

## AUDIT COMMITTEE

Video via Zoom  
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## MINUTES

FEBRUARY 26, 2024

**Chair Dake** called the Audit Committee meeting to order at 5:36 p.m.

**Present:** Matt Dake, Mack Golos, Mona Henry, Robert Massey, and Mary Rowe

**Absent:** None

**Guest:** Jessica Luther-Haynes, Aldrich CPAs

**Staff:** Assistant Finance Director Michael Osborne  
Assistant City Manager Emma Sagor  
Accountant Judy Serio

### 1. CALL TO ORDER AND INTRODUCTIONS

### 2. COMMUNITY COMMENTS

None

### 3. FY23 FINANCIAL AUDIT

**Osborne** stated the FY23 audit for the city is completed and the FY23 Milwaukie Redevelopment Commission (MRC) audit was submitted to Aldrich CPAs last week. This is the first audit of the MRC. The main audit has been through partner review and the city is awaiting the independent auditor's report.

**Luther-Haynes** began the presentation stating both the city's and MRC's audits have both filed for extensions with the state. The city's audit has an extension until March 1<sup>st</sup>, at that time it will be filed with the state. The MRC has an extension until March 8<sup>th</sup> and should be filed with the state at that time. The audit timeline was provided to members. The first draft of the city's financial statements provided to Aldrich was delayed and was received in January. None of the audit reports have been issued. An unmodified opinion will be issued for the city's financial statements. The MRC will be a review of the financial statements not a full audit.

**Luther-Haynes** referenced the Statement of Net Position, this report shows the assets, liabilities, deferred outflows, and deferred inflows of resources for both governmental and business-type activities. Cash & investments and restricted cash and investments are \$86 million mainly due to the issuance of debt and American Rescue Plan Act (ARPA) funds received but not spent. During the fiscal year, the city implemented GASB 96, subscription-based agreements, which is reflected in both the assets and liabilities. The city ended the year with close to \$103 million in total net position.

**Luther-Haynes** continued with the Statement of Activities which illustrates the city's revenues and expenses for governmental and business-type activities; the overall change in net position exceeded \$2 million. The notes to the basic financial statements contain information relating to the financial statements' numbers.

**Luther-Haynes** continued with the General Fund's Schedule of Revenues, Expenditures, and Changes in Fund Balance; this statement shows the original adopted budget and any supplemental budget or budget transfer done during the fiscal year. For the first year of the biennium the city collected just over \$17 million in revenues, representing 47% of the budgeted revenues for the biennium. The General Fund's ending fund balance decreased \$1.1 million. The statistical section of the Annual Comprehensive Financial Report (ACFR) is prepared as one of the requirements to submit for the GFOA award; this section illustrates a ten-year trend for specific items.

**Luther-Haynes** continued with the compliance section. Auditors are required to perform tests to illustrate compliance with Oregon Revised Statute 279; there was a finding in the competitive bidding of a project. There were also internal control deficiencies, during the audit there was a material weakness related to internal control of journal entries. Auditors identified fourteen journal entries that were not originally included in the trial balance provided to the auditors.

**Osborne** explained some of the journal entries were related to the accounting for the transportation bond, where the city paid for the bond costs by having the bond council deduct these costs from the distribution to the city.

**Member Rowe** asked if there are changes that will be implemented regarding the journal entries.

**Sagor** responded that other journal entries were related to the new GASB pronouncements related to leases and subscription-based IT agreements.

**Councilor Massey** asked how the journal entries are incorrect.

**Osborne** responded that the journal entries for the leases and subscription-based agreements were how the city accounted for these new pronouncements; new account numbers were set up for these two pronouncements. Recording of the bond's change in portfolio including dividends and interest were the investment journal entries.

**Chair Dake** asked if it is the nature of the entries that led to the material weakness.

**Luther-Haynes** stated the combination of all the entries amounted to \$12 million; the investments were not recorded at market value.

**Member Rowe** commented there was significant growth in the city's net position.

**Osborne** responded that it is mainly due to the bonds taken in 2018 and 2023 for quite a few upcoming construction projects.

**Member Golos** asked outside of the LGIP, what was the value of assessment.

**Luther-Haynes** responded it was recorded at cost.

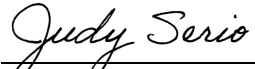
#### **4. DISCUSSION BETWEEN COMMITTEE AND AUDITORS**

Staff members left the meeting.

#### **8. ADJOURN**

The meeting was adjourned at 6:20 p.m.

Respectfully submitted,

A handwritten signature in cursive script that reads "Judy Serio".

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Judy Serio, Secretary / Accountant