

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

**Date:** July 24, 2012, 4:00 p.m.

**Audit Committee:** Kellie Menke, City Councilor  
Scott Hill, City Councilor  
Travis Parker, Budget Committee member-not in attendance

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

**Staff:** Kent Taylor, City Manager, not in attendance  
Marcia Baragary, Finance Director  
Julie Orth, Accountant

**Handouts:** January 10, 2012 Audit Committee Meeting Minutes

**Minutes From January 10, 2012 Meeting**

The minutes from the January 10, 2012 meeting were presented for approval. Scott moved to approve the minutes as drafted; motion seconded by Kellie. Motion passed.

**June 30, 2012 Audit**

Monica Parker was introduced. Monica was the Senior on the City's 2011 year-end audit and continued as the Senior during interim fieldwork in June 2012. She will continue as Senior for the City's 2012 year-end audit. Cinnamon Williams will continue as Manager for the City of McMinnville's audit. Monica stated the interim audit is complete and the process went very well. City staff agreed. Cinnamon noted that the interim audit has been reviewed and no weaknesses or risks were indentified to date.

Marcia mentioned that Rachael Lembo, Senior on the City's 2011 interim audit, is now an hourly City of McMinnville employee. Rachael will be working from home and at the office. Rachael will be preparing the Notes on the Comprehensive Annual Financial Report (CAFR) this year.

Rob discussed the audit deliverables for the 2012 audit fieldwork. This year nothing new is expected and there will not be a single audit.

Rob asked the members if they had any areas they would like TKW to review during the audit. Both Scott and Kellie indicated they did not. Marcia noted that City Manager, Kent Taylor, had asked about cash counts and then discussed the value of periodic cash counts and internal controls for cash handling. Scott agreed, noting cash counts send a message that cash handling is a priority. The auditors agreed to perform cash counts during this year-end audit.

Rob explained the necessity for a fraud discussion with the Audit Committee. Rob asked the Audit Committee members if they were aware of any actual or alleged fraud and all responded no. Rob asked the City staff if they were aware of any fraud issues and all responded no.

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Rob initiated a discussion regarding the Audit Committees role including risk assessment and open communication. Scott and Kellie discussed the City Council's operating agreement which includes open and respectful communication. The Council reviews the agreement annually. Rob asked how the values of the Council filter down to the employees. A discussion followed with ideas to formalize a process to distribute information regarding integrity, ethics and values to employees. Scott and Kellie agreed to look at some options and discuss them with City Manager Taylor.

Rob described the process to conclude the audit and indicated we will meet again in January 2013 to present results and discuss any issues that may arise.

**Update on the 2013 budget**

Marcia gave a brief update indicating fiscal year 2012 will end favorably compared to what was budgeted in the fiscal year 2013 budget.

Marcia mentioned that once the property tax information is received in October 2012, she will discuss additional changes to the 2013 budget with City Manager Taylor, as he mentioned possibly changing the budget for the Urban Renewal study. This prompted a discussion of the Urban Renewal study and its relation to the audit.

**New GASB Statements – effective for the City beginning with fiscal year ending June 30, 2013**

- **GASB Statement No. 61**, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*
- **GASB Statement No. 62**, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*
- **GASB Statement No. 63**, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

Rob noted GASB Statement No. 61 is of the most interest for the City, as it deals with the component unit, McMinnville Water & Light. The City is proposing to continue reporting McMinnville Water and Light in the CAFR and Rob is challenging that proposal. Marcia asked if there was a preference to keep McMinnville Water & Light in the City's CAFR. Kellie and Scott responded that their sense was no but that the Mayor and City Manager should be included in the discussion. Rob indicated TKW will need to know the City's decision so they can contact McMinnville Water & Lights' auditors.

Rob indicated GASB Statement No. 62 will be a minimal change for the city, basically allowing the City to omit a paragraph in the Notes to the CAFR. Guidance is now available for GASB Statement No. 63 which will change the fiscal year 2013 Statement of Net Assets to a Statement of Net Position.

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