



McMinnville Urban Renewal Agency Meeting Agenda

Tuesday, January 23, 2024

7:00 p.m.

(IMMEDIATELY FOLLOWING REGULAR CITY COUNCIL MEETING)

Welcome! The public is strongly encouraged to participate remotely but there is seating at Civic Hall for those who are not able to participate remotely. However, if you are not feeling well, please stay home and take care of yourself.

The public is strongly encouraged to relay concerns and comments in one of three ways:

- Email at any time up to **12 p.m. on Monday, January 22nd** to claudia.cisneros@mcminnvilleoregon.gov
- If appearing via telephone only please sign up prior by **12 p.m. on Monday, January 22nd** by emailing the City Recorder at claudia.cisneros@mcminnvilleoregon.gov as the chat function is not available when calling in zoom;
- Join the zoom meeting use the raise hand feature in zoom to request to speak, once your turn is up we will announce your name and unmute your mic. **You will need to provide your First and Last name, Address, and contact information (email or phone) to the City.**

*You can live broadcast the City Council Meeting on cable channels Xfinity 11 and 331,
Frontier 29 or webstream here:*

mcm11.org/live

URBAN RENEWAL AGENCY MEETING:

You may join online via Zoom Meeting:

<https://mcminnvilleoregon.zoom.us/j/85453994999?pwd=3pd2OzeLtv0EXEUG9Sng9fXxYEVdL.1>

Zoom ID: 854 5399 4999

Zoom Password: 259378

Or you can call in and listen via Zoom: 1-253- 215- 8782

ID: 854 5399 4999

1. CALL TO ORDER

2. RESOLUTION

- a. Consider **Resolution No. 2024-01:** A Resolution adopting a Plan of Action to address audit deficiencies encountered in the FY2022-2023 financial statements for the City of McMinnville Urban Renewal Agency.

3. ADJOURNMENT

STAFF REPORT

DATE: December 12, 2023
TO: Jeff Towery, City Manager
FROM: Jennifer Cuellar, Finance Director
SUBJECT: FY2022-23 Action Plan



CITY GOVERNMENT CAPACITY

Strengthen the City's ability to prioritize & deliver municipal services with discipline and focus.

Report in Brief: Action Plan resolution, authorizing Mayor to sign letter to the Secretary of State

Discussion of Budget Amendment

On December 29, 2023, the McMinnville Urban Renewal Agency's financial statements were filed with the Secretary of State.

I'm pleased to report that Merina and Co will issue an unmodified opinion (AKA a clean opinion) but – unfortunately, there's some bad news as well. Two material weaknesses were identified by the auditors during this year's annual cycle.

When a municipal agency receives a material weakness finding, it is required under ORS 297.466 to file a Plan of Action with the Secretary of State within 30 days of receiving the opinion. This resolution and Plan of Action, based on a template letter format provided by the Secretary of State, is before you for approval, meeting the deadline for addressing the concerns raised.

On January 23, 2024, the report back from the auditor on the FY2022-23 audit to the Council is scheduled and she will be available to answer any additional questions about the audit process or the Plan of Action.

Fiscal Impact:

A modest cost for training and professional accounting review of new policies and procedures will be incurred, as will the opportunity cost in staff time so we can educate key staff on these updated policies and procedures. However, anything we can do to strengthen our financial internal controls and general practice will benefit the City indirectly as it carries out its financial activities.

Council Options:

1. Adopt the resolution for the Action Plan.
2. Do not adopt resolution Action Plan as attached but make desired amendments during the January 23rd meeting so that the organization meets the statutory requirement of filing the plan within 30 days of filing the annual financial statements.

Documents:

1. Action Plan included in the body of the letter to the Oregon Secretary of State
2. Resolution for the Action Plan – City of McMinnville Urban Renewal Agency

RESOLUTION NO. 2024-01

A Resolution adopting a Plan of Action to address audit deficiencies encountered in the FY2022-2023 financial statements for the City of McMinnville Urban Renewal Agency.

RECITALS:

Whereas, the City of McMinnville received two material weakness audit deficiency findings for its annual audit; and

Whereas, ORS 297.466 requires that a Plan of Action be adopted by the governing body within 30 days of receipt of the audit; and

Whereas, the Plan of Action shall describe the deficiency and actions taken to address the deficiency; and

Whereas, the Secretary of State provides a template for the Plan of Action and this model was utilized by the City and is found in letter format addressed to the Secretary of State on City of McMinnville letterhead; and

NOW, THEREFORE, BE IT RESOLVED BY THE COMMON COUNCIL OF THE CITY OF McMINNVILLE, OREGON, as follows:

1. The Plan of Action is hereby approved.
2. The Mayor is authorized to sign the Plan of Action letter.
3. The Finance Director is directed to submit the Plan of Action to the Secretary of State.

Adopted by the Governing Body of the City of McMinnville's Urban Renewal Agency at a regular meeting held the 23rd day of January, 2024 by the following votes:

Ayes: _____

Nays: _____

Approved this 23rd day of January, 2024.

MAYOR

Approved as to form:

Attest:

CITY ATTORNEY

CITY RECORDER



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