



City of Greensboro

Melvin Municipal Building
300 W. Washington Street
Greensboro, NC 27401

Meeting Minutes - Draft Audit Committee

Thursday, March 26, 2015

3:00 PM

Legislative Conference Room

1. Call To Order

The Audit Committee of the City of Greensboro met at 3:00 p.m. on the above date in the Legislative Conference Room of the Melvin Municipal Office Building, with the following members present: Mayor Nancy Vaughan, Councilmember Tony Wilkins, City Manager Jim Westmoreland, Assistant City Manager, Mary Vigue, City Attorney, Tom Carruthers, Finance Director Rick Lusk, Director of Internal Audit Len Lucas, Deputy Finance Director Marlene Druga; City Clerk Elizabeth H. Richardson and public member Art Winstead. Absent: Councilmember Zack Matheny.

Also present were Eddie Burke and Justin Parks of Cherry, Bekaert, LLC.

Mayor Vaughan stated Councilmember Matheny would not be in attendance.

2. Old Business

1. [ID 15-0269](#) Approve Minutes of the February 28, 2013 meeting

Moved by Councilmember Wilkins, seconded by Mayor Vaughan to approve the minutes from the February 28, 2013 Audit Committee meeting. The motion carried by voice vote.

3. New Business

2. [ID 15-0268](#) Nomination of Officers

Finance Director Rick Lusk explained that Councilmember Matheny was the Vice Chair; that the three voting members of the committee were Mayor Vaughan and Councilmembers Matheny and Wilkins.

Moved by Councilmember Wilkins, seconded by Mayor Vaughan to appoint Mayor Vaughan as Chair. The motion carried by voice vote.

3. [ID 15-0270](#) Nomination of Public Member

Mayor Vaughan asked Mr. Winstead if he wished to serve again, to which Mr. Winstead responded in the affirmative.

Moved by Mayor Vaughan, seconded by Councilmember Wilkins to appoint Art Winstead as the public member of the Audit Committee. The motion carried by voice vote.

4. [ID 15-0267](#) Independent Auditors' Presentation

Eddie Burke, Partner, Cherry, Bekaert LLP
FY 2013-2014 CAFR and Audit Highlights

Eddie Burke reviewed the handout provided to the Committee; outlined the role of the external auditor; spoke to the standards that applied; to federal and state dollars administered during the year; explained that auditors were required to communicate any information during the year either verbally or in writing; and spoke to the four opinions in the report. Mr. Burke reviewed the key highlights which included the SAS 114 Letter and one passed

adjusting journal entry which had not been posted. Mr. Burke emphasized that the City had maintained its AAA bond rating with Standard and Poor's, Fitch Ratings and Moody's Investors Services which said a lot for the City; defined and identified the four component units; explained their process for obtaining independent documentation from said units; spoke to the assets; and to the restricted and unrestricted components of cash and investments.

Councilmember Wilkins inquired as to how much was actual cash.

Mr. Lusk responded that all components of cash were included, restricted cash of \$86 million and unrestricted cash of \$186 million, held in governmental and enterprise operations.

Mr. Burke provided an overview of the General Fund Assets and Liabilities; Proprietary Funds; spoke to the total liabilities at the end of the year; provided a breakdown of the property taxes; intergovernmental revenues; spoke to the privilege license issue; and reallocation of sales tax which could have a negative impact to the City; reviewed total expenses; and addressed the amount of funds utilized for public safety, field operations and culture and recreation. Mr. Burke provided a breakdown of the current liquidity ratio; explained that the Water Resources, Storm Water Management and Solid Waste Management Funds were self-sufficient but that the War Memorial Coliseum Fund was not.

Discussion took place regarding not raising water rates; the new methodology for credit rating which caused the City to not be rated as it had been in past years; the City having one of the lowest water rates in the state; and the impact of the Jordan Lake Rules on the City.

Councilmember Wilkins inquired about the impact of the Jordan Lake Rules.

Mr. Lusk responded that the City had built the costs into its rate structure which would be collected over the next four to five years.

Mr. Burke spoke to the single audit programs that had been audited; explained the exposure draft – Other Postemployment Benefits (OPEB) and Accounting and Financial Reporting (GASB) processes; addressed the City administration of grants; stated he had received full cooperation from City staff during the audit; and administered a clean opinion.

There being no further discussion, Messrs. Burke and Parks left the meeting at 3:22 p.m.

5. [ID 15-0271](#) Audit Fees/Contract

Deputy Finance Director Marlene Druga outlined the City's long standing relationships with auditors; explained the Request For Proposal (RFP) process used in obtaining auditors; stated that there had been partner rotations in Cherry Bekaert; spoke to the length of auditor contracts; requirements of the state; utilization of regional firms which were cost effective; specialization required in auditing governments; provided a listing of firms used by other North Carolina cities; stated the City had received six proposals for its recent RFP; that the committee had narrowed it down to three which were McGladrey, LLP; Cherry Bekaert, LLP and Elliott Davis Decosimo, PLLC; and that the committee was prepared to recommend the local firm of McGladrey, LLP.

Discussion ensued regarding firms used by other cities; Cherry Bekaert closing its Greensboro office; M/WBE participation of the firms; paying more for a local firm; monies that were spent in Greensboro by a local firm; experience of McGladrey; length of the proposed contract; and the cost being less than what the City had been paying.

City Manager Westmoreland confirmed that the McGladrey firm could better fulfill the qualifications overall.

Councilmember Wilkins stated he would support the committee recommendation of McGladrey, LLP.

Moved by Mayor Vaughan, seconded by Councilmember Wilkins to choose McGladrey, LLP for the City's audit firm. The motion carried by voice vote.

Assistant City Manager Mary Vigue explained the scoring rank; and spoke to McGladrey's ranking.

Councilmember Wilkins requested that information be reflected in the agenda item.

6. [ID 15-0272](#) Finance Update

Mr. Lusk spoke to Moody's scorecard; adjusting factors; to the challenge of the variable rate debt outstanding getting a little high; stated the City had paid down its fixed rate debt but had not issued any new fixed rate bonds; added there would be a bond item on the April 7th agenda; spoke to revenue debt and bond conversion; and stated the interest rates were expected to rise.

Councilmember Wilkins asked what was the City's debt service in dollars in a budget year; and asked for a list of priority projects.

Mr. Lusk provided a breakdown of the \$22 million in debt service; and stated that the bulk of remaining projects were street improvements.

7. [ID 15-0273](#) Internal Audit Report

Internal Audit Director Len Lucas provided a brief overview of the audit; outlined the process used in performing audits; spoke to grants; provided the history of why; and stated that all the reports were posted on the City's website on a monthly basis.

City Manager Westmoreland stated the reports were not forwarded to City Council; and that he would inform Council of any issues they would need to be made aware of.

Assistant City Manager Vigue confirmed that the City had not had any issues; and spoke to the process when there were issues.

8. [ID 15-0274](#) Other Business

There was no additional business.

4. Adjournment

Moved by Mayor Vaughan, seconded by Councilmember Wilkins, to adjourn the meeting. The motion carried by voice vote.

THE AUDIT COMMITTEE ADJOURNED AT 3:55 P.M.

ELIZABETH H. RICHARDSON
CITY CLERK

NANCY VAUGHAN
MAYOR/CHAIRMAN