

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

Meeting takes place in Civic Center conference room with hybrid option via Zoom

<https://mcminnvilleoregon.zoom.us/j/88174422580?pwd=PbpOpavsple6LqNC69vI5DAp5nXreu.1>

Meeting ID: 881 7442 2580

Passcode: 741073

One tap mobile

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1. Consider approval of the minutes from the 3/9/2023 Audit Committee Meetings
2. City of McMinnville Annual Comprehensive Financial Report for the Year Ended June 30, 2022
3. Urban Renewal Agency Financial Statements for the Year Ended June 30, 2023
4. Report to the Honorable Mayor and City Council for Fiscal Year Ended June 30, 2023
 - Auditor Communication to Those Charged with Governance
5. City and Urban Renewal Action Plans
6. FY2023-24 Audit cycle initial planning
 - Merina and Company is with the city for FY2023-24 and FY2024-25
7. Other items for discussion

Documents:

1. Agenda
2. Minutes 3.9.2023 Audit Committee Meeting
3. [FY23 City CAFR](#)
4. [FY23 UR Annual Financial Statement](#)
5. City Action Plan
6. UR Action Plan

CITY OF MCMINNVILLE
AUDIT COMMITTEE MEETING MINUTES
03/09/2023
1:00 pm

Audit Committee: Jessica Payne, City Councilor
Kellie Menke, City Councilor
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 1:00 p.m.

1. Consider approval of the minutes from the 2/8/2022 Audit Committee Meeting

Kellie moved to approve the February 8, 2022, meeting minutes. The motion was seconded by Jessica and passed 2-0-1 with Jessica abstaining.

2. City of McMinnville Annual Comprehensive Financial Report for the Year Ended June 30, 2022

Tonya Moffit, Merina and Co., stated they had issued the City's financial statement audit for June 30, 2022 on December 29, 2022. She reviewed the additional work the City chose to include in the Annual Comprehensive Financial Report that was not required. The audit was an unmodified, or clean, opinion. She explained the pieces that they did not have an opinion on but were provided as supplemental information. There was also a separate audit for compliance with federal grant requirements and other reporting required for Oregon minimum standards. There were no findings for these items and no restrictions were placed on the audit. She noted one new accounting policy change due to GASB 87 regarding airport leases. She discussed estimates for depreciation, compensated absences, other post employment benefits, and net pension liability in the City's financial statements. She then explained her approach to the audit, which was risk based.

Tonya continued by discussing the City's single audit report. It was also a clean opinion and the City was in compliance for the major federal program. She explained the schedule of expenditures of federal awards for the year that ended on June 30, 2022. The City spent \$2,223,470.00 of federal funding last year and \$1,488,951.00 of federal aviation administration grants. The City qualified as a low-risk auditee.

There was discussion regarding ARPA fund deadlines, interest on the deferred revenue, and restrictions for its use.

3. Urban Renewal Agency Financial Statements for the Year Ended June 30, 2022

Tonya said Urban Renewal was included in the City's annual financial report, but it was a separate legal entity and had to be presented separately. They had a clean, unmodified opinion for the Urban Renewal financial statements. They were also in compliance with the minimum standards in accordance with Oregon state regulations.

She discussed the life of the Urban Renewal District, where the relationship with McMinnville Water & Light showed up on the City's financials, and gave an overview of the statement of net position, statement of activities, governmental funds, and proprietary funds in the City's financial statements.

4. Report to the Honorable Mayor and City Council for Fiscal Year Ended June 30, 2022

- Auditor Communication to Those Charged with Governance

Tonya said there were no findings in the audit, and they were able to get access to all the information needed. Any major estimates or changes were in the management discussion analysis and statistical analysis. She noted they would be doing two more audits for the City, and then their contract would expire. They would not be bidding for renewal as they were getting out of the audit business and focusing on consulting.

5. FY2022-23 Audit Cycle Initial Planning

Tonya discussed new GASB policy changes for long term contracts and financial reporting as well as changes if the new Fire District was approved by voters. She recommended the City do the books for the new Fire District, for at least one or two fiscal years. There would be an Intergovernmental Agreement between the City and new Fire District to reimburse the City for the cost.

6. Other items for discussion

None

The meeting was adjourned at 2:27 p.m.



City of McMinnville

230 NE Second Street McMinnville, Oregon 97128 www.mcminnvilleoregon.gov

January 23, 2024

Oregon Secretary of State, Audits Division
255 Capitol St. NE, Suite #500
Salem, OR 97310

Plan of Action for City of McMinnville

The City of McMinnville respectfully submits the following corrective action plan in response to deficiencies reported in our audit of fiscal year ended June 30, 2023. The audit was completed by the independent auditing firm Merina and Company and reported the deficiencies listed below. The plan of action was adopted by the governing body at their meeting on January 23, 2024, as indicated by the signature below.

The deficiencies are listed below, including the adopted plan of action and timeframe for each.

1. Deficiency #1 Controls were not in place to ensure the City correctly recorded and capitalized expenditures related to capital projects within the Urban Renewal Agency.

- a. Type of deficiency - Material Weakness

Criteria: Capital asset additions not accurately capitalized as per Generally Accepted Accounting Principles (GAAP).

Effect: The Urban Renewal Agency's capital assets were misstated in the prior year's financial statements.

Cause: The City misclassified certain materials and service expenditures, resulting in expenditures related to a capital project not being capitalized.

Auditor Recommendation: The City should revise its capital asset policies to improve the review of expenditure classifications promptly.

- b. Document the plan of action

City will strengthen controls through improved training on capitalization thresholds as well as will review and potentially update general ledger codes to capture professional services that are capital in nature.

- c. Timeframe for implementation

By June 30, 2024.

2. Deficiency #2 Controls were not in place to ensure the City correctly recorded loans receivable and deferred revenue amounts related to community development loans within the Urban Renewal Agency

- a. Type of deficiency - Material Weakness

Criteria: Loans receivable and deferred revenue must be recognized as per Generally Accepted Accounting Principles (GAAP).

Effect: The Urban Renewal Agency's loans receivable and deferred revenue were misstated in the financial statements.

Cause: The City did not have adequate controls in place to capture loans receivable transactions; while the City reconciles accounts receivable, the process in place did not capture loans receivable and deferred revenue associated with loans from community development when realized.

Auditor Recommendation: The City should revise its loan policies and internal tracking procedures to ensure loans receivable and deferred revenue are properly reported.

- b. Document the plan of action

City will implement controls to evaluate and review new and outstanding loans on an annual basis as part of the process for recording loans receivable and deferred revenue.

City will implement training on loan policies and procedures as well as consistently track outstanding loan schedules and activity.

- c. Timeframe for implementation

By June 30, 2024.

Mayor Remy Drabkin (Signature)

Date



City of McMinnville

230 NE Second Street McMinnville, Oregon 97128 www.mcminnvilleoregon.gov

January 23, 2024

Oregon Secretary of State, Audits Division
255 Capitol St. NE, Suite #500
Salem, OR 97310

Plan of Action for City of McMinnville Urban Renewal Agency

The City of McMinnville Urban Renewal Agency respectfully submits the following corrective action plan in response to deficiencies reported in our audit of fiscal year ended June 30, 2023. The audit was completed by the independent auditing firm Merina and Company and reported the deficiencies listed below. The plan of action was adopted by the governing body at their meeting on January 23, 2024, as indicated by the signature below.

The deficiencies are listed below, including the adopted plan of action and timeframe for each.

1. Deficiency #1 Controls were not in place to ensure the City correctly recorded and capitalized expenditures related to capital projects within the Urban Renewal Agency.

- a. Type of deficiency - Material Weakness

Criteria: Capital asset additions not accurately capitalized as per Generally Accepted Accounting Principles (GAAP).

Effect: The Urban Renewal Agency's capital assets were misstated in the prior year's financial statements.

Cause: The City misclassified certain materials and service expenditures, resulting in expenditures related to a capital project not being capitalized.

Auditor Recommendation: The City should revise its capital asset policies to improve the review of expenditure classifications promptly.

- b. Document the plan of action

City will strengthen controls through improved training on capitalization thresholds as well as will review and potentially update general ledger codes to capture professional services that are capital in nature.

- c. Timeframe for implementation

By June 30, 2024.

- 2. Deficiency #2 Controls were not in place to ensure the City correctly recorded loans receivable and deferred revenue amounts related to community development loans within the Urban Renewal Agency

- a. Type of deficiency - Material Weakness

Criteria: Loans receivable and deferred revenue must be recognized as per Generally Accepted Accounting Principles (GAAP).

Effect: The Urban Renewal Agency's loans receivable and deferred revenue were misstated in the financial statements.

Cause: The City did not have adequate controls in place to capture loans receivable transactions; while the City reconciles accounts receivable, the process in place did not capture loans receivable and deferred revenue associated with loans from community development when realized.

Auditor Recommendation: The City should revise its loan policies and internal tracking procedures to ensure loans receivable and deferred revenue are properly reported.

- b. Document the plan of action

City will implement controls to evaluate and review new and outstanding loans on an annual basis as part of the process for recording loans receivable and deferred revenue.

City will implement training on loan policies and procedures as well as consistently track outstanding loan schedules and activity.

- c. Timeframe for implementation

By June 30, 2024.

Mayor Remy Drabkin (Signature)

Date