



NOTICE OF PUBLIC MEETING

COUNCIL AUDIT COMMITTEE

City Hall
Calapooia Room

Thursday, January 14, 2010
1:30 p.m.

AGENDA

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF MINUTES
 - January 15, 2009. [Pages 1-3]
 - Action: _____
4. SCHEDULED BUSINESS
 - a. Business from the Public
 - b. Presentation of findings for the FY2008-2009 audit. [Pages 4-9]
Action: _____
 - c. Transient Room Tax audit. [Verbal]
Action: _____
5. BUSINESS FROM THE COMMITTEE
6. NEXT MEETING DATE: *TBA*
7. ADJOURNMENT

City of Albany Web site: www.cityofalbany.net

The location of the meeting/hearing is accessible to the disabled. If you need special accommodations to attend or participate, please notify the Human Resources Department in advance by calling (541) 917-7500.



DATE APPROVED: _____

AUDIT COMMITTEE
Periwinkle Room
Thursday, January 15, 2009
1:30 p.m.

MINUTES

Committee members present: Jeff Christman, Ralph Reid, Jr., Sue Folden

Committee members absent: Sharon Konopa (excused)

Staff present: Stewart Taylor, Finance Director; John Stahl, Assistant Finance Director; Mike Murzynsky, Senior Accountant; Diane Wood, Purchasing Coordinator

Others present: Brad Bingenheimer of Boldt, Carlisle, & Smith, LLC

CALL TO ORDER

Jeff Christman called the meeting to order at 1:30 p.m.

APPROVAL OF APRIL 11, 2008, MINUTES

MOTION: Ralph moved to approve the minutes from April 11, 2008. Sue seconded the motion, and it passed 3-0.

SCHEDULED BUSINESS

Business from the Public

None.

Transient Room Tax Audit

This item was moved to the beginning of the agenda. Stewart said that all the hotels in Albany were audited last year. Stewart suggested doing future transient room tax audits in-house and that an intern can perform the audit. Stewart asked how the group would like to proceed with future audits. Ralph said that there were three hotels that weren't in compliance last year; so he would start by auditing those. Sue asked what time period was used for last year's audit. Stewart said it was looking back at the past six months. Jeff asked how long the intern would be available for. Stewart said that he would be here for one month. Ralph asked if that would be enough time for the intern. Stewart said that, yes, it should be easily done. Ralph asked if the auditor would be able to review it. Jeff said that it's a great idea to use an intern. Jeff said that he was pleased with the results from last year's transient room tax audit, and it doesn't look like there is a big problem. He would like to see three hotels a year audited, and he thinks looking back six months should be enough. Ralph asked how often ownership changes hands among hotels. Stewart said he didn't know for sure; but during the last audit, one of the hotels was changing ownership.

The group decided to go forward with an audit of three hotels per year, the audit would look back at the last six months, and the auditors will provide oversight. Brad said that he will provide the procedures that his team used when performing the audit this year.

Presentation of Findings for the FY2007-2008 Audit

Stewart said that the SAS Requirements include having an internal procedures manual and controls to create it. An internal procedures documentation manual was created in Finance for internal controls and sustaining operations. Stewart asked Brad what he thought of the manual and he said that the City of Albany set the bar for a procedures manual. It is going to be an ongoing manual and will be updated every year. Jeff asked if that is something that should be shared with the rest of the Council or if it is part of the audit. Stewart said that it is part of the audit. Ralph asked if it will be available in electronic format. Mike said that he could put it on a flash drive.

There were concerns from the auditors regarding the alternative method for competitive bidding. Diane said that the auditors asked specifically about the Library project. A competitive method was used and allowed by ORS. Ralph said that he thought that the WTP followed the same process. Jeff asked if there were other instances that this had occurred. Diane said that there were a few other projects, but the Library project was the largest. Diane said that the reason why an alternative method was chosen for the Library project was so staff could find a contractor with the most experience and to look at things like completing a project on time and within budget, and using local subcontractors. Diane said that a reason for not using alternative contracting and special procurement methods is to deter favoritism. Departments are adding more justification for the reason why they are using a special procurement process. Stewart said that alternative methods need to have plenty of supporting documentation for the process. Brad said that the issue with the Library project is because it is a construction project and is not a unique project. Stewart asked if verifying prequalified bidders may eliminate low bidders. Brad said that you have to be careful when this is done; you must be able to demonstrate that a project was done at the lowest cost possible. Brad said that nothing was done wrong, but extra care needs to be taken when using an alternative method. Diane said that after the project is finished a post-process report must be done and given to the City Council for alternative contracting methods, such as the Library construction project. Brad said that the audit went very well; internal controls were looked at, and an internal control manual created. This year, Mike will be doing the CAFR. Jeff asked if in the future, the auditors would check to see if the internal controls are working correctly. Brad said that is part of the process and every year they will look at internal controls at some level.

GASB 45 – Brad said that over the years, the City has made agreements with City employees that they can participate in the health insurance group rate upon retirement. Brad said that this means City employees may be paying a higher rate because of the retirees. A discussion followed regarding insurance for retirees and how it affects the budget. The second item has to do with how appropriations are approved that adopts the budget. There are categories and programs. Both methods are used in the City budget. The two largest are in the Water and Sewer Funds and these are done by categories. John said that we want to maintain the program lines that we have. Brad said that when they looked at this issue, they found there are specific funds that each of these will have a page of reconciliations of transfers. Typically, these are set out as a separate appropriation all on their own. John said that we would have to set up a new program for those reconciliations. Brad said that the accounting system doesn't have to match the budget exactly. Brad said that you could have a separate category of transfer outs. Brad said that the contingencies should not be in the program budget. The appropriation document is where the real issue is, not the budget.

BUSINESS FROM THE COMMITTEE

None.

NEXT MEETING DATE

No meeting scheduled at this time.

ADJOURNMENT

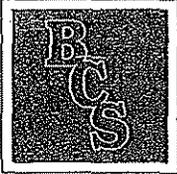
There being no further business, the meeting was adjourned at 3:00 p.m.

Respectfully submitted,

Diana Eilers
Administrative Assistant I

Reviewed by,

Jeff Christman
Chairman



BOLDT, CARLISLE & SMITH LLC

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERSHIP ■ ASSURANCE ■ INNOVATION

December 8, 2009

Honorable Mayor and Members
of the City Council
CITY OF ALBANY
Albany, Oregon

We have audited the financial statements of the CITY OF ALBANY for the year ended June 30, 2009, and have issued our report thereon dated December 8, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 12, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in telephone calls and meetings about planning matters.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the CITY OF ALBANY are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the prepaid pension contribution is based on the initial amount prepaid to PERS less accumulated amortization. We evaluated the key factors and assumptions used to develop the amortization method in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the liability for other post employment benefits is based on information provided by actuaries engaged by the City. We reviewed the actuarial valuation in determining that it is reasonable in relation to the financial statements taken as a whole.

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ALBANY: 321 1st AVENUE E STE 2A ■ ALBANY, OR 97321 ■ PHONE: (541) 928-6500 ■ FAX: (541) 928-6501

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of cash and investments in Note 3 to the financial statements which presents detailed information on the City's bank account balances and investments.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 8, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Institution's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

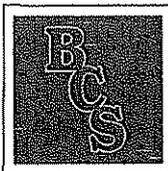
Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Mayor and Members of City Council and management of the CITY OF ALBANY and is not intended to be and should not be used by anyone other than these specified parties.

Boldt, Carlisle & Smith LLC

Certified Public Accountants
Salem, Oregon



BOLDT, CARLISLE & SMITH LLC

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
CITY OF ALBANY
Albany, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **CITY OF ALBANY** as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **CITY OF ALBANY**, as of June 30, 2009, the respective changes in financial position, and cash flows, where applicable, thereof, and the respective budgetary comparisons for the General, Parks and Recreation, and Street Funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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INDEPENDENT AUDITOR'S REPORT (Continued)

The management's discussion and analysis on pages 3 through 13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

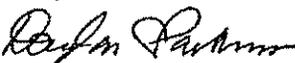
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary data, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards as listed in the Grant Compliance – Single Audit section of the table of contents is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of **CITY OF ALBANY**. The supplementary data and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Boldt, Carlisle & Smith, LLC

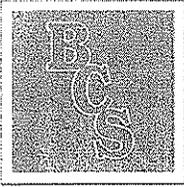
Certified Public Accountants

Salem, Oregon

December 8, 2009

By: 

Douglas C. Parham, Member



BOLDT, CARLISLE & SMITH LLC
CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

Agency Officials
ALBANY REVITALIZATION AGENCY
Albany, Oregon

We have audited the accompanying financial statements of the governmental activities and the major fund of **ALBANY REVITALIZATION AGENCY**, a *Component Unit of the City of Albany, Oregon* as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the **ALBANY REVITALIZATION AGENCY**, as of June 30, 2009, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

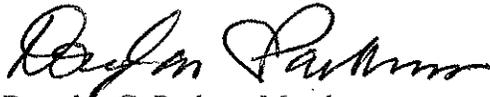
Agency Officials
ALBANY REVITALIZATION AGENCY
Albany, Oregon

INDEPENDENT AUDITOR'S REPORT (Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The Required Supplementary Information and Other Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Required Supplementary Information and Other Schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Boldt, Carlisle & Smith, LLC
Certified Public Accountants
Salem, Oregon

By:


Douglas C. Parham Member