

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

Date: January 8, 2013, 4:00 p.m.

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

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

Staff: Marcia Baragary, Finance Director
Julie Orth, Accountant
Absent:
Kent Taylor, City Manager

Handouts: July 24, 2012 Audit Committee Meeting Minutes
Report to the Audit Committee, December 19, 2012
Memorandum regarding ethics training

Minutes from July 24, 2012 meeting

The minutes from the July 24, 2012 meeting were presented for approval. Kellie moved to approve the minutes as drafted; motion seconded by Scott. Motion passed.

Presentation of the Comprehensive Annual Financial Report (CAFR) for fiscal year ended June 30, 2012

Rob thanked everyone involved and noted that the audit went really well this year. Rob acknowledged Marcia and her staff for being prepared and for meeting deadlines. Most of the same audit team members returned this year, contributing to an efficient audit. Rob stated that City staff and audit staff work well together.

Cinnamon presented the CAFR and encouraged everyone to read the Management's Discussion and Analysis (MD&A). She congratulated Marcia on a very well written MD&A.

Cinnamon directed everyone to the Independent Auditor's Report. Cinnamon stated that TKW has issued an unqualified or "clean" opinion, which indicates that the City's financial statements are fairly stated in accordance with generally accepted accounting principles. She explained the financial statements are similar to the previous year with a few differences:

- The City implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34* which redefines how component units are presented. Cinnamon explained the City did not need to make any changes in its presentation of the Water & Light Department to implement GASB No. 61.
- A single audit was not required for fiscal year 2012 due to not exceeding \$500,000 in federal funds expended.
- Two sections were removed from the Risk Management Note, Property and Liability Insurance and Workers' Compensation Insurance. These sections were not required by

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generally accepted accounting principles (GAAP) and the Risk Management Note is clearer without those sections.

Kellie inquired if the insurance information could be obtained from another source and Rob responded yes. Marcia noted that workers' compensation insurance information was added to the Commitments and Contingencies section of the Notes. Marcia and Rob agreed that was a more appropriate place for the workers' compensation insurance information.

Cinnamon reviewed the compliance section. Nothing came to the auditors' attention for the City this year. Scott inquired if the new computer system helped that process and Monica responded that yes, the City has controls in place and the staff is aware of those controls, particularly the electronic approval process. Monica also mentioned that the City performs its own risk assessments. Rob elaborated that the audit staff can use the system to review approvals and documentation, which increases efficiency. This allows the audit team to focus on risk areas or new items.

Marcia explained that this year she had requested the auditors review cash controls in two departments. No significant issues were identified. However, the auditors suggested several minor changes which will be implemented by the departments. Monica indicated that, in the future, at least one department's cash controls will be reviewed every year. This review by the auditors helps reinforce the importance of strong cash controls. Scott complimented the City staff and audit team for making changes as areas of potential risk are recognized.

Report to the Audit Committee for fiscal year ended June 30, 2012

Monica reviewed the Report to the Audit Committee which requires certain communications from TKW to the Audit Committee. There were no issues with management and no compliance issues. There was one passed adjusting journal entry related to the year-end payroll accrual. The City has not made this adjustment in the past. Cinnamon commented that there were no other passed adjustments.

Monica discussed the new GASB statements with required implementation for 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* eliminates a reference in the footnotes and will be implemented fiscal year 2013.
- GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* will replace the current Statement of Net Assets with a Statement of Net Position. Rob explained some of requirements but noted it is a limited implementation.

Monica reviewed the Arrangement Letter and the Representation Letter. Monica asked if there were any questions and none were raised.

Marcia reported that the contract with TKW is in effect through fiscal year 2013-14. Interim field work for fiscal year 2013 is scheduled for the first week of June, 2013.

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Marcia noted Rachael Lembo, Technical Services Accountant, will continue to work on the City audit. Marcia complemented Rachael's efficiency and knowledge, working fewer hours than budgeted and mainly from home. Marcia expressed her appreciation of Julie's knowledge and her ability to bring together all the different sections of the CAFR.

Discussion followed verifying Rob's presentation of the CAFR to the City Council at the January 8, 2013 City Council meeting.

Marcia mentioned the City is looking at a new transient occupancy tax and an urban renewal district and will rely on assistance from TKW.

Ethics Training Memorandum from Candace Haines

In response to a question "How does City Council communicate values to employees?" the City will be providing mandatory ethics training to all employees. Kellie thought councilors should attend and requested they be notified. Scott asked that Travis also be included. Marcia indicated she will send the agenda to the councilors and Travis. Scott commented ethics training is done yearly at the bank and thought it worked well. Kellie agreed and commented on how it ties in with other ideas such as an ethics hotline. Marcia noted employees will be required to sign a form stating they participated in the training and the form will be placed in their personnel file.

Draft of the Fiscal Forecast

Marcia relayed a message from Kent that the City's budgetary conservatism has paid off and that being proactive will hopefully alleviate additional reductions in the 2013-14 budget. The updated forecast will be available in January.

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