



CITY OF GERMANTOWN TENNESSEE

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Audit Commission Meeting

Thursday, May 2, 2017 – 7:00 a.m.
Administrative Conference Room
City Hall, 1930 S. Germantown Road

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

OTHERS PRESENT: Trey Watkins and Michael Walker of Watkins Uiberall, PLLC

CALL TO ORDER

Finance Director Paul Turner, called the May 2nd, 2017 Audit Commission meeting to order.

ESTABLISHMENT OF QUORUM

Mr. Turner then called the roll and announced that a quorum was present

APPROVAL OF MINUTES

Mr. Turner asked for approval of the minutes from the March 3rd, 2016 Audit Commission meeting.

****MOTION****

Alderman Janda moved to approve the minutes from the March 3rd, 2016 Audit Commission meeting. Chairman Moody seconded and the motion passed unanimously.

REVIEW OF 2016 AUDIT

Mr. Michael Walker of Watkins Uiberall said that the audit process went very smoothly and that an unmodified or clean opinion (pp.13-15) was issued for the June 30, 2016 audit. He commended Mr. Turner for his great organizational skills and also for his promptness in getting the auditors what they needed.

Mr. Walker briefly discussed the following two findings as they are related to prior period adjustments:

- As a result of Shelby County's failure to report dormant taxes, there was an emphasis of matter paragraph for prior year adjustments (pp. 14, 30-31,108) relating to the Germantown Municipal School District (GMSD) only for prior year sales and delinquent property taxes receivable. Controls were not in place at the time however, they have now have been implemented to prevent this type of recurrence.
- Reported on Internal Control over Financial Control and Compliance (pp. 181-183). This finding also relates to prior period adjustment. Typically, prior period adjustments are only posted if there is a material amount; if there is a prior year correction, Watkins Uiberall is required to list this correction as a weakness in internal control finding.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Mr. Walker referenced the MD&A section of the City's June 30, 2016 Comprehensive Annual Financial Report (CAFR). He reported that Government-wide, the City's net position was \$245.6 million with \$63.9 million of that being unrestricted as of year end. The General Fund balance was \$31.9 million (\$12.1 million unassigned) representing 26% of total General Fund expenditures. Mr. Walker also mentioned that debt increased by \$10 million however, \$4.5 million of old debt was refunded for a net present value savings of \$284,395 to taxpayers.

HIGHLIGHTS

Mr. Walker noted that the City has a "healthy" balance sheet. Government-wide liabilities represent 34% of Net Position which is up from 24% as of June 30, 2015 due to debt issuance. General Fund liabilities represent 21% of Fund Balance which is the same as of June 30, 2015. He also mentioned a "steady" income statement which includes a Government-wide change in Net Position of \$16.7 million (\$16.9 million for FYE 2015) and a General Fund change in fund balance of \$3.6 million (\$4.2 million for prior FYE 2015). This decrease was primarily related to a debt principle repayment increase.

GOVERNANCE LETTER

Per Mr. Walker, this is standard required communication that Watkins Uiberall has to make as part of their audit to those charged with governance. This letter includes significant audit findings, change in accounting policy, sensitive estimates/disclosures, difficulties encountered during audit, misstatements identified and disagreements with management.

Chairman Moody called for a motion to approve the June 30, 2016 Audited Financial Statements as presented.

****MOTION****

Alderman Janda moved to approve the June 30, 2016 Audited Financial Statements as presented. Chairman Moody seconded and the motion passed unanimously.

****MOTION****

Alderman Janda made a motion to accept the 2016 Governance Letter as presented. Chairman Moody seconded and the motion passed unanimously.

OTHER BUSINESS

Mayor Palazzolo presented Mr. Turner with a "*Certificate of Achievement and Excellence*" in Financial Reporting from the Government Finance Officers Association (GFOA). He advised that going forward, this award will be presented in a more formal fashion at one of the Board of Mayor and Aldermen meetings. The Mayor then commended Paul and his team, the auditors and Audit Commission members for a job well done.

ADJOURNMENT

Alderman Janda called for the meeting to be adjourned.