

**Audit Committee**  
**City of Newport/Newport Urban Renewal Agency**  
**February 12, 2019 Minutes**

**1. CALL TO ORDER**

Chair, Councilor David Allen, called the meeting to order at 10:40 a.m.

**INTRODUCTIONS**

*In Attendance:* Chair Councilor David Allen, Public Audit Committee Member Glenda Rhodes, Committee Member Councilor Dietmar Goebel, City Manager Spencer Nebel, Finance Director Mike Murzynsky, Assistant Finance Director Steve Baugher, Capital Projects and Grant Accountant Linda Wertman.

**2. Review/Adoption of Master Calendar**

Chair Allen asked if any changes were made to the draft calendar presented at the last meeting. No changes were made, he then asked if anyone had any comment or changes they would like made. The only comment was that it looked very comprehensive. **MOTION:** Member Rhodes moved to approve the Master Calendar and **SECONDED:** by Member Goebel. The motion carried in a unanimous voice vote. (Attachment 1)

**3. Review/Adopt Audit Committee Goals for FY18-19**

Chair Allen noted that the goals were submitted at the last meeting and some changes were made to the goals through discussion at that meeting. Chair Allen asked Murzynsky to discuss the changes he would like to submit for the Room Tax Auditing Program/Proposal (Agenda Item 5) to add this item as a goal instead of an immediate action. Murzynsky stated he was not comfortable with putting together a program at this time. After review of the ordinance, he did not feel like there was sufficient authorization to cover an audit program. Murzynsky requested this be added as a goal and not an action item at this time. Nebel said the first step should be to evaluate how we would do this, whether this makes sense to do, if it is affordable for the city to do, and then make a recommendation to council.

Chair Allen also suggested a minor change to item six, stating the language should be consistent with the other draft goals of item two, and five that start with "Begin developing". Member Goebel suggested items two, five and six should all say develop instead of begin development. Chair Allen stated he just wanted them to be consistent. The final version should be changed to read FY19-20. In addition, change Comprehensive Annual Financial Report (CAFR), issuance to read continue issuance of a CAFR for the fiscal year audits. (Attachment 2). **MOTION:** Member Rhodes moved to approve Audit Committee goals for FY19-20 as edited and revised. **SECONDED:** by Member Goebel. The motion carried in a unanimous voice vote.

4. **Review/Approval of draft federal written procedures for allowable cost of Federal Grants**

Chair Allen stated that even though we were not required to have a federally required single audit this year, these written policies are required to be in place. Murzynsky stated the auditors have vetted the policies and he will send them to the auditor for one more review. Nebel stated staff would check to see if council approval is required but generally, policies do not require council approval. Nebel stated the policy would be reported to Council. Murzynsky went over each of the policies briefly as well as some general procurement requirements. The committee had general discussion regarding upcoming grants that would fall under these requirements. Chair Allen, asked that the authority cited in the policy be reviewed to see if there is a more specific municipal code available. Nebel and Murzynsky both stated they would have the City Attorney review to Policy to determine if there is a more specific municipal code. **MOTION:** Member Rhodes moved to approve and adopt the policy and move it on to the City Council (if required) for approval and implementation. **SECONDED:** by Member Goebel. The motion carried in a unanimous voice vote. Nebel noted that he would have the City Attorney review the policy again and pass it on to the department heads for review prior to final implementation.

5. **Room Tax Auditing Program/Proposal**

Murzynsky stated he would put this on hold for now. Member Goebel asked if Murzynsky is looking at revising the ordinance. Murzynsky stated he would just like to make the ordinance more clear in the audit area. Member Rhodes asked if opening the ordinance would create any issues. Chair Allen said he feels that by revising the ordinance and opening it up to a public hearing we would be actually notifying and informing people what we are planning to do something, which would actually make the process more transparent. He felt this was much more important than doing it at the committee level, stating it would give the stakeholders an opportunity to give input to the program if the city proceeds with an auditing program. Nebel stated it would be a good first step to have a draft policy (program) statement that explains what we are planning to do, prepared at the time the public hearing occurs. This would help everyone to be aware of what we are proposing to do so everyone is comfortable with the process. There was discussion about the process and the ordinance amendment, which should be two separate issues. There was an emphasize that just because the city amends the ordinance does not mean the program has to be adopted, it would just allow more clear language if the council chose to move forward with the program. The committee asked that Murzynsky present a report at the July meeting to review possible language changes to the room tax ordinance as well as a draft-auditing program.

6. **Review/Recommendation of Action Plan**

This is the same document presented at the previous meeting. Murzynsky briefly discussed the three items listed in the plan. The first was the deposits of public funds to financial institutions, second, expenditures that exceeded their budget appropriations and the third was the written federal policies that the committee just approved. Murzynsky also noted he would be making a minor change to the title of the report and stated he would be taking this to council on March 4, 2019, at the joint

meeting. **MOTION:** Member Rhodes moved to approve the Action Plan for submittal to City Council **SECONDED:** by Member Goebel. The motion carried in a unanimous voice vote. Nebel suggested that the joint meeting could be held at the work session, which begins at 3:00 p.m. on the March 4, 2019, and then taken to Council for approval at the evening session.

**7. Assignment of Audit Sections to Committee for Presentation to City Council - Audit & Financial Report for Year Ended June 30, 2018**

Nebel stated that he and Murzynsky have been looking at doing some footnotes on the CAFR in the future (next year), in the ten year history of activities area. He felt there needs to be some explanation in the presentation to remind everyone why there are such dramatic changes, most of which are due to GASB accounting changes. Nebel also stated that some clarification needs to be made on some of the balances (net position), such as those listed on page 139, at the bottom of the page where restricted and unrestricted assets are listed with negative numbers, due to GASB 16, 17, 68 and 75 accounting rules. Chair Allen suggested that Murzynsky cover this part of the presentation, Murzynsky agreed he would cover all the new CAFR sections. The new sections include the Introduction and Statistical sections. Mike stated that these sections would expand over time as more data is recorded. Spencer left the meeting at 11:30 a.m. At this time, Wertman passed out last year's presentation schedule and the committee divided the audit between themselves. Chair Allen asked Murzynsky to go over the audit sections that need to be covered. Member Goebel agreed to cover the Urban Renewal Agency (URA) and Murzynsky agreed to present the Management Discussion and Analysis (MD&A) area of the URA report. Chair Allen agreed to do the overview for the City, statement of activities (income statement), and overall audit summary; Member Rhodes agreed to do the auditor's report and statement of net position (balance sheet); Murzynsky will cover the supplementary information (compliance section), statistical section, introduction and the MD&A. Murzynsky discussed the combined financial statements that start on page 100 and page 102 starts the individual funds. Member Goebel and Murzynsky will go over the notes from page 27 through page 90. Pages 41 and page 46 are the only real details that need to be reported on which are capital assets and liabilities. There was general discussion on the liabilities and assets listed in the report as well as how streets are listed as far as assets.

**8. AUDIT COMMITTEE GENERAL COMMENTS & QUESTIONS**

Member Rhodes had a question regarding how municipal bonds can be issued for the port and hospital without those entities being component units of the municipality. Murzynsky explained that these entities are special districts and are not financially dependent on the city. There was some general discussion on the subject. Chair Allen asked recording secretary Wertman to send out a schedule for the presentation with list of who will be covering each section.

**9. PUBLIC COMMENT**

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

**10. ADJOURNMENT**

Committee Member adjourned the meeting, at 11:55 a.m.