

**Audit Commission Minutes
(Municipal Audit Commission AMC 2.11.010)
November 28, 2018 at 2:00 p.m.
Siskiyou Room
51 Winburn Way, Ashland OR**

Call to Order/Opening Remarks:

Meeting called to order at 1:59 p.m. by Committee Chair Thom Hepford

Roll Call

Hepford	Present
Slattery	Present
Everson	Present
Hunter	Present

Others:

Kelly Madding	City Administrator
Mark Welch	Administrative Services and Finance Director
Cindy Hanks	Deputy Finance Director
Michael Black	Parks Director
Kenny Allen	CPA Pauly, Rogers and Co., P.C. (Via Skype)

Approval of Minutes: *Everson/Slattery m/s the approval of meeting minutes for June 7th, 2018 Discussion: None. Voice Vote: All Ayes. Motion Passes.*

Public Input- None

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

Audit-Parks Comprehensive Annual Financial Report (CUFR)

Kenny Allen, CPA Pauly, Rogers and Co., P.C. explained to the commission that the purpose of the audit was to designed for verification of generally accepted accounting principles, audit standards, Oregon law, as well as federal laws. He stated that the results of the audit for the both City and Parks was the overall financial statements receiving of an unmodified opinion, which is the highest level of opinion that can be received. He went on to note that the after looking at updates such as those in budgets and collaterals, there was no exceptions requiring comments being found either the City CAFR or Parks CAFR. He also added that City CAFR did require a federal single audit resulting in what is considered a clean audit.

Allen also added that the City and Parks does receive each year the award for excellence in financial accounting, which is an award that goes above and beyond, requiring extra material.

It was also noted by Allen that a new governmental accounting standard was added this year. Statement 75 gives information to post-employment benefits. This is a change from the previous GASB 45 statements. There was a restatement for both the City CAFR and the Parks CUFR in relation to this and the actuarial evaluation that is being done differently this year.

Allen stated that there were no disagreements with staff to be reported.

In closing, Allen noted the matter of previously recommended documentation of internal controls for Parks, just like the City. He added that although there is overlap with come City policies that

Parks does have different processes that need to be documented. He also noted the matter of the federal grant purchasing requirements, that went into effect in 2018 and that are not required as of this Audit, due to the grace period.

Discussion

Dennis Slattery, Committee Member began the discussion by noting that many of his questions are those related to budget and those related to net position and food and beverage tax.

He went on to note on page 31 of the Parks CAFR that there are expenses of \$517,000 with charges and fees on the golf course being \$223,000, operating contributions and grants being \$430,000 for a net change of positive \$136,000. From these numbers Slattery questioned what the operating contributions and grants were. Michael Black, Parks Director noted that these are general fund contributions. He also noted that this is what the City is paying for the golf course to stay open, with a net positive change for the Parks ending fund balance, as confirmed by Mark Welch, Administrative Services and Finance Director. Slattery questioned if this was a result of an overpayment by the City to Parks, Welch noted that the ending fund balance came from less hiring from Parks. Black also noted that the decision for less hires was considered in relation to incoming revenues, adding that both parks was both under budget and revenue.

Dee Ann Everson, Committee Member stated that it appears to be a clean audit, but wanted to know how long the recommendation for internal controls has been and if there could be a way to build in accountability. Welch responded that there is a plan to update the internal controls process for the City, but that there is a wait on the new auditor to finish this process. He added that it would be good to work with Parks on this to create a single document, with Parks areas that are unique only to parks added to the single document. Black agreed. Welch also added that they have already begun to implement a procedure to audit cash drawers. He noted that the first audit was done at the golf course, and that the financial and compliance responsibility for parks still is with the City. Cindy Hanks, Deputy Finance Director added that the hope would be have the internal controls completed by the end of the fiscal year ending 2019.

Everson asked about GASB notes for future reports, Allen added that nothing major would is set to come.

Slattery asked in regards to page 72 of the Parks CAFR to the unrestricted amount under net position and why the number variance is great. Hanks noted that his partly has to do with the change of the property tax. She explained that the City now collects the amount and gives a less amount with some going into the reserve fund.

Shane Hunter explained that he saw errors in the adding of pages with 10 year statements in the statistical and supplemental section. Some of them were large and others were small. One example of this was on page 72 of the Parks CAFR in the 2015 column under assets, liabilities and net position, with the correct numbers for a correct total. Also noted was page 134 in the City CAFR with 2010 being off by 90 and 2015 being off substantially. Hanks noted that numbers related to this could be check on all the statements.

Hunter noted the following errors for correction or comments as stated in the Parks CAFR:

- Page, 30 under OPEB net pension liability it was asked if all the titles should be indented or reformatted for less confusion.
- Page 31, under net (expense) revenue and change in net position there is a 0 number that does not belong and that should be removed. It was suggested to remove these from throughout the report for consistency. This was noted throughout the meeting as well.

- Page 33, liability capitalized and needs to be corrected under the net pension assets row.
- Page 34, does not match page 93 or 58. Allen noted that it will not match because the equipment fund is rolled into the general fund, as required by general accounting standards.
- Page 57, it was noted that the 10-year trend formatting may be difficult. Allen noted that this will stay in the same form, counting through multiple pages. It was also asked about the net OPEB liability and total pension liability and if these should be labeled the same. Allen noted that it should include the OPEB wording.
- Page 64, it was questioned why the same label was used for total sources of investment and capital assets. It was suggested that this needed depreciation added into the bottom heading.
- Page 80, states total budget twice with the bottom section needing to be labeled as actual.
- Page 90, it was noted that there was a drop in temps and asked if this information was being reported differently. Black noted that they are reported differently as of the last budget process. Welch also noted that there was a change in philosophy on how these numbers have been reported over the years adding that this comes out of one set amount of money and is a budget question not having to do with FTE. He added that the reporting of this needs to be uniform. It was suggested to remove temp numbers out of the report.
- Page 92, it was noted that some numbers seemed very different, Black noted again that it was a change in philosophy on how these are reported. It was added that notes as to the change would be helpful to add to the report. Hepford asked Allen if numbers in the statistical section are audited. Allen responded that they were not and that the auditor takes responsibility for only the FY18 numbers.
- Page 101, it was asked why the Citizens of Ashland were not listed in the independent auditor's report required by Oregon State Regulations. Allen noted that these reports are intended to serve the management and board, as they are who the auditors are serving. Slattery added that they can as an extension make this available to the citizens.

Hunter noted the following errors for correction or comment as stated in the City CAFR:

- Page 132 and 134, the proportional share of net pension assets, was sometimes labeled as proportional share of net pension liability.
- Page 132, of the City CAFR the 2017 does not add up by three and that 2018 cash and cash equivalents should be \$39,515,544 as referenced on page 36. Hepford confirmed to Allen that the Statistical Section of the CAFR was not audited and that in this case the number on page 36 would be correct.
- Page 26 and throughout the MD&A it was asked that it was justified on the left and right.
- Page 27, it was noted to change the net pension assets as stated before.
- Page 29, it was added that the look of the 3D pie chart does not represent well the percentages. It was suggested to make these a 2D graph.
- Page 31, it was suggested to correct the overlapping lines of the administration and contingency percentage lines.
- Page 32, it was noted that the bonds table was incorrect and that the text regarding the adoption of the budget was confusing. It was noted that this would be rewritten.
- Pages 36, 38, 39, 41, it was added that the net pension assets need to be changed as noted in the Parks CAFR, as well as making zero's consistent.
- Page 40, it was questioned if equity was the correct word to use under liabilities and equity. Allen noted that it could be changed from equity to fund balance.
- Page 59, it was added long term miscellaneous receivables was supposed to be under current as well, it was suggested as well to make zero's consistent.
- Page 60, it was noted that business type activities should be bolded like other headers on the sheet.
- Page 62, it was suggested to correct the interest rate from a decimal to a percentage.

- Page 69, it was added to correct the spelling of health
- Page 70, it was noted to correct the paragraph for the sensitivity of the net to reflect the correct percentage as noted in the previous tables.
- Page 71, there was a repeated paragraph referring to the sensitivity of the net that should be removed.
- Page 84, the 2017 and 2018 was questioned as they were the same number it was explained that these numbers are given by actuaries' two years at a time. It was also added that there was confusion on when GASB 73/75 was actually implemented. Allen explained that the confusion came in that GASB 73 was implemented last year and GASB 75 was implemented this year. It was suggested to change the wording to reflect this.
- Page 85, It was also added that there was some confusion on the OPEB and pension liability. It was asked to check the covered payroll and the corresponding percentage as it is the same as page 84.
- Page 92, it was suggested to move debt services to the left of the page. It was also suggested to break down the numbers to be formatted to the subtotals.
- Page 101, it was added that there was a variance the final budget number within Final Budget Positive (Negative) is incorrect.
- Page 103, there is a sub note with no reference.
- Page 104, there is a variance for transfers in should be a negative number.
- Page 106 there is a variance for second interfund loan should be a positive number with the total zeroing out.
- Page 107 there is a variance in the excess (deficiency) of revenues over (under) expenditures with the total needing to be closer to \$30,000,000 not the \$45,488,881. Additionally, the transfer out line should be \$250,000.
- Page 115, transfer in should be a negative number
- Page 122, the general and capital projects funds shows a decimal; this should be corrected.
- Page 136, it was noted that 2015 numbers were missing. Additionally, noted was that the net pension assets need to be changed on this page as noted in the Parks CAFR
- Page 155, it was noted that it would be helpful to have the same patterns for the same categories in both graphs. It was also noted that there is a 0% label with not category.
- Page 156, it was added that 2018 in the graph was all at 0.
- Page 158, the BPA surcharge revenue and the average surcharge per consumed kWh (1) was questioned as to if it was needed. It was decided to remove it.
- Page 159, the average demand rate per did not include the entire title.
- Page 161, it was noted to correct that net bonded debt per capita so it did not have a period.
- Page 165, it was noted that the personal income data that was unavailable was actually listed 171.
- Page 168, was suggested to be reformatted in the 3% true cash value line.
- Page 169, noted that the header be changed from 2017 to 2018. Also noted was a needed update to the graph as the information in the chart does not match.
- Page 174,175, noted that the footnote did not make sense and spelling needed to be corrected. A note on the maximum daily capacity in millions of gallons dropped to 3.30 from every other year being at 4.00 was also added. Staff noted that they would have to ask regarding this question
- Page 178, adding or removing commas from charts for consistent numbers. Also, questioned was the park acreage for 2017 as it was not listed.

Hepford noted the following errors for correction or comment as stated in the Parks CAFR:

- Page 25, it was noted on the income statement the City went from providing money to Parks to the food and beverage tax going to Parks. This it was added made the operating

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grants and contributions increase as well in allow for the addition to the food and beverage tax. It was also stated by staff that within the operating grants and contributions that there is the OSF donated capital, and that would be the reason for the increase. It was also noted in the text under governmental activities that the increase in net position was incorrectly stated.

- Page 26 under capital asset and debt administration that the noted related to page 62 was incorrect. Staff noted that they would correct this error to reflect the actual page of 64.
- Page 31 the interest increased. Staff noted that this was due to better investments and higher cash balances.
- Page 38 a note was made as to the number of parks being reduced. Black responded that yes there had been a reduction in parks by one.
- Page 40 under capital assets it was added that the wording did not seem correct. Hanks noted that this was a correct made on the advice of GFOA.
- Page 44 a number was questioned under capital assets and noted the reclassification of total assets being depreciated.

Hepford noted the following errors for correction or comment as stated in the City CAFR:

- Page 10, noted that in the sixth paragraph that the sentence explaining the educated population, needs more details or be removed.

Slattery went on to explain that according to the statements on page 42 of the City CAFR that for the year 1.6 million dollars less was spent on expenditures than inflows. Hanks noted that this was correct only for governmental funds, not including enterprise funds. He also asked what the number would be with the enterprise funds included. Hanks noted that they number would be hard to get because there is end of the year adjustments.

Slattery also noted on page 30 and 31 that in the unspent balances for the general fund, that there was a correlation to not hiring and effort that is being made.

Welch thanked the commission for their time and attention to detail.

Hepford asked that the commission received a copy back with the listed changes. Everson also noted that none of the changes were material. The commission agreed to move toward a motion

Motion to accept the Parks Comprehensive Annual Financial Report and the City Comprehensive Annual Financial Report as presented or amended through Commission

discussion: *Everson/Hunter m/s the acceptance of both the Parks Comprehensive Annual Financial Report and the City Comprehensive Annual Financial Report as presented through the commission discussion. Discussion: None. Voice Vote: All Ayes. Motion Passes.*

Adjournment: 3:14 p.m.

*Respectfully Submitted:
Natalie Thomason
Administrative Assistant*