

RESOLUTION NO. 1300

A RESOLUTION AUTHORIZING A PROFESSIONAL SERVICES CONTRACT WITH COOPERS & LYBRAND TO PERFORM AN INDEPENDENT AUDIT OF FISCAL YEAR 1995-96.

WHEREAS, ORS 297.425 requires every municipal corporation to be audited and examined at least once each fiscal year; and,

WHEREAS, in 1992 the City solicited competitive bids from companies interested in providing audit services; and,

WHEREAS, the accounting firm of Coopers & Lybrand was selected to perform the auditing services and has done so to the satisfaction of the City; and,

WHEREAS, Coopers & Lybrand has proposed to provide auditing services for the fiscal year ended June 30, 1995 in the amount of \$26,000; and,

WHEREAS, the City desires to contract with the firm of Coopers & Lybrand to perform independent audit services of the fiscal year ended June 30, 1996.

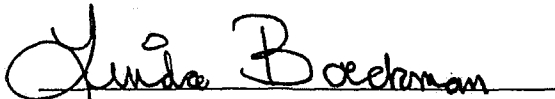
NOW, THEREFORE, THE CITY OF WILSONVILLE RESOLVES AS FOLLOWS:

1. To authorize the Finance Director to enter into a professional service agreement with Coopers & Lybrand for the provision of independent auditing services of the fiscal year ended June 30, 1996 in the amount of \$26,000.

ADOPTED by the City Council of the City of Wilsonville at a special meeting thereof on the 7th day of August, 1996, and filed with the City Recorder this same date.


GERALD A. KRUMMEL, Mayor

ATTEST:


Linda Boeckman, Deputy City Recorder

SUMMARY of Votes:

Mayor Krummel Yes

Councilor Lehan Yes

Councilor Hawkins Yes

Councilor MacDonald Yes

Councilor Leahy Yes

FINANCE DEPARTMENT
STAFF REPORT & RECOMMENDATIONS

DATE: AUGUST 5, 1996

**TO: HONORABLE MAYOR
AND CITY COUNCILORS**

**FROM: GARY S. WALLIS
FINANCE DIRECTOR**

SUBJECT: AUDIT SERVICES, FISCAL YEAR 1995-96

SUMMARY:

By state statute the city must be audited each year. The accounting firm of Coopers & Lybrand has provided this service since June 1992. As part of the auditing service the firm reviews the account balances and performs certain tests to obtain assurance that the accounting and financial records present fairly the financial position and results of operations.

The firm proposes to provide these services in the amount of \$26,000. This amount is derived from the 1994-95 audit fee and adjusted for inflation. The fee includes the audit and preparation and printing of the annual reports for the city and its component unit (Urban Renewal Agency).

Coopers & Lybrand has performed these services to the satisfaction of the city.

RECOMMENDATION:

Staff recommends the authorization of a professional services agreement with Coopers & Lybrand to perform an audit of the fiscal year ended June 30, 1996.

Respectfully Submitted,

Gary S. Wallis
Finance Director

May 6, 1996

Honorable Mayor and City Council
City of Wilsonville
30000 S.W. Town Center Loop E
Wilsonville, Oregon 97070

Ladies and Gentlemen:

This letter of arrangement between City of Wilsonville (the City) and Coopers & Lybrand L.L.P. sets forth the nature and scope of the services we will provide, the City's required involvement and assistance in support of our services, the related fee arrangements and other terms and conditions designed to ensure that our professional services are performed to achieve the mutually agreed upon objectives of the City.

SUMMARY OF SERVICES

We will audit the general purpose financial statements of the City (including the audit of the Urban Renewal Agency of the City of Wilsonville) as of and for the period ending June 30, 1996, in accordance with generally accepted auditing standards. The objective of an audit is the expression of our opinion concerning whether the general purpose financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Proprietary Funds of the City in conformity with generally accepted accounting principles. We expect to deliver our report on or about December 16, 1996.

The engagement will be led by:

- Brent Macey, partner, who will be responsible for assuring the overall quality, value, and timeliness of our services to you
- Mike Basart, manager, who will be responsible for managing the delivery of our services to you

Nick Gray will serve as the concurring partner and will be available in the absence of the engagement partner. This team will have access to a full range of specialists to assist as necessary.

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LIMITATIONS OF THE AUDITING PROCESS

Our audit will include procedures designed to provide reasonable assurance of detecting errors and irregularities that are material to the financial statements. As you are aware, however, there are inherent limitations in the auditing process. For example, audits are based on the concept of selective testing of the data being examined and are, therefore, subject to the limitation that errors and irregularities, if they exist, may not be detected. Also, because of the characteristics of irregularities, including attempts at concealment through collusion and forgery, a properly designed and executed audit may not detect a material irregularity.

Similarly, in performing our audit we will be aware of the possibility that illegal acts may have occurred. However, it should be recognized that our audit provides no assurance that illegal acts generally will be detected, and only reasonable assurance that illegal acts having a direct and material effect on the determination of financial statement amounts will be detected. We will inform you with respect to material errors and irregularities, or illegal acts that come to our attention during the course of our audit.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance with laws, regulations, contracts, and grants applicable to the City is the responsibility of the City's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective is not to provide an opinion on overall compliance with such provisions.

RESPONSIBILITIES AS TO INTERNAL CONTROLS

As a part of our audit, we will consider the City's internal control structure, as required by generally accepted auditing standards. These standards require us to obtain an understanding of the control structure and assess risk as a basis for determining the nature, timing, and extent of auditing procedures necessary for expressing our opinion on the general purpose financial statements. You recognize that the general purpose financial statements and the establishment and maintenance of an internal control structure are the responsibility of management. Appropriate supervisory review procedures are necessary to provide reasonable assurance that adopted policies and prescribed procedures are adhered to and to identify errors and irregularities or illegal acts. As part of our consideration of the City's internal control structure, we will inform you of matters that come to our attention that represent significant deficiencies in the design or operation of the internal control structure.

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We are prepared at your request to perform a more in-depth assessment of the City's internal control structure, and report our findings and recommendations, or to conduct an examination engagement on the effectiveness of your internal control structure. We would be pleased to discuss fees for these services, which depend on their scope.

REPRESENTATION FROM MANAGEMENT

At the conclusion of the engagement, the City's management will provide to us a representation letter that, among other things, will confirm management's responsibility for the preparation of the general purpose financial statements in conformity with generally accepted accounting principles, the availability of financial records and related data, the completeness and availability of all minutes of the City Council and committee meetings, management's responsibility for the entity's compliance with laws and regulations, the identification and disclosure to the auditor of all laws and regulations that have a direct and material effect on the determination of financial statement amounts and, to the best of their knowledge and belief, the absence of irregularities involving management or those employees who have significant roles in the control structure. Additionally, representations will be requested as to the financial reporting entity's financial statements to be audited; the inclusion of all component units, and the disclosure of all joint ventures and other related organizations; the proper classification of funds and account groups; the proper approval of reserves or designations of fund equities; compliance with laws and regulations, including budget laws or ordinances; compliance with any tax or debt limits, including any related debt covenants; representations relative to GASB-required supplementary information; and identification of all federal assistance programs, if applicable, and compliance with all related grant requirements.

The City hereby indemnifies Coopers & Lybrand L.L.P. and its partners, principals and employees, and holds them harmless from all claims, liabilities, losses, and costs arising in circumstances where there has been a knowing misrepresentation by a member of the City's management, regardless of whether such person was acting in the City's interest. This indemnification will survive termination of this letter of arrangement.

COMMUNICATIONS

As part of this engagement we will ensure that certain additional matters are communicated to the appropriate members of management and the City Council. Such matters include (1) the initial selection of and changes in significant accounting policies and their application; (2) the process used by management in formulating particularly sensitive accounting estimates and the basis for our conclusions regarding the reasonableness of those estimates; (3) audit adjustments that could,

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in our judgment, either individually or in the aggregate, have a significant effect on your financial reporting process; (4) any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the financial statements or our report; (5) our views about matters that were the subject of management's consultation with other accountants about auditing and accounting matters; (6) major issues that were discussed with management in connection with the retention of our services, including, among other matters, any discussions regarding the application of accounting principles and auditing standards; and (7) serious difficulties that we encountered in dealing with management related to the performance of the audit.

As part of our ongoing process of assessing the quality of our services, you may receive questionnaires from us and/or visits from senior partners not directly involved in providing services to you. We appreciate the attention that you give to these and value your commentary. Additionally, if you have questions or concerns about our services, you may contact Art Haigh, the Business Assurance Partner-In-Charge responsible for the engagement team serving you.

TERMS AND CONDITIONS SUPPORTING FEE

As a result of our planning process, the City and Coopers & Lybrand have agreed to an approach aimed at achieving the City's objectives for an agreed upon fee, subject to the following conditions.

To facilitate meeting our mutual objectives, the City will provide in a timely manner audit schedules and supporting information, including timely communication of all significant accounting and financial reporting matters, as well as working space and clerical assistance as mutually agreed upon and as is normal and reasonable in the circumstances. When and if for any reason the City is unable to provide such schedules, information and assistance, Coopers & Lybrand and the City will mutually revise the fee to reflect additional services, if any, required of us to achieve these objectives. Such revisions will be set forth in the form of the attached "Amendment to Letter of Arrangement."

In providing our services, we will consult with the City with respect to matters of accounting, financial reporting or other significant business issues. Accordingly, time necessary to effect a reasonable amount of such consultation is reflected in our fee. However, should a matter require research, consultation or audit work beyond that amount, Coopers & Lybrand and the City will agree to an appropriate revision in services and fee. Such revisions will also be set forth in the form of the attached "Amendment to Letter of Arrangement."

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Except for any changes in fees which may result from the circumstances described above, our fees will be limited to those set forth below.

FEE

Our fees for the services described above will be \$26,000, including expenses, subject to the terms and conditions above. Such expenses will include all travel, subsistence and an allocation of office charges in support of our services including computer usage, telephone, facsimile transmission, postage, photoreproduction and similar expenses.

Invoices rendered are due and payable upon receipt.

ACCESS TO WORKING PAPERS

The working papers for this engagement are the property of Coopers & Lybrand and constitute confidential information. Except as discussed below, any requests for access to our working papers will be discussed with you prior to making them available to requesting parties.

Our Firm, as well as all other major accounting firms, participates in a "peer review" program, covering our audit and accounting practices. This program requires that once every three years we subject our quality assurance practices to an examination by another accounting firm. As part of the process, the other firm will review a sample of our work. It is possible that the work we perform for you may be selected by the other firm for their review. If it is, they are bound by professional standards to keep all information confidential. If you object to having the work we do for you reviewed by our peer reviewer, please notify us in writing.

We may be requested to make certain working papers available to the Oregon Secretary of State, Division of Audits pursuant to authority given to it by law or regulation. If requested, access to such working papers will be provided under the supervision of Coopers & Lybrand personnel. Furthermore, upon request, we may provide photocopies of selected working papers to the Oregon Secretary of State, Division of Audits. The Oregon Secretary of State, Division of Audits, may intend or decide, to distribute the photocopies or information contained therein to others, including other governmental agencies.

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If the foregoing is in accordance with your understanding, please sign the copy of this letter in the space provided and return it to us. We sincerely appreciate the opportunity to be of service to you. If you have any questions, please call Brent Macey at (503) 417-2303.

Very truly yours,

Coopers & Lybrand L.L.P.

Attachment

✓ cc: Mr. Gary Wallis

Brent A. Macey

SUBMITTED BY Brent A. Macey

ACCEPTED BY

DATE

TITLE

AMENDMENT #___ TO LETTER OF ARRANGEMENT

[Date]

Honorable Mayor and City Council
City of Wilsonville
30000 S.W. Town Center Loop E
Wilsonville, Oregon 97070

Ladies and Gentlemen:

The letter of arrangement dated May 6, 1996 between Coopers & Lybrand L.L.P. and the City of Wilsonville is hereby amended to reflect the following:

<u>Description of/Causes for Amendment</u>	<u>Estimated Fees Impact</u>
	\$
Total this amendment	_____
Previous fee estimate	_____
Revised fee estimate	\$ _____

Please sign the copy of this letter in the space provided and return it to us. If you should have any questions, please call Brent Macey at (503) 417-2303.

Very truly yours,

Coopers & Lybrand L.L.P.

SUBMITTED BY

ACCEPTED BY

DATE

TITLE