

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

**Date:** January 12, 2011, 3:00 p.m.

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

**Auditor:** Rob Moody, Talbot, Korvola & Warwick, LLP  
Rina Byrne, Talbot, Korvola & Warwick, LLP

**Staff:** Kent Taylor, City Manager  
Marcia Baragary, Finance Director  
Laurie LeCours, Technical Services Accountant  
Julie Orth, Accountant

**Handouts:** June 22, 2010 Audit Committee Meeting Minutes  
Comprehensive Annual Financial Report, Year Ended June 30, 2010  
Report to the Mayor and City Council, December 6, 2010  
Memorandum regarding Resolution No. 2001-05

**Minutes From June 22, 2010 Meeting**

The minutes from the June 22, 2010 meeting were approved as drafted. Kellie moved to approve the minutes as drafted, seconded by Scott. Motion passed unanimously.

**June 30, 2010 Audit and CAFR**

Rina presented the Comprehensive Annual Financial Report (CAFR) and pointed out the opinion which indicated the CAFR was fairly presented, a “clean” opinion. She explained the financial statements are very similar to the previous year with a few differences:

- Implemented GASB Statement No 51, *Accounting and Financial Reporting for Intangible Assets*, which required the City to record easements for the first time. This resulted in a restatement of beginning balances, as explained in the notes.
- A single audit was not required for fiscal year 2010 due to not exceeding \$500,000 in federal funds expended.
- Water and Light used other auditors this year, which required adding language to the opinion, but no other significant changes.

Rina reviewed the Report to the Mayor and City Council. Nothing significant occurred during the audit – no issues with management and no compliance issues. There was one passed adjusting journal entry related to the fair value of the Local Government Investment Pool (LGIP) – many entities do not make this adjustment, including the City.

Rob mentioned that the audit process went very smoothly this year – the CAFR was done on time and the TKW and City staffs worked well together. Marcia acknowledged Julie’s and Laurie’s hard work on the audit and CAFR. Kellie was impressed that there were no issues or management letter comments.

Kellie and Scott will present the CAFR to the City Council during the January 25, 2011 City Council meeting.

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**Upcoming June 30, 2011 Audit**

Rob explained that the City will be required to implement GASB Statement No 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for fiscal year ended June 30, 2011. GASB 54 provides new guidance on classifying fund balance of governmental funds and clarifies governmental fund type definitions. Laurie mentioned that City staff has already reviewed the City's funds for compliance with the definitions and will be working on the fund balance classifications in the spring. Also, the City will be required to have a single audit for fiscal year ended June 30, 2011.

Rob discussed the audit being risk based and the concept of complacency prevention. In order to not become complacent, TKW will focus on different areas next year. For example, nationally, there is a high incidence of overtime fraud, so TKW will spend time looking at the City's overtime. When determining focus areas, risk factors include economic pressures on employees – no COLAs, furlough days, lay-offs. There was discussion regarding economic pressures, current events, and the fact that a single misstep can destroy public trust.

Interim fieldwork for the June 30, 2011 audit is scheduled for the week of June 20, 2011. TKW would like to have a pre-audit planning meeting with the Audit Committee before interim fieldwork on June 20. Marcia will coordinate scheduling a meeting. Rob appreciates the audit committee structure due to the benefit of City Council and Budget Committee members being more engaged in the audit process.

**Checks requiring Mayor's signature**

Marcia reviewed the memorandum regarding Resolution No 2001-05 which requires the Mayor's or Council President's signature on checks exceeding \$5,000. Given the many approvals required in the new financial system, the prevalence of electronic disbursements, and the logistical challenges, Marcia is recommending Resolution No 2001-05 be revoked. After discussion, the Audit Committee members agreed. Scott and Kellie will discuss the issue with the Mayor. There will be a resolution on the February 8 City Council agenda to revoke Resolution 2001-05.

**IS Long-Term Strategic Plan**

Kellie asked about the status of the IS Long-Term Strategic Plan. Marcia and Kent explained that Murray had all the raw data accumulated and is preparing it for the City Council goal setting session. There was discussion regarding the IS Strategic Plan being good information for the upcoming budget and forecast processes. A mid-year financial review will be discussed during the January 25, 2011 City Council meeting.

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