

February 17, 2015  
5:00 P.M.  
Newport, Oregon

The City Council, Urban Renewal Agency, and Audit Committee of the City of Newport met in a joint meeting on the above date in the Council Chambers of the Newport City Hall. On roll call, City Council and Urban Renewal Agency members Allen, Roumagoux, Swanson, Sawyer, Engler, Saelens, and Busby were present. Audit Committee members present were Allen, Swanson, and Springsteen.

Staff present was City Manager Nebel, City Recorder Hawker, City Attorney Rich, and Finance Director Murzynsky.

Allen noted that this joint meeting will allow the Audit Committee to review the audit reports and highlight certain items in the audit documents. He noted that the Audit Committee met on February 5, reviewed the report with the auditors, and split up topics to present at this meeting. He added that Saelens is the alternate member of the Audit Committee.

**Urban Renewal Agency Audit** - Allen noted that there is a communication to the governing body and a management letter, and that these are the two documents that everyone should take a closer look at. He added that generally, the communication letter lays out the purpose of the audit; results of the audit; the clean opinion from the auditor; and the significant audit findings. He stated that the management letter notes one significant deficiency, but no material weaknesses. Murzynsky addressed the significant deficiency noting that responsibilities have been reassigned in the Finance Department, and that bank reconciliations should be timely in the future. Allen expanded on the reports and responded to questions.

**City Audit Report** - Allen reported that there is a communication to the governing body letter that is separate from the audit report. He explained the purpose of audit; noted the clean opinion from the auditor; and stated that the city audit was also a federal audit due to federal grants in excess of \$300,000. He noted that there is no management letter for the city audit because of the federal audit, and that the management letter information is incorporated in the audit report. Murzynsky noted that journal entries were not being approved in a timely manner, but that has changed with the reorganization of the Finance Department.

Springsteen reviewed the revenue and expenditures. He reported that the net result was that on a \$10,000,000 budget, revenue projections were only \$60,000 different, and that on the expenditure side, there was a surplus of \$900,000. It was noted that without the surplus, the next beginning balance would have been very small. Springsteen and Murzynsky responded to questions.

Murzynsky reviewed the management discussion and analysis. A brief discussion ensued regarding the administrator's actuarial reports for the pension, with Nebel noting that the bottom line is that the pension is going in the right direction. Nebel added that the City Council decision to eliminate the defined benefit program for new hires was an important step to take. He noted that the actuaries use a five-year smoothing that provides stability because it is a combination of the past five years and the future five years. Busby asked how the city's growth compares with others, and Nebel reported that the city is

doing pretty well. He added that the Retirement Board of Trustees receive a report which is staying close to targets and has a properly balanced portfolio. Allen noted that Nebel will be preparing a document for the next meeting of the Retirement Board of Trustees which will outline the different responsibilities of the board, staff, and City Council. Allen noted that Murzynsky will have more work on the pension auditing. Rich discussed the importance of discretionary immunity in decision making, noting that fiduciary duties cannot be ignored. Nebel reported that fidelity insurance coverage was discussed, and that it protects the city if large amounts of money are illegally diverted and not recoverable. He added that there are limits on what the city would receive back, and that the auditors believe that the governing body should review the limits so that they are comfortable with them. He stated that he will bring information to Council for a specific review based on best practices. It was suggested that Nebel find out what other organizations are doing in this area. Further discussion ensued regarding the minimum number of appropriated funds; what occurs if a bank fails; chain of command; and proposals for protecting the city and its employees.

Allen noted that the RFP for auditing services would close on Friday, and that there would be a staff review followed by a meeting of the Audit Committee for scoring and to decide which proposers to interview.

**Audit Committee - Report and Acceptance of the Independent Auditor's Report of the Financial Statements for the Fiscal Year Ending June 30, 2014 for the Urban Renewal Agency.** MOTION was made by Engler, seconded by Sawyer, to accept the independent auditor's report of the financial statements for the fiscal year ending on June 30, 2014 for the Newport Urban Renewal Agency. The motion carried unanimously in a voice vote.

**Audit Committee - Report and Acceptance of the Independent Auditor's Report of the Financial Statements for the Fiscal Year Ending June 30, 2014 for the City of Newport.** MOTION was made by Engler, seconded by Busby, to accept the independent auditor's report of the financial statements for the fiscal year ending on June 30, 2014 for the City of Newport. The motion carried unanimously in a voice vote.

## ADJOURNMENT

Having no further business, the meeting adjourned at 5:57 P.M.

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Margaret M. Hawker, City Recorder

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Sandra N. Roumagoux, Mayor

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David N. Allen, URA Chair

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David N. Allen, Audit Committee Chair