

**CITY OF MCMINNVILLE**  
**AUDIT COMMITTEE MEETING MINUTES**  
**01/23/2024**  
**5:00 pm**

**Audit Committee:** Jessica Payne, City Councilor  
Kellie Menke, City Councilor (arrived at 5:07 p.m.)  
Meredith Maxfield, Budget Committee member

**Staff:** Jennifer Cuellar, Finance Director  
Ronda Gretzon

**Also present:** Tonya Moffit, Merina and Co.

The meeting was called to order at 5:00 p.m.

1. Consider approval of the minutes from the 3/9/2023 Audit Committee Meeting

Jessica moved to approve the March 9, 2023, meeting minutes. The motion was seconded by Meredith and passed 2-0.

2. City of McMinnville Annual Comprehensive Financial Report for the Year Ended June 30, 2023

Tonya Moffit, Merina and Co., presented the annual comprehensive financial report. The City received an award for the June 30, 2022 audited financial statements. The June 2023 statements had been submitted, but it took about six months to go through the process. She anticipated they would also get the award for the June 2023 statements as well. For the June 30, 2023, statements, they had issued an unmodified, or clean, opinion. The opinion was limited to the basic financial statements and required supplementary information for budget to actual as well as supplementary information in the report. The introductory and statistical sections were not audited, and they had no opinion on those. They did find two material weaknesses which were related to two very specific instances. The first instance was around the construction in process for the Third Street Improvement Project and downtown parking project. There were some items that had been classified in a certain way in the GL and didn't get captured as capital assets. There was also a material weakness around one of the loans received for Urban Renewal.

Kellie arrived at 5:07 p.m.

Jennifer clarified it was consultant work, and they were not clear when the capitalization process was started and what they needed to include in capitalization. They could benefit from more advanced training on this issue. It had been classified as a consultant professional service.

Tonya said the City put into place a corrective action plan. Due to the findings, they had some prior period adjustments. McMinnville Water & Light also had a prior period adjustment for their 2022 water system after determining they had incorrectly recorded certain timber revenues in the wrong period. That was also presented in the financial statements. She showed where the adjustments were located in the financial statements. The statement of net position was the government-wide statement of net position, which was equivalent to a balance sheet. She then noted new items that were listed including subscription-based information technology assets. In the audited financial statements, there were some estimates. The most significant were depreciation of capital assets. The largest estimates the City had were the net pension liability and net OPEB liability. These numbers came from an actuary and were based on the discount rate. If the discount rate changed, the liability numbers fluctuated quite a bit. She then reviewed the schedule of contributions for the pension and how the rates took into consideration the future pension liability.

### 3. Urban Renewal Agency Financial Statement for the Year Ended June 30, 2023

Tonya said for the audit for the Urban Renewal Agency, they had issued an unmodified, or clean opinion. The audit was limited to the basic financial statements and other supplementary information. She discussed their overall net positions, which had increased by about \$500,000. The two material misstatements in the City's budget were also in Urban Renewal, so they had the same findings in Urban Renewal. They also completed the compliance report for Oregon legislature regulations and did not have any findings.

There was discussion regarding the frequency of finding material weaknesses, how since the weaknesses had been corrected, they maintained a clean audit opinion, and how McMinnville Water & Light was a separate entity with its own corrective action plan.

### 4. Report to the Honorable Mayor and City Council for Fiscal Year Ended June 30, 2023

- Auditor Communication to Those Charged with Governance

Tonya said they didn't find any transactions the City entered that didn't have authoritative guidance. When they asked for information, they got all that was needed in a timely manner and they didn't have any disagreements with management. The Oregon legislature had some very specific things for auditors to look at to see if there were any non-compliance with rules and regulations. They only had one finding in the General Fund Non-Departmental that exceeded the appropriations for the budget. This happened sometimes, for instance because an invoice came in late. It was not a large number and she was not concerned.

### 5. City and Urban Renewal Action Plans

Jennifer said for compliance purposes, they had to file the action plans within 30 days. They were on the Council's agenda for approval tonight.

Tonya said because the issue was in both sets of financial statements, there were two different corrective action plans even though they were on the exact same thing.

Jennifer said she followed the template at the Secretary of State's office for the action plans. The two items were around capital issues and recognizing the loan that would be coming in the future. She had already corrected the financial statements; this action plan was to prevent future mistakes. It included training so they understood the capitalization thresholds better and distinction between maintenance and repairs and capital work. She also thought there was benefit to adding a few general ledger categories. She noted Merina's last audit would be in 2025 and they would need to go through the RFP process for a new auditor. They did not have strong policies in the area of loans and she would like to better address how they managed loans receivable.

There was discussion regarding who would do the training and who would be included in the training sessions.

#### 6. FY2023-24 Audit Cycle Initial Planning

Tonya noted there were some new compensated absences calculations for military leave and maternal/paternal leave that would be recorded differently than they were in the past.

There was discussion regarding the potential impact of the Fire District change on next year's audit. Tonya assured them it shouldn't significantly affect the audit process.

#### 7. Other items for discussion

None

The meeting was adjourned at 5:55 p.m.