

City of Greenville
Audit & Investment Committee Meeting
Thursday, January 4, 2024
City Hall Conference Room 337
1:30 p.m. – 2:30 p.m.
Attendees:

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| <input checked="" type="checkbox"/> Matt Scully, <i>Council Member (Chair)</i> | <input checked="" type="checkbox"/> Portia Willis, <i>Council Member At-Large</i> | <input checked="" type="checkbox"/> Monica Daniels, <i>Mayor Pro-Tem (V. Chair)</i> |
| <input checked="" type="checkbox"/> Michael Cowin, <i>City Manager</i> | <input checked="" type="checkbox"/> Ken Graves, <i>Deputy City Manager</i> | <input checked="" type="checkbox"/> Dene' Alexander, <i>Assistant City Manager</i> |
| <input checked="" type="checkbox"/> Jacob Joyner, <i>Director of Financial Services</i> | <input checked="" type="checkbox"/> Mitch Gibbs, <i>Financial Services Manager</i> | <input checked="" type="checkbox"/> Matthew Haga, <i>IT Director</i> |
| <input checked="" type="checkbox"/> Alisha McNeil, <i>Internal Auditor</i> | <input checked="" type="checkbox"/> Becky Derderian, <i>Grants Analyst</i> | <input checked="" type="checkbox"/> April Adams, <i>Cherry Bekaert</i> |
| <input checked="" type="checkbox"/> Courtney Jackson, <i>Cherry Bekaert</i> | | |
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1. Introductions

City Manager Michael Cowin called the meeting to order and a quorum was established. All parties present introduced themselves and this included the new Audit & Investment Committee members, City leaders, City staff, and representatives from Cherry Bekaert.

Absent Committee Member(s): None

City Staff Absent: None

2. Election of Officers

Council Member At-Large Portia Willis moved to nominate *Council Member Matthew Scully* for the office of *Committee Chair*. Mayor Pro Tem Monica Daniels seconded the motion. The motion was unanimously approved.

Council Member At-Large Portia Willis moved to nominate *Mayor Pro Tem Monica Daniels* for the office of *Committee Vice Chair*. Council Member Matthew Scully seconded the motion. The motion was unanimously approved.

3. Review May 15, 2023 Audit & Investment Committee Meeting Minutes

Motion to approve was made by Council Member At-Large Portia Willis and seconded by Mayor Pro Tem Monica Daniels. The minutes were unanimously approved without exception.

4. Audit Overview and Cherry Bekaert Presentation

Mrs. April Adams presented on behalf of the City's external auditors, Cherry Bekaert. The presentation began with Mrs. Adams giving the Committee an overview of the dynamics of the external auditor's (Cherry Bekaert) relationship with the City of Greenville and the key roles of the Cherry Bekaert team.

The External Audit Team consists of key roles such as:

1. April Adams – The *Engagement Partner* who signs the audit reports and opinions on behalf of the external audit firm, Cherry Bekaert, and sets the audit plan.
2. Courtney Jackson – The *Audit Manager* who leads the external audit team in executing the audit plan and securing the staff.
3. Karlie Coleman – The *Senior Reviewer* who is really in the details of the audit.
4. Scott Anderson – The *Second Reviewer* who performs the quality control process to make sure the external audit firm is doing everything they need to do regarding the City's audit.

Mrs. Adams also gave the Committee a high-level summary of the audit process and what each part entails. The audit process typically begins in April/May of each year, much testing happens during the summer months once the City's fiscal year ends in July, and normally ends around 4th quarter of each calendar year.

In the next part of the presentation, Mrs. Adams gave the Committee information about internal controls, single audit, the new GASB Standards, and the LGC Fund Balance Requirements. Mayor Pro Tem Daniels inquired about the GASB Accounting Standards by asking if the Committee would be given documentation or materials to learn more. Manager Cowin stated that due to the immensity of the accounting standards he would prepare a separate synopsis of the GASB standards that apply to the City and send it to the Committee.

Mrs. Adams gave clarity around the GASB Standards that Cherry Bekaert follows for the City's audit and how they are required to follow them in accordance with dual audit standards. This is for the external auditor to provide reasonable assurance that there are no material misstatements. This does not mean testing every transaction, but rather looking at financial statements line by line to assess what could likely be incorrect. Additionally, audit over compliance for single audit program for federal funds. The external auditor is also required to express opinions on GASB Standards and regular audit standards, plus federal and state standards for compliance.

Internal Controls Testing was highlighted next and Mrs. Adams shared that IT is involved with this process. This type of testing is to assess significant changes or occurrences, access for security purposes, and other testing.

Audit Results were shared next and Mrs. Adams gave the status of audit statements and the nearing of completion. Manager Cowin shared the flow of the audit results so that the Committee was aware of the process. The external auditors plan to issue results by January 11th and Mrs. Adams assured the Committee that there were no significant items to report, which would result in the City having an unmodified opinion. Manager Cowin shared that the best opinion an entity can receive is the unmodified opinion.

Mrs. Adams went on to show the Committee the areas of testing for the 2023 fiscal year which included ARPA funds, CDBG, and Powell Bill. Then, findings were discussed for the testing results. This included:

- CDBG nonmaterial compliance where a FFATA Report was not filed for award funding over \$30,000.
- Powell Bill nonmaterial compliance where \$123,758 was not allocated. Mrs. Adams stated that typically these funds are not available and this is the first time it has happened. However, there is a process now in place to make sure those funds are reported should they be available again.

Manager Cowin informed the Committee that both issues have been corrected.

In reference to Internal Controls Testing, Mrs. Adams shared with the Committee that although the external auditors do not express an opinion for this testing, they are required to report any material weaknesses. Based on the areas they tested, there is nothing to report as there are sufficient controls in place.

Corrected and Uncorrected Misstatements were covered next. Mrs. Adams stated that the City has really good policies and procedures in place to capture misstatements and none were noted during this year's audit.

For FY 2023, the City adopted GASB 96 for subscription-based information technology arrangements (SBITAs) meaning subscriptions for software licenses. Financial Services staff worked with IT to capitalize the licenses as capital assets and adding liabilities for future payments on those licenses.

Mrs. Adams gave high-level overviews of other areas of qualitative aspects during the testing phase, which included related parties, significant unusual transactions, significant estimates (OPEB and Pension benefits), and Financial Statement Disclosures. Manager Cowin added, in reference to OPEB, a breakdown of the City's process in capturing estimates for future liabilities.

Manager Cowin took time to share with the Committee how just three years ago the City was not providing its own financial statements. He highlighted the work of both Jacob Joyner and former Director of Financial Services, Byron Hayes, for their commendable work in getting the City to the point of writing its own financial statements for audit. Mrs. Adams assured the Committee of the validity of the feat due to the various number of errors the statements could contain if not completed accurately.

Mrs. Adams wrapped up this portion of the meeting by sharing upcoming financial report changes that the Committee should be aware of which included GASB 101 for compensated absences. This will have to be sorted out with historical data to estimate how this would be handled. Mrs. Adams also shared that the Local Government Commission (LGC) has requirements for the City to report what will be done to prevent a late audit in the future.

5. Results of Operations and Fund Balance Available

Mr. Joyner presented this portion of meeting. He shared insights on the City's total revenue and expenses as well as the City's Fund Balance. The City's total revenue was highlighted as \$105M (approximately) and total expenses at \$98M (approximately). In relation to the City's Fund Balance, though the City had been under the LGC's recommended threshold for the past couple of years, this year the City's fund balance is about 26%. Mr. Joyner also highlighted that the interest rates went from 0% to 5 ½% which had an effect on the City's fund balance.

Manager Cowin briefly discussed ARPA spending and the significant increases in sales tax and inflation. Mayor Pro-Tem Daniels asked how the interest rates tie into the ARPA funds. Mr. Joyner responded that the interest on ARPA funds are recognized in the General Fund. Also, Mr. Joyner expressed how the City has remained very conservative as investments have grown.

Next, Mr. Joyner presented the Fund Balance calculation and where the City currently stands in comparison to the LGC's recommended percentage of 25%. The City's fund balance is currently 26.82%. Mrs. Adams added that the purpose of the LGC's recommendation is for organizations to have funds available for instances like disasters. The City's calculated fund balance is \$23.2M, which is \$1.1M above the 25% floor. Manager Cowin added that the City was able to appropriate funds and still be above the recommended goal. Lastly, the City's unassigned fund balance was shared and it was reported as 23.67%, after appropriations.

6. Question and Answer

Mr. Joyner opened the floor for Committee Members to ask questions. Council Member Scully inquired as to whether or not dropping below the 25% threshold for the City's fund balance would constitute the City being on the LGC's radar list. Mr. Joyner responded with details about how the City's fund balance has consistently grown year over year. Manager Cowin shared with Council Member Scully that he asked a great question and further clarified that each year stands on its own and the City assesses progress accordingly. Mrs. Adams also added that the LGC has various lists and this list [fund balance threshold] is just a snapshot, due to the various scenarios where it may hit their areas of concern, based on what the City has funds allocated for.

7. Suggested Meetings for 2024

Mr. Jacob Joyner reviewed the proposed meeting schedule for the Committee to be aware of planned dates as shown below. Council Member Scully motioned to approve the 2024 schedule and Mayor Pro Tem Daniels seconded the motion. The meeting schedule was unanimously approved.

- Wednesday, May 20, 2024 @ 12:00 pm
- Wednesday, September 18, 2024 @ 12:00 pm
- Wednesday, December 11, 2024 @ 12:00 pm

Mayor Pro Tem Daniels made a motion to officially adjourn the Audit & Investment Committee meeting, Council Member Scully seconded and the motion was unanimously approved. Meeting was adjourned.