

Audit Committee
City of Newport/Newport Urban Renewal Agency
January 12, 2017 Minutes

I. CALL TO ORDER

The meeting was called to order at 9:00 a.m. by Laura Swanson.

In Attendance: Spencer Nebel, Councilor David Allen, Councilor Laura Swanson, Linda Brown, Mike Murzynsky. On Phone: Don Huster, Brad Bingenheimer of Bolt, Carlisle and Smith.

II. INTRODUCTIONS

III. AUDITOR PRESENTATION FOR COMMITTEE

1. NEWPORT URBAN RENEWAL

Brad briefly went over the 2015-2016 Newport Urban Renewal Agency Annual Financial statement. There were no questions. He then passed it on to Mike to summarize the Management Discussion and Analysis. He explained that it is a debt/service type program and that Derrick Tokos has just enough funds to operate but the main crux is to take the property taxes and pay down the debt. Spencer noted that if we ended the year on June 30, 2016 the City would basically owe 5.6 million and that the City is counting on all future increments taxes to pay that down. Mike and Spencer both explained that that is how incremental districts work – basically leveraging the future.

Mike spoke about the South Beach asset stating that usually these reports don't have assets but that is one the City is holding on to. He said that the biggest Urban Renewal project right now was South Beach and next would be North Newport and the Port.

Brad began going through the rest of the report. He stated that pages 8 & 9 were government based financial statements and the ones on pages 10 & 11 were fund based. He directed the committee to Footnote #4 on page 20 – specifically the future maturities. He said that the property taxes didn't come in as high as they were budgeted so revenues were less than anticipated. He also said that the expenditures were in line with what had been planned and therefore there was still a positive change in the fund balance.

David wanted to know if it the low tax figure was because there were less taxes paid or if they were delinquent taxes. Mike said he'd have to look into it. There was discussion about the time for bond issues being limited so it was decided that this would be something important to bring up with Derrick at the February 6th Council Meeting.

Brad spoke to the State laws requiring the auditor to look at two things; Compliance and Internal Controls. He said that much had been discussed in that area so did not want to go too far into it. Spencer said he would like to talk more about it after the Financial Reviews were done.

Spencer directed the committee to page 23 and said that it would be helpful to know what the collection rate is when the audit committee presents to the council. Brad said that that will be something that the CAFR would be able to help project as there is a 10-year History included in that process.

2. CITY REPORT

Mike began with an overview of the Management's Discussion & Analysis (MD&A) beginning on page 4. He pointed out some new classifications – Agate Beach & Tourism (restricted to Tourism Activities) that will appear in the Financials. He explained that the Net Investment in Capital Assets was \$82.996 million and that was from assets that are covered by bonds. Spencer asked Mike to go further into what effected the numbers. He gave the pool as an example – last year was \$1 million, this year is \$6 million. He said the pool has both liabilities and assets that are tied to it. He directed the team to the Summary Pages for further clarification.

A discussion ensued surrounding the implementation of a CAFR. Mike said that it's a very labor intensive project. He would start work on it first because of the need to build a 10-year history. David asked about a timeline for completion and Mike said he hoped they would have it done in a year, but definitely within 3 years.

Brad went on to give an overview of page #12. He stressed that there was a very high degree of estimation in the document except for Deferred Outflows. He said that a change in an estimate can significantly change unrestricted net position numbers.

Brad explained the new set of government audit standards that have been implemented. He said the Governmental Accounting Audit Standards (GAAS) are concerned about internal controls and Compliance. Brad said that they did not find anything in either of those areas that would affect the Financial Statements. He then spoke about the new Uniform Guidance issued by the Federal government. One of the important new requirements was that the City has to have written procedures on how they determine the allowable cost determined by these programs. He said that although he cautioned about this, they have still not been completed. David raised concern over the fact that they weren't done and asked if it would affect the ability to secure federal funds. Brad assured him that it would not affect anything currently. Mike agreed that it needs to be done as soon as possible and said that he has the templates and is ready to start putting together the information.

Brad continued to page through the report, including taking questions as they arose. The questions were answered in discussion and no notable concerns were raised.

IV Audit Committee Comments, Discussion & Questions

There was brief discussion about the schedule for the next audit in the spring. It was stated that Brad would come back in May or June. Laura asked if the filing was done in a timely manner this year and

Mike assured her they were filed on time. Further discussion about the allocation of the responsibility for the presentation resulted in the news that Don would not be available so Mark would step in and he and Mike would do the majority of the presentation together, along with the MD&A. Laura would present the Debt and Compliance findings and David would discuss the economic factors in connection with how the City is trying to move to CAFR.

It was decided a meeting would be scheduled prior to the City Council meeting on February 6th. Emails would be sent out to figure the best date for everyone.

Meeting adjourned at 2:39 p.m.