

**City of Greenville**  
**Audit & Investment Committee Meeting**  
**Monday, May 15, 2023**  
**City Hall Conference Room 337**  
**1:30 p.m. – 2:30 p.m.**  
**Attendees:**

- |  |   |   |
|--|---|---|
| <input checked="" type="checkbox"/> Rick Smiley, <i>Council Member (Chair)</i> | <input checked="" type="checkbox"/> Rose Glover, <i>Mayor Pro Tem (V. Chair)</i>    | <input checked="" type="checkbox"/> Will Bell, <i>Council Member (V. Chair)</i> |
| <input checked="" type="checkbox"/> Ann Wall, <i>City Manager</i>              | <input checked="" type="checkbox"/> Michael Cowin, <i>Deputy City Manager</i>       | <input checked="" type="checkbox"/> Ken Graves, <i>Assistant City Manager</i>   |
| <input type="checkbox"/> Byron Hayes, <i>Director of Financial Services</i>    | <input checked="" type="checkbox"/> Jacob Joyner, <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 Accountant</i>       | <input checked="" type="checkbox"/> April Adams, <i>Cherry Bekaert</i>          |
| <input checked="" type="checkbox"/> Courtney Jackson, <i>Cherry Bekaert</i>    | <input checked="" type="checkbox"/> City Interns, <i>Attending from CMO</i>         |   |
- 

**1. Introductions**

Chair, Council Member Rick Smiley called the meeting to order and a quorum was established. All parties present introduced themselves, and this included Audit & Investment Committee members, City leaders, staff, and interns as well as representatives from Cherry Bekaert.

Absent Committee Member: None

City Staff Absent: Byron Hayes, Director of Financial Services

**2. Review November 21, 2022 Audit & Investment Committee Meeting Minutes**

Motion to approve was made by Mayor Pro Tem Rose Glover and seconded by Council Member Will Bell to unanimously approve the minutes without exception.

**3. Audit Update – Cherry Bekaert**

Mrs. April Adams and Mrs. Courtney Jackson presented on behalf of the external auditors, Cherry Bekaert. The presentation included reviewing the auditor’s role, information about testing internal controls, single audit, the new GASB Standards, and the LGC Fund Balance Requirements.

Mrs. Adams shared that the LGC Requirements of meeting the 25% minimum for Fund Balance was not met by the City previously. However, the City did address this by responding to the LGC with a letter.

Mr. Michael Cowin and Mr. Jacob Joyner both responded that the City anticipates to meet the LGC’s 25% minimum as an increase in fund balance is projected for FY 2023.

Mrs. Jackson highlighted the areas of testing that were involved in internal controls for the FY 2023 audit. The areas of testing included accounts payable journal entries, payroll, and information technology privacy and security.

Council Member Rick Smiled inquired about internal controls asking “what are the defenses against fraud?”

Mr. Cowin shared that it is the system of checks and balances for the internal controls. Internal controls are put in place to mitigate the risk [of fraud]. Mr. Cowin also expressed his confidence in the current internal controls that the City has in place for procurement from POs to invoices and also for personnel related items like New Hire Personnel Action Forms.

The single audit risk assessment was reviewed next by Mrs. Jackson. This assessment involved the auditor’s looking at assets, revenues, long-term debt and capital assets.

Mrs. Jackson also gave the Committee a brief overview of the audit timeline, which includes:

**July – August** – Preliminary Items and Interim

**September** – Final Field Work

**October** – Report Review and Management Correspondence

**November** – Communication to Audit & Investment Committee

Mrs. Adams then reviewed the GASB Standards that are applicable. GASB Standard 94 was highlighted, which concerns public-private and public-public partnerships the City has. Additionally, GASB Standard 96 was reviewed for Subscription-based Information Technology Arrangements, which involves leasing software, recording an asset for the right to use, and a liability for obligation to pay it out over the long-term. GASB 97 and Omnibus were briefly mentioned as well.

Council Member Smiley opened the floor for the Committee to ask the auditors questions. None were brought forth, the meeting proceeded to the next agenda item.

#### **4. Investments Update**

Mr. Joyner reviewed the Investment Report handout in the agenda packet. He specifically focused on the North Carolina Capital Management Trust (NCCMT) account and how the City keeps a healthy amount of funds not needed immediately in that account. Funds from this account can be withdrawn next day. The City is able to generate approximately 4.75% returns on the NCCMT funds. In the City’s main operating account is around \$85M and none is restricted, outside of \$23M from the \$24.5M of ARPA money that the City received.

Council Member Smiley asked Mr. Joyner if the ARPA funds were the reason for the big jump in Special Revenues and if the City has to return any of the interest to the Federal Government. Mr. Joyner confirmed that the increase in Special Revenues was due to the ARPA funds the City received and that the City is not restricted to return any of the interest. Mr. Cowin added that there are dollars set aside sitting in Capital Reserves and the Enterprise Fund and the cash will be going quick due to the projects lined up.

Mr. Joyner also reviewed the investment earnings from 2020 to present. This included discussing what occurred at the height of covid, which was a significant decrease in the

City's investment earnings. Whereas now, the City's investment earnings are increasing as the Fed has continually raised interest rates.

Council Member Smiley inquired as to whether or not the current Committee's role is to provide guidance for the City's investments (due to the former Investment Committee being merged with the Audit Committee). Mr. Joyner confirmed that the Investment Policy has always been set by Council and the City's investments are always brought before Council not at a Board level. The former Board was acting more as advisement for what the City should take to Council related to the City's investments.

Mr. Joyner shared how the City has an RFP in the works with a more active engagement investment firm.

Council Member Smiley opened the floor for the Committee to ask staff questions related to the Investment Update. No questions were brought forth, the meeting proceeded to the next agenda item.

#### **5. FY 2022 OPEB Report**

Mr. Joyner reviewed the FY 22 OPEB Report highlights for the Committee. Including how OPEB is a liability for future benefits. This liability is important and does have an impact, but it does not have a direct impact on current year budgets.

#### **6. Next Meeting, Wednesday, September 18, 2023**

The Committee, staff, and auditors discussed what the focal point of the next meeting would be. It was decided that the upcoming meeting would be a routine audit update, but was tentatively set.

Council Member Smiley verified with IT Director, Matthew Haga, whether or not all internal controls were compliant from the IT spectrum. Mr. Haga confirmed that from the IT perspective all internal controls were in place and reviewed on an annual basis.

Meeting was adjourned.