

AUDIT COMMITTEE MEETING
Council Chambers Meeting Room
July 20, 2021; 1:00 PM

Minutes

I. Call to Order: *Chairman Connolly called the meeting to order at 10:00 am.*

Present: Maryanne Connelly, Chairman
Andrew Capelli
Jim Williams
Alex Fernandez
Dr. John Ross

Also Present: Stephanie Tillerson, *Town Administrator*
Dorota Szubert, *Town Treasurer*
Mauldin & Jenkins:
David Irwin, *Partner*
Tray Scott, *Quality Control Partner*
Kellan Shuford, *Senior Manager*

II. Approval of Minutes:

- A. Minutes of the October 21, 2020 Audit Committee Meeting
- B. Minutes of the January 18, 2021 Audit Committee Meeting

Mr. Capelli made a motion to approve the minutes of the October 21, 2020 and January 18, 2021 Audit Committee meeting. Mr. Fernandes seconded the motion.

Mr. Capelli pointed out that the minutes of the October 21, 2020 meeting contained an error and asked that a corrected statement from Mr. Irwin be reflected in the minutes of this meeting.

Mr. Irwin stated that the auditor issues a clean or unmodified opinion and that the Town had no significant deficiencies or material weakness for the June 30, 2021 audit. Later in the meeting, he corrected the date to June 30, 2020 audit.

Mr. Capelli stated that the October 21, 2020 minutes also did not reflect the question he asked during the discussion of journal entries and asked that both his question regarding journal entries reflected in the financial statements and the answer that was given be reflected in the minutes of this meeting.

Mr. Capelli stated, "I think in the past we have heard that most, if not all of the entries are what I would classify as "B class" entries as opposed to correction of errors or origination entries." Mr. Irwin responded that he believed that was the case.

Mr. Williams questioned why Ms. Tillerson could not review and sign off on the journal entries made. Ms. Schubert explained that she felt Ms. Tillerson did not have the accounting knowledge to confidently sign off on the entries and therefore suggested the auditors sample the entries. Ms. Tillerson stated that she could review the entries but would not be able to make any changes if required. Further discussion included that Ms. Tillerson, as senior staff, reviewing the entries would provide credibility and help during the audit process and the type of adjustments that should be reviewed and clarified.

Following the discussion, the minutes were unanimously approved.

III. Old Business:

None

IV. New Business:

A. Discussion of the Upcoming Fiscal Year 2020-2021 Audit

Ms. Szubert stated that the fieldwork for the audit had been scheduled for September. She was working on the list of items required provided by the auditors and closing out the year.

Mr. Irwin introduced the audit team indicated that this would be the third year conducting the Town's audit. He reviewed the audit process, which included the preliminary fieldwork, completion of the audit by the end of September, followed by a draft of the financial statements for the Committee to review and presentation to the Council.

Mr. Fernandez stated the Town has accumulated restricted and unrestricted funds of over \$21M and requested that the auditors oversee the investment portfolio with detail of the movement of those funds.

Mr. Fernandez also noted the minimal return on the investment and suggested a review. Ms. Szubert explained that all the funds were invested with the State investment pool. She indicated that a workgroup was created to review other investment options. It was determined that the best option was to pay off the GO (General Obligation) bond and leave the investments as is in the short term with the local investment pool. Ms. Tillerson added that restrictions do not allow aggressive investments as a municipality but that options are periodically evaluated.

Ms. Szubert stated that a workgroup also looked at the Town's reserve levels and emergency plan. The workgroup determined that it was comfortable with the current or an increased reserve level as a coastal community.

Chairman Connelly asked about current revenues, to which Ms. Szubert stated that every revenue source, except interest revenue, exceeds expectations.

Mr. Capelli asked if any new professional requirement changes were to be implemented in this year's audit. Mr. Irwin reviewed the GASB (Governmental Accounting Standards Board) change in which the name of the Comprehensive Annual Financial Report (CAFR) to the Annual Comprehensive Financial Report (ACFR). Mr. Capelli also inquired about the Critical Audit Areas requirement. Mr. Irwin stated that the requirement would not take effect until December 31, 2021 and would not apply to this year's audit. Also discussed was a new GASB standard to report minority interests, its application, and the application of new standards to future audits.

Committee members discussed the sampling or testing process for this year's audit, American Recovery Plan (ARP), any preparations that will need to be made for the funds allocated from ARP, the funding expected to be allocated from County Accommodations Taxes, and preparations for the current audit. Members also engaged in an in-depth discussion on the recommendations on changing audit firms or rotation of audit teams and when the services of an audit firm should be rebid.

V. Chairman's Comments:

None


VI. Citizen's Comments:

None

VII. Adjournment:

Mr. Williams made a motion to adjourn the meeting at 10:46 am. The motion was seconded by Dr. Ross and unanimously passed.

Submitted by,


Petra S. Reynolds, Town Clerk

Approved by,


Maryanne Connelly, Chairman

10/12/2021
Date