

Council Agenda Report

Date: December 12, 2016

Prepared by: Ginger Heatwole

Submitted by: Sandra Tripp-Jones *STJ*

SUBJECT: FY 2016 Audit

Recommendation: That Council:

- A: Receive the draft FY 2016 audit and hear a presentation from auditor, TGM Group LLC and
- B: Approve the audit for filing with the State of Maryland by December 31, 2016.

Discussion:

TGM Group LLC has prepared and issued a report on the financial statements for the year ended June 30, 2016. Management is pleased to report that the *Independent Auditors' Report* has an unmodified opinion, the highest opinion that can be given. "In our opinion, the financial statements... present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United State of America."

The Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance would report on any significant deficiencies or material weakness or noncompliance discovered during the audit. A material weakness is a deficiency in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, detected or correct on a timely basis. A significant deficiency is a deficiency that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance. Management is pleased to report that there are no reported noncompliance, significant deficiencies or material weaknesses.

The City operates on an encumbrance basis and the change in fund balance on the encumbrance basis for the year ended June 30, 2016 was \$276,638 as noted on page 52. However, on page 17, you will see that the governmental funds had a net change in fund balance of (\$37,679). This is statement is on the GAAP (general accepted accounting principles) basis and does not include encumbrances and includes the refunding of the bond. On the bottom of page 52, you will find a reconciliation between the two statements.

On page 20, the enterprise funds change in net position is presented. The MUC has a change in net position of \$81,515, the Sewer fund (\$273,522), the Marina fund \$0. Each year, any excess expenditures in the Marina fund were covered by a transfer from the General fund.

Fiscal Impact: None

Approved: *STJ*