



City of Greensboro

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

Agenda Report

File Number: 2024-802

Agenda Item# I.8

Agenda Date: 11/19/2024. **Department:** Financial & Administrative Services
Meeting Type: Council Meeting **Category:** General Business Agenda

Title: 2024 – 802 Resolution to Reaffirm Council Action for Fund Balance Improvement Plan and Other Related Communications

Council Priority: Place an ‘x’ in the box.

- | | |
|--|---|
| <input type="checkbox"/> Safest City | <input type="checkbox"/> Most Skilled Workforce |
| <input type="checkbox"/> Easiest Place to Do Business | <input type="checkbox"/> Most Connected City |
| <input type="checkbox"/> Youth Sports Capital | <input type="checkbox"/> Hub of Recreation and Entertainment |
| <input type="checkbox"/> Abundance of Attainable Housing | <input checked="" type="checkbox"/> Other/Admin <u>Fiscal Stewardship</u> |

Council District: All

Public Hearing: No

Advertising Date/By: N/A

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Contact 2 and Phone: Anita Wilson, Ext.2817

PURPOSE:

It is necessary for the majority of City Council to support a required response to the Local Government Commission (LGC) by December 3, 2024 that outlines a plan to achieve the LGC’s recommended 25% fund balance goal. Staff recommends that the improvement plan adopted by City Council on May 3, 2022 be reaffirmed in order to achieve the 25% goal within 5 – 7 years (by 2030). Furthermore, the communication to the LGC also requires a written response for another financial indicator and certain findings from the FY 2023 – 2024 audit related to the financial statements and a State grant. When the LGC considers Greensboro’s next issuance of General Obligation Bonds at its January 2025 meeting, Commissioners will review the Council adopted responses provided herein.

BACKGROUND:

The City completed the annual independent audit of its FY 2023 – 2024 financial statements and received an “unmodified” or “clean” audit opinion. The auditor reported the results of the audit to the Audit Committee on November 12, 2024 with the report available on the City’s website under Audit Committee meetings at [eSCRIBE Agenda Package \(escribemeetings.com\)](https://www.greensboro.org/escrimeetings)

This is the third year following implementation of the City’s fund balance improvement plan, with FY 2023 – 2024 results reporting an increase from 22.54% to 23.29% for continued

Vision Statement: “A Community with Endless Economic Opportunities and Exceptional Quality of Life.”

improvement. The FY 2024 budget included a line item for \$1.5 million of increased General Fund support of the fund balance plan. Staff believes that the 25% fund balance goal may be achieved in 5 years (by 2030) if expenditures assume modest growth and additional annual dedicated support is provided.

Another benchmark that the LGC tracks is the actual amount of appropriated fund balance used annually for operations when there are more expenditures than revenues, noting if the practice continues, operational results may not be sustainable. The City did appropriate an amount of fund balance in FY 2024's General Fund budget and used \$3,017,738, however, the shortfall was related to the timing of receipt and expenditure of one-time ARPA-enabled funds. All of these special grant funds were received in the General Fund in the prior year, and approximately \$7 million in one-time related expenditures were spent in the General Fund in FY 2024 for community-supported projects. When these ARPA-enabled expenditures were adjusted for in the financial indicator calculation, actual revenues exceeded operational expenditures by \$4 million. The City did not experience a deficit in FY 2024 related to regular operations.

Other Findings:

- 1) In the Schedule of Findings and Questioned Costs, the independent auditors noted that an internal charge to record revenue in the Solid Waste Fund for Landfill fees was not included in May month-end financial closing, therefore understating General Fund expenditures and Solid Waste revenues. Finance staff has already implemented the appropriate checklists and notification procedures to correct the oversight.
- 2) Notes Receivable for Housing loans were closed in one accounting period and not recorded in the subsidiary loan tracking system by departmental staff until the next fiscal year, causing the accounting records to be inaccurate. In addition, the subsidiary ledger does not have readily available data in order to develop payment trends for appropriate estimation and recording of future payment activity. Staff proposes to study the loan system's functionality over the next year and determine better processes to account for the various loan types and their treatment in accounting records.
- 3) A recipient of funds received from the City's "One North Carolina Fund" economic development award did not file an annual report of accomplishments in accordance with the grant agreement. City staff has implemented a monitoring process to assure that pass-through grant reporting is being performed by all grant recipients timely.

Response: Please find full detail of these findings and City responses, as attached.

BUDGET IMPACT:

Additional dedicated fund balance support will be recommended during the City's FY 2026 annual budget process to help meet the fund balance goal within the targeted timeframe along with continued conservative budgeting measures.

ACCOUNT NUMBER:

N/A

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RECOMMENDATION / ACTION REQUESTED:

It is recommended City Council adopt the attached resolution to reaffirm City Council action to support the fund balance improvement plan and to provide other required communication to the Local Government Commission.