

Audit Committee
City of Newport/Newport Urban Renewal Agency
August 3, 2018 Minutes

I. CALL TO ORDER

Acting Chair, David Allen, Audit Committee Member, called the meeting to order at 1:00 p.m.

II. INTRODUCTIONS

In Attendance: Committee Member Councilor David Allen, Public Audit Committee Member Glenda Rhodes, Alternate Committee Member Councilor Mark Saelens, Finance Director Mike Murzynsky, Assistant Finance Director Steve Baugher, Capital Projects and Grant Accountant Linda Wertman, Boldt Carlisle +Smith CPA Jessica Luther-Haynes, Boldt Carlisle +Smith Partner Bradley Bingenheimer. City Manager Spencer Nebel joined the meeting after the approval of the minutes.

III. COMMITTEE BUSINESS

A. Resignation of Laura Swanson, Chair

David Allen announced that Laura Swanson has resigned from City Council and this Committee for personal reasons. Allen expressed disappointment at her resignation, but announced a reception in her honor next week, with an opportunity to say a few words to her then. He also noted that Swanson had done a good job chairing this committee for the last year or so.

B. Discussion of Committee Vacancies

Allen reported that Glenda Rhodes reappointment to the committee had fallen through the cracks at the beginning of the year. Allen stated although Rhodes was not formally reappointed, the municipal code does state that if you have not resigned, and you have not been reappointed, and no one has been appointed to replace you, you can continue to serve, if you choose to do so. Rhodes will remain in office until a replacement is appointed. Rhodes replacement will be herself once she is reappointed. Council is scheduled to reappoint Glenda on Monday, August 6, 2018, along with several other members to various committees.

Mark Saelens is currently an alternate member to the committee. Allen will request Spencer Nebel add to the upcoming consent calendar for the Monday, August 6, 2018, Council meeting to move Saelens from alternate to full member. There will need to be another Councilperson added to become the new alternate member as well as a public alternative member. There was discussion about a public alternative member, and decided that member should be chosen by the Mayor from the Budget Committee, at some point in the near future.

C. Appointment of New Chair

Allen stated that since there is only this meeting and the October meeting scheduled, prior to the new Council appointment in January 2019, Allen will agree to be the acting

chair until the new appointments are made, and then the committee could select a permanent chair.

IV. APPROVAL OF MINUTES

The committee noted that no corrections were needed to the draft Minutes of February 23, 2018. **MOTION:** Member Rhodes moved to approve the minutes and **SECONDED:** by Member Allen. The motion carried unanimously in a voice vote.

V. AUDITOR UPDATE

Mike Murzynsky stated that the audit team had been on site since Wednesday, and have asked for a lot of paperwork that was supplied to them by finance staff.

Brad Bingenheimer reported on the audit standards that apply to the City of Newport. Bingenheimer went on to discuss the various auditing standards and noted that all audits are subject to the Generally Accepted Auditing Standards set by the AICPA. In previous years, the City has also been subject to Governmental Audit Standards, and the Uniform Guidance Standards that is regulated by the Office of Management and Budget (OMB). The last two standards were applied solely because the City had expended over \$750,000 in federal funds in a fiscal year. In the auditors initial work this week it was determined the City did not have expenditures over \$750,000 in federal funds this year. This will change the scope of the audit required. Member Rhodes noted that this reduction in audit standards should also reduce the cost of the audit. Brad explained that this would reduce the cost of the audit so unless something crops up that the auditors have yet to identify there would be a reduction in the audit cost this year.

Brad also stated that there is something new the City will be required to do this year, other than the CAFR. The new Accounting pronouncement that comes into play this year is GASB 75, which is a rewrite of prior standard GASB 45. GASB 75 deals with other post-employment benefits offered by the City. Under Oregon law because the City provides health insurance to current employees, they must also offer that same coverage to retirees until they are of Medicare age. The retirees must pay the premium for this coverage, but there is a benefit provided to them through their past employment with the city. They receive a reduced premium, because the group rate is lower than that of an individual rate. GASB 75 intends to capture that liability for that benefit over the employees working career. The City has currently hired an Actuary firm to quantify this liability, which they are currently working on reporting. This liability has to be recalculated every other year. Brad stated that this would create a restatement of the beginning balances. Discussion ensued regarding this new requirement by the committee and auditors and the complexity of the process of the new requirements.

There was also discussion regarding the new standards coming up regarding leases that will be implemented in 2020. The requirements state you must treat all leases over a year as if it is a capital lease whether they are operating leases or not.

Jessica Luther-Haynes stated the largest thing found thus far, was that the city will likely not be subject to the Single Audit Standards this year. Haynes stated we were roughly at about \$400,000 in federal expenses so we were significantly less than in past years.

Mike Murzynsky stated it is the goal to do a Comprehensive Annual Finance Report (CAFR) this year. There was discussion regarding this process and other cities and counties that do CAFRs in Oregon. Haynes stated that she will have four auditors with her the week of October 8, and will meet with the committee on Friday, October 12, 2018. The audit team will be reviewing process and compliance. There was discussion regarding the CAFR process and the date of filing to the state. The audit must be submitted to the State by January 31, 2019, and should be reviewed by the Audit Committee prior to submittal to the state at the January meeting.

There was further discussion regarding the approval of the engagement letter, and when and who approves the agreement. The committee agreed that an item should be placed on the next agenda that would include a discussion regarding additional informal practices that the committee would like to include in the future, particularly review of the annual engagement letters and audit contracts prior to approval and signature of those agreements and future contracts.

VI. CONFLICT OF INTEREST TRAINING WITH STEVEN RICH, LEGAL COUNSEL FOR THE CITY OF NEWPORT

This training was cancelled by Steven Rich, City Legal Counsel and will be rescheduled for a future meeting later this year.

VII. AUDIT COMMITTEE GENERAL COMMENTS & QUESTIONS

David asked that Mike reach out to the Budget Committee members to ask if they would consider becoming an alternate member for the Audit Committee. No other general comments or questions were made.

VIII. PUBLIC COMMENT

No members of the public were present, and no comments provided.

IX. SCHEDULE NEXT MEETING

The next scheduled meeting will be on October 12, 2018, at 10:30 a.m..

X. ADJOURNMENT

Meeting adjourned at 2:20 p.m.