

**City of McMinnville  
City Council Audit Committee  
Meeting Minutes**

**Date:** January 14, 2014, 4:00 p.m.

**Audit Committee:** Kellie Menke, City Councilor  
Scott Hill, City Councilor  
Travis Parker, Budget Committee member

**Auditor:** Rob Moody, Talbot, Korvola & Warwick, LLP  
Cinnamon Williams, Talbot, Korvola & Warwick, LLP

**Staff:** Marcia Baragary, Finance Director  
Julie Orth, Accountant

**Handouts:** May 8, 2013 Audit Committee Meeting Minutes  
Report to the Audit Committee, December 4, 2013

**Minutes from May 8, 2013 meeting**

The minutes from the May 8, 2013 meeting were presented for approval. Kellie moved to approve the minutes as drafted; motion seconded by Travis. Motion passed.

**Report to the Audit Committee for fiscal year ended June 30, 2013**

Rob noted TKW just completed its' ninth year auditing the City, with one more year on the contract.

Rob introduced Cinnamon who referred to the Audit Committee letter handout. Cinnamon explained this is the letter which fulfills the requirement for certain communications from TKW to the Audit Committee. Cinnamon noted the letter looks different this year from in the past but it is only in the formatting, the same information is contained in the letter. There were no issues with management and no compliance issues.

Cinnamon reviewed the new GASB statements implemented in fiscal year ending June 30, 2013:

- GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* eliminated a reference in the footnotes.
- GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* replaces the current Statement of Net Assets with a Statement of Net Position. Rob noted this is the first part of a two part process. The second part will be implemented with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Cinnamon reviewed the accounting estimates referred to in the letter and explained the uncorrected misstatements are the same as in the past and relate to the year-end payroll accrual.

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Cinnamon reviewed the recently issued GASB statements and the required implementation.

- GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities and will be implemented fiscal year 2014.
- GASB Statement No. 66 *Technical Corrections – 2012 an amendment of GASB Statements No. 10 and No. 62*. This statement resolves conflicting guidance and will be implemented fiscal year 2014.
- GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This statement will require reporting of the Oregon Public Employees Retirement System (PERS) unfunded pension liability and will be implemented in fiscal year 2015.

Scott asked if the information necessary to implement will be provided by PERS and Rob explained that there are many issues to be resolved. Currently, PERS needs legislation passed to invoice clients for providing the necessary calculation. Rob noted as time progresses implementation guides will be issued.

- GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*. This statement is related to government combinations and disposals and is currently not applicable to the City.
- GASB Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement specifies disclosure requirements by governments that extend nonexchange financial guarantees and is currently not applicable to the City.

**Presentation of the Representation Letter fiscal year ended June 30, 2013**

Rob reviewed the Representation Letter. Rob asked if there were any questions. Scott inquired as to the changes in dynamics of the audit review with the implementation of a Transient Lodging Tax (TLT) and an Urban Renewal Agency (URA) in 2014. Rob indicated that a risk assessment will be performed related to the TLT. The URA will have separate financial statements and a separate opinion from the city so the URA funds will need to be audited at an increased level. Additional discussion followed regarding the URA. Rob expressed his appreciation to Marcia and her staff, the audit process is efficient and solid. Scott confirmed praise for the Finance Department.

**Presentation of the Comprehensive Annual Financial Report (CAFR) for fiscal year ended June 30, 2013**

Rob directed everyone to the Independent Auditor's Report. Rob noted the report has been expanded but the content is very similar. The content clearly defines the responsibilities of the auditor and the client. Rob stated that TKW has issued an unmodified or "clean" opinion, which indicates that the City's financial statements are fairly stated in accordance with generally accepted accounting principles. The term unmodified replaces the use of the term unqualified from past audit reports. Cinnamon explained the financial statements are similar to the previous year with few differences, mainly changing Net Assets to Net Position.

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Cinnamon presented the CAFR and encouraged everyone to read the Management's Discussion and Analysis (MD&A). Both Cinnamon and Rob congratulated Marcia on a well written MD&A. Kellie agreed and noted she had been reminding everyone to read it.

Cinnamon reviewed the compliance section. Nothing came to the auditors' attention for the City this year. Rob stated there were no compliance issues with State of Oregon. Cinnamon asked if there were any questions and none were raised.

Discussion followed verifying Rob's presentation of the CAFR to the City Council at the January 14, 2014 City Council meeting. Kellie requested Rob address debt and PERS with the Council as those have come up in the past. Scott indicated the City is considering issuing new debt in fiscal year 2015. Scott added the Council should be informed the unfunded PERS liability will be included in the CAFR in fiscal year 2015.

Travis asked for a big picture review of the city over the past few years. Cinnamon referred to the change in fund balance comparison in the statistical section of the CAFR. Travis noted McMinnville is very fortunate to be financially sound. Kellie and Scott agreed that being proactive and making cuts early on paid off.

Appreciation for TKW was expressed by Marcia, noting the staff continuity and the ability to communicate on issues. Rob expressed how pleasant the city is to work with and his trust that any issues with the City will be dealt with.

Marcia noted part-time CPA Rachael Lembo will no longer work with the City on the audit. Marcia will investigate other options as the budget process continues and determine a solution. Scott commented some additional help can really make things less stressful. Kellie agreed, adding, a pair of fresh eyes is very beneficial for a review.

There being no further business to come before the Committee, the meeting was adjourned.