

City of Greenville
Audit Committee Meeting
Wednesday, May 9, 2018
City Hall, Room 337
11:00am-12:00pm

Attendees:

- Rick Smiley, *Council Member (Chair)*
- Ann E. Wall, *City Manager*
- Jacob Joyner, *Financial Services Manager*

- Rose Glover, *Council Member (V. Chair)*
- Michael Cowin, *Assistant City Manager*
- Alisha McNeil, *Internal Auditor*
- Rex Wilder, *IT Director*

- Brian Meyerhoeffer, *Council Member*
- Byron Hayes, *Director of Financial Services*
- April Adams, *Partner - Cherry Bekaert*
- Carlene Kamradt, *Sr. Manager -Cherry Bekaert*

1. Introductions

2. Review February 7, 2018 Audit Committee Meeting Minutes (Attached)

3. Election

- **Chair**
- **Vice Chair**
- **Secretary**

4. Auditor's Presentation (Cherry Bekaert)

5. Next Meeting – Wednesday, October 24, 2018 from 10am-11am (CH CR 337)

City of Greenville
Audit Committee Meeting Minutes
Wednesday, February 7, 2018
City Hall, Room 337
10:00am-11:00am
Attendees:

Rick Smiley, *Council Member (Chair)*
 Ann Wall, *City Manager*
 Jacob Joyner, *Financial Services Manager*

Rose Glover, *Mayor Pro Tem (V. Chair)*
 Michael Cowin, *Assistant City Manager*
 Alisha McNeil, *Internal Auditor*
 Rex Wilder, *IT Director*

Brian Meyerhoeffer, *Council Member*
 Bernita Demery, *Financial Services Director*
 April Adams, *Partner - Cherry Bekaert*
 Carlene Kamradt, Sr. Manager - *Cherry Bekaert (Via Phone)*

1. Introductions

Council member Smiley called the meeting into session and all attendees were asked to introduce themselves.

2. Review of October 25, 2017 Audit Committee Meeting Minutes

The minutes were reviewed and approved without exception by the Committee.

3. Election

This item was approved by the Committee to be moved to the next meeting's agenda when all Committee members are present.

4. Auditor's Presentation (Cherry Bekaert)

Mrs. Adams gave the Committee an overview of the presentation by starting with the audit fees and changes. Council Member Smiley questioned whether or not the financial preparation fees have been consistent. Mrs. Adams responded by stating that these fees had indeed been consistent. Mrs. Kamradt looked up the fee history since 2015 to share the financial statement preparation costs with the Committee. Mr. Cowin added that in the future CAFR Builder in Munis will allow the City to prepare its own financial statements and the auditors will only need to review them, cutting the cost of financial statement preparation. Mrs. Adams agreed that it is the plan, however, she stated that Cherry Bekaert may not be able to use CAFR Builder statements. Mr. Cowin reiterated that it is the official goal of the City to be able to generate its own financial statements in the next fiscal year.

Mrs. Adams then shared with the Committee that the engagement letter for this audit year is out for review and that the Cherry Bekaert team was in the beginning stages of audit, which includes initial conversations with Financial Services. Mr. Cowin asked the Cherry Bekaert staff if they could characterize the improvements that have been seen with operations. Mrs. Kamradt stated that changes with staff, including understanding roles and how the Munis system works would be listed as improvements. Also, having it mandatory for people to have internal controls is included in the improvements to operations.

5. Update on Transit Findings

Mrs. Demery opened this item up for discussion by stating that the City did have single audit findings and two non-material noncompliance items in its most recent audit. The handout that summarized the findings and audit items was reviewed next and Mrs. Demery highlighted that as a result we have

Munis in place and the City departments are continuing to implement modules to make operations more efficient. Also, Mrs. Demery added that there have been revised policies and procedures related to Cash Management.

At the conclusion of this portion of the meeting, Council Member Smiley asked if there were any other concerns or issues to address. None were raised or addressed.

6. Next Meeting – Wednesday, May 9, 2018 from 10am-11am (CH CR 337)

There were no exceptions to the proposed meeting date.

7. Adjournment

The adjournment of the regular Audit Committee meeting was approved.

Topics for audit committee meeting agenda, 5/9/18

LGERS pension census data examination

Bonding of finance officer for CVA and “adoption” of CVA budget

New and upcoming GASB accounting standards applicable to City of Greenville:
See attachment

Annual discussion:

Risks of fraud and internal controls

Any noncompliance with laws, regulations, contracts, grants

UPCOMING GASB PRONOUNCEMENTS

Effective for June 30, 2018:

Statement No. GASB 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

Issue Date: June 2015

Effective for Periods Beginning After: June 15, 2017

Description: The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

Statement No. GASB 81 Irrevocable Split-Interest Agreements

Issue Date: March 2016 Effective for Periods Beginning After: December 15, 2016

Description: The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts— or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements— in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. This Statement requires that a government that receives resources pursuant to an irrevocable split interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

Statement No. GASB 85, Omnibus 2017

Issue Date: March 2017 Effective for Periods Beginning After: June 15, 2017

Description: The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair

value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Six of the ten topics are related to OPEB.

Statement No. GASB 86, Certain Debt Extinguishment Issues

Issue Date: May 2017 Effective for Periods Beginning After: June 15, 2017

Description: The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also amends accounting and financial reporting requirements for prepaid insurance associated with debt that is extinguished, whether through a legal extinguishment or through an in-substance defeasance, regardless of how the cash and other monetary assets were acquired. Finally, this Statement establishes an additional disclosure requirement related to debt that is defeased in substance, regardless of how the cash and other monetary assets were acquired. The requirements of this Statement apply to financial statements of all state and local governments.

Effective after June 30, 2018:

Statement No. GASB 83 Certain Asset Retirement Obligations

Issue Date: November 2016 Effective for Periods Beginning After: June 15, 2018

Description: This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

Statement No. GASB 84 Fiduciary Activities

Issue Date: January 2017 Effective for Periods Beginning After: December 15, 2018

Description: The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Statement 84 describes four types of fiduciary funds that should be reported, if applicable. The Statement clarifies the definitions of the three existing fiduciary funds associated with trusts that meet specific criteria: 1) Pension (and other employee benefit) trust funds, 2) Investment trust funds, 3) Private-purpose trust funds, and 4) Custodial funds. Activities now reported in agency funds will be classified as custodial funds when Statement 84 is implemented.

Statement No. GASB 87, Leases

Issue Date: June 2017 Effective for Periods **Beginning After: December 15, 2019**

Description: The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.