Expenditures. Mr. Province advised that the Highway Planning Construction program was chosen to be tested this year. He said there were no reported findings and no instances of noncompliance with the major federal award program audit for the year ended June 30, 2017. Mr. Watkins noted that grant money from both entities (City and Schools) were combined and tested together in total, not individually.

And lastly, Mr. Province spoke briefly on the Governance Letter. He said this is standard required communication at the end of an audit that covers significant audit findings, deficiencies and compliance. Per Mr. Province, the following new Governmental Accounting Standards Board (GASB) Pronouncements were implemented:

1. Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (GASB 74)—modified note disclosures related to the City's OPEB plans and added additional required supplementary information schedules.
2. Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75)—improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions.
3. Tax Abatement Disclosures (GASB 77)—improves financial reporting by giving users of financial statements essential information regarding tax abatements that was not previously reported consistently or comprehensively.
4. Pension Issues (GASB 82)—modifies the measure of payroll that is presented in the required supplementary information.

Mr. Province said that management was very easy to work with; there were no disagreements or difficulties encountered during the audit

****MOTION****

Mayor Palazzolo moved to approve the June 30, 2017 Audited Financial Statements as presented. Chairman Moody seconded and the motion passed unanimously.

****MOTION****

Alderman Janda made a motion to accept the 2017 Governance Letter as presented. Chairman Moody seconded and the motion passed unanimously.

OTHER BUSINESS

Mr. Lawton thanked Watkins Uiberall for doing a fine job with this year's audit. He also thanked Linda Rathje for her contributed efforts.

Mr. Watkins advised that because of all the newly implemented standards, the audit fee increased by 5% this year. He said bottom line totals include \$69,800 for the City, \$23,000 for the Schools and \$8,400 for the single audit. Mr. Watkins recommended that the City take a closer look and then discuss these allocated amounts.

ADJOURNMENT

Mayor Palazzolo called for the meeting to be adjourned. With all agenda items being discussed, the meeting was adjourned.