

**Audit Commission Approved Minutes**  
(Municipal Audit Commission AMC 2.11.010)  
**October 24, 2016 at 2:00 p.m.**

**Call to Order**

The meeting was called to order at 2.05pm.

**Roll Call**

Stebbins Present  
Hepford Present  
Rosenthal Present  
Cody Present  
Christensen Arrived at 2:08

**Others:**

Dave Kanner City Administrator  
Bev Adams Interim Administrative Services and Finance Director  
Cindy Hanks Accounting Division Manager  
Michael Black Parks Director  
Kenny Allen CPA Pauly, Rogers and Co., P.C.  
Kristy Blackman Administrative Assistant (Minute Taker)

**Approval of Minutes**

**Moved HEPFORD**  
**Second ROSENTHAL**

To approve the minutes of the Audit Commission Minutes of November 16, 2015

ALL AYES

**MOTION APPROVED**

Stebbins welcomed Bev Adams the interim Administrative Services and Finance Director and thanks Hanks for her work on the Audit.

**Presentation by Independent Auditors - Pauly, Rogers, and Co., P.C.**

Representing Pauly, Rogers and Co., P.C. (PR&C), a certified public accounting firm engaged by the City of Ashland (COA) to perform auditing services, Allen presented the COA Comprehensive Annual Financial Report (CAFR), the AP&R Comprehensive Annual Financial Report (CUFR), and Management Letters to the COA and the AP&R Commission.

Allen summarized the audit process and stated that the purpose of the audit was to determine if fair presentation of the financial statements and compliance with generally accepted

accounting principles and auditing standards, applicable Oregon Municipal Audit Law and Administrative Rules, and Federal, State and other agency rules and regulations related to financial assistance had been accomplished.

### **Parks Comprehensive Annual Financial Report (CUFR)**

Directing to pg. 19 Allen referred to the overall financial statements for AP&R where he outlined the opinion given and stated that this was an “unmodified opinion” being the cleanest opinion available.

Allen then directed the commission to page 87 and discussed the state minimum standard audit which covers budget law, collateral, debt etc. He noted that there were no issues with this section.

Allen referred to pg. 38 and pointed out and outlined the new GASB 72 Fair Value disclosure.

Allen referred to pg. 26 and pointed out and outlined the requirements of GASB 68 in reference to “Statement of Net Position”.

Allen noted that overall there were no difficulties or disagreements with management.

### **Corrections**

- Hepford noted that on pg. 22 re: notes to the financial statement page reference should be 33-46 (fixed 10/25/16)
- Hepford noted that on pg. 24 re: Capital Asset and Debt Administration; reference to notes should be page 54 (fixed 10/25/16)
- Hepford referred to pg. 42; Contributions and asked for clarification regarding employee contributions of \$233k and another figure on the following line and asked where he could locate these in the book. Allen noted that although they should correlate, they are not in the book.
- Stebbins referred to several instances in the CUFR and the CAFR where assets and liabilities are both referred to as inflows and requested this be corrected so that assets are called outflows.
- Stebbins referred to pg.76 – ‘Employees at the City’ numbers and noted they had dropped by 100 and requested that this be reviewed.
- Stebbins requested that it be referred to as Ashland Asante Community Hospital.
- Rosenthal referred to pg. 9 - Profile of the Government and requested the language regarding the ‘change of the century’ be changed. (fixed 10/26/16)
- Cody referred to the demographics and asked if public school numbers could be reflected as well as changing the number on the bottom row to 4 to match the CAFR.

### **Discussion**

Cody referred to a positive in last year's pension fund and noted that this year's it is negative \$2.5 million and asked how that is allocated. Allen answered it is allocated to enterprise funds per FTE's.

Christensen questioned Allen regarding the mention last year of 'sensitive information'. Allen answered sensitive information refers to generic sensitive information within the City and generally how staff handle all sensitive information.

Christensen referred to the Ending Fund Balance (EFB) on pg. 21 under 'Highlights' regarding the agreement with parks for a zero EFB and noted that it now looks like the Parks and Recreation fund has a \$313,000 EFB on page 30. She asked if this relates to the first year of the biennium and wondered if there should be a note stating that this. It was explained that the number on page 30 is only a financial statement number, not a budget number and the plan is that that amount would be transferred over to the next year. She clarified that she feels as though there should be a clearer way to show EFB's for the 1 year Audit in relation to the 2 year budget.

Rosenthal explained his theory of the EFB and questioned whether departments have to return unspent money. Kanner answered that parks has its own CIP fund and whatever money is in there stays in there. Black also explained that the \$313,000 is extra revenue and savings.

Christensen referred to pg. 54 and asked why Oregon Shakespeare Festival has an asset value of \$8.8 million. Allen answered this year's numbers came directly from their audit and they have made improvements which explains their increase.

Christensen referred to pg.10 - Relevant Financial Policy are we still working on an incentive policy. Black answered they are not working on the policy anymore but are always looking at entrepreneurial opportunities. Christensen asked if there were changes in the org chart due to the performance audit. Black answered those changes would be reflected over the next 2 years.

Parks Management Letter – None

### **City of Ashland Comprehensive Annual Financial Report (CAFR)**

Allen referred to pg. 24 noting that an unmodified report was delivered regarding the overall opinion.

Allen referred to the state minimum standards audit which covers budget law, collateral, debt etc. and noted there were no issues as documented in the report given on pg.159.

Allen referred federal single audit that is required for the City due to spending more than \$750,000 which requires the auditor to select one or 2 grants received by the City. This year the audit of these grants is on pg. 163. The audit this year was on the Clean Water Grant and there were no issues.

Allen noted the City adopted GASB 62 which is highlighted on page 69.

Allen talked about GASB 68 numbers on pg. 34 and referred to deferred outflows, or assets, being \$3.9 million and the proportional share of the net pension asset is \$14.9 million liability and another liability of approximately \$3.4 million equaling an approximate liability of \$15 million which also incorporates parks. He explained this is the City 'share of PERS liability.

Allen directed staff to the disclosure on the bottom of pg. 69 and noted that this is the sensitivity analysis of your net pension liability.

Allen reported no disagreements and no difficulties with management for the City Audit and commended staff on their work.

Allen referred to pg. 4 under 'Other matters – sensitive information' and explained that this means that everyone needs to be careful with information that is outsourced.

Allen discussed Federal Grant Compliance and explained that this is the first full year the new single audit act was in place. This audit looked at the Clean Water Grant and found no issues but did not that Scott Fleury outsourced some of the grant compliance to Rogue Valley Council of Governments (RVCOG) which he commended due to the onerous nature of the standards and the lack of staff on hand at the City to deal with the 2CFR200 regulations of the grant.

Allen noted that GASB has allowed a 2 year waiver on the new purchasing and procurement Federal Purchasing Standards to be put in place.

Stebbins asked Hanks how she feels about the grant regulations. Hanks explained that right now grants are decentralized and there are no staff who are equipped to deal with it at this point which is why Allen recommended the City outsource to RVCOG to ensure compliance. Stebbins asked if the City was required to go out to bid if the cost was over \$3,500 for this service. Kanner clarified that the City can contract with other government agencies without going out to bid.

### **Corrections**

- Hepford referred to pg. 9 second paragraph and requested the pages be changed to 26-31 (fixed 10/26/16)
- Hepford referred to pg. 10 paragraph 5 and noted that this is exactly the same as last year and suggested it be updated.
- Hepford referred to pg.11 paragraph 2 needs to be updated.
- Hepford referred to the very first paragraph on pg. 29 and noted this doesn't seem to correlate to anything. Hanks said that we can't categorize it twice as a tax. Hanks agreed to add that note to the table to clarify this.
- Stebbins referred to pg. 9 and asked for the date to be updated to today's date.
- Stebbins referred to pg. 14 paragraph one and requested that the award year be updated to say the 'twenty seventh' year. (fixed 10/26/16)

- Stebbins referred to pg. 134 and noted the revenue bonds dropped drastically and the interest has increased over one million dollars and asked if this could be an error. Hanks thinks this is an error.

### **Discussion**

Christensen referred to pg. 27 paragraph 3 'Net Position' and asked if these amounts are included the mentioned \$10.4 million. Hanks answered yes.

Christensen referred to pg. 29 paragraph 3 'Business Type Funds and asked how the electric fund EFB will relate to the new 10x20 ordinance that is going into effect. Kanner answered there is no connection.

Christensen referred to paragraph 9 on the same page and asked how much the purchase of the City's new software was. Hanks answered approximately \$630,000.

Christensen referred to paragraph 10 on the same page and asked if this the Insurance Fund would survive. Kanner noted this fund has to survive and pointed out that the main concern is how to fund it. Insurance is required therefore we are required to fund it.

Christensen referred to the Health Benefits Fund and asked about higher premiums and whether the City would raise fees. Kanner answered yes. Christensen asked if the City would calculate the fee hike based on the current \$520,000 interfund loan used to support this fund Kanner explained that theoretically the interfund loan would be paid off in the current budget cycle, but there are questions whether the city can build up a reserve in the fund that self-insured entities are required to have. He explained if this occurred, the City would repeat the loan and potentially modify the plan which is what the Employee Health Benefits Advisory Committee is currently working on.

Christensen referred to pg. 31 paragraph 4 'Enterprise Fund Revenues' and asked if those rates had been passed through council. Kanner answered Electric has not but Water and Waste Water were in May. He explained that the water rates went through at 10% but the wastewater was decreased to 8% due to additional capital from food & beverage tax. Kanner continued that there should be a 5% increase to wastewater rates but at that moment he couldn't recall what the water increase would be but was almost certain that 2017 would be the last year %10 increases in the water fund would occur. Kanner noted electric remains to be seen after cost of service study is presented to council at the study session on 10/31/16 and a council agenda item will return to council which would change the rate methodology. He has not seen the overall net increase necessary in the electric fund.

Stebbins referred to pg.57 and pointed out there is a new promissory note but it is not discussed anywhere. Hanks explained that this was for Garfield Park for \$870,000

Stebbins referred to pg. 59 and noted that revenue bonds were up a half million dollars and interest is up over a million. Hanks explained that there are 2 loans, the Clean Water Act and the DEQ Waste Water loans and they had \$595,000 worth of principal drawn down but nothing is due until the full drawn down is done with the State of Oregon. She stated she was advised by the auditor record interest and this is just an indication of the 1% interest that would occur when the City was to pay it all back. This was not shown last year.

**Report from Staff**

Nothing to report.

**Public Input**

Stebbins noted Garrett Furuichi, citizen member of the Budget Committee was in attendance. He explained he was here to learn the process.

**Motions**

**Moved HEPFORD**

**Seconded ROSENTHAL**

To accept the Parks Comprehensive Annual Financial Report as presented and amended through commission discussion.

ALL AYES

**MOTION APPROVED**

**Moved HEPFORD**

**Seconded CODY**

To accept the City Comprehensive Annual Financial Report as presented and amended through commission discussion.

ALL AYES

**MOTION APPROVED**

Commission members signed the Annual Letter.

**The meeting was adjourned at 3:10pm**

Respectfully submitted

Kristy Blackman

Administrative Assistant