

RESOLUTION No. 2014-3124

A RESOLUTION AWARDING BOLDT CARLISLE + SMITH, LLC, THE CITY'S AUDITOR CONTRACT FOR THE THREE (3) FISCAL YEARS 2013-2014, 2014-2015, AND 2015-2016, WITH A POSSIBLE TWO YEAR EXTENSION

RECITALS:

1. Staff solicited bids from qualified accounting firms and received nine bids. An audit selection committee reviewed the proposals as well as conducted interviews of the four finalists.
2. The audit selection committee selected Boldt Carlisle + Smith, LLC, as the most qualified firm to provide auditing services to the city for the next three fiscal years.

THE CITY OF NEWBERG RESOLVES AS FOLLOWS:

1. The city council, acting as Contract Review Board for the city, does hereby authorize the city manager pro tem to enter into a Professional Services Contract with Boldt Carlisle + Smith, LLC, to complete annual audits for fiscal years 2013-2014 in the amount of \$27,160.00 (plus Single Audit), 2014-2015 in the amount of \$28,250.00 (plus Single Audit, if necessary), and 2015-2016 in the amount of \$29,385.00 (plus Single Audit, if necessary) as attached in Exhibit A, which is hereby adopted and by this reference incorporated.
2. The city manager pro tem is authorized to approve a possible two (2) year contract extension based upon review of auditor performance.

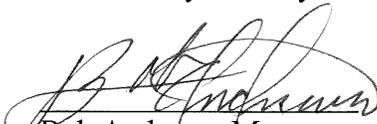
➤ **EFFECTIVE DATE** of this resolution is the day after the adoption date, which is: April 22, 2014.

ADOPTED by the City Council of the City of Newberg, Oregon, this 21st day of April, 2014.

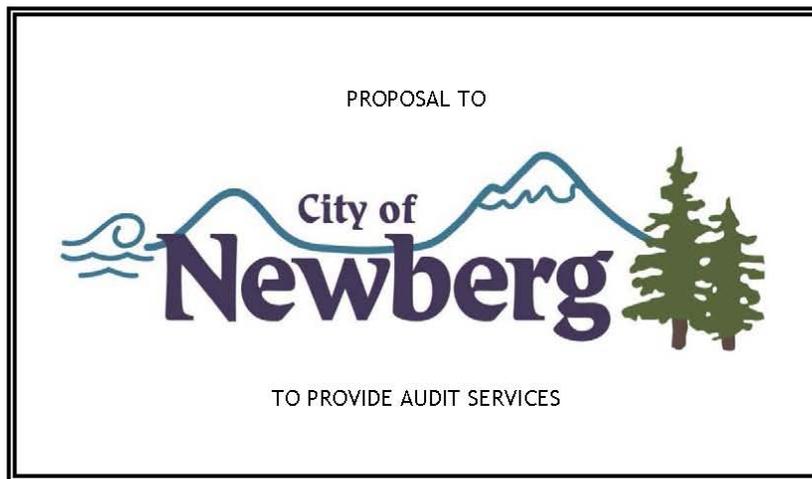


Jennifer L. Nelson, Acting City Recorder

ATTEST by the Mayor this 24th day of April, 2014.



Bob Andrews, Mayor



BOLDT CARLISLE + SMITH, CPA's

Douglas C. Parham, Member
480 Church Street SE
Salem, OR 97301
Telephone: 503-585-7751
FAX: 503-370-3781

Firm ID# 93-0570615
January 29, 2014

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**Exhibit A to
Resolution No. 2014-3124**



Boldt Carlisle + Smith
CERTIFIED PUBLIC ACCOUNTANTS

The right people. The right answers.

480 Church Street SE Salem Oregon 97301 | P 503.585.7751 | F 503.370.3781
408 N Third Avenue Stayton Oregon 97383 | P 503.769.2186 | F 503.769.4312
200 Calapooia Street SW Albany Oregon 97321 | P 541.928.3354 | F 541.967.7668

www.bcsllc.com

January 29, 2014

Janelle Nordyke, Finance Director
CITY OF NEWBERG
414 East First Street
Newberg, OR 97132

Boldt Carlisle + Smith is pleased to submit this proposal for auditing services as described in your Request for Proposal. Our proposal is based on information provided in your Request for Proposal and our other experiences in performing auditing services.

We are pleased to be considered for this engagement. Our firm is *qualified* to perform audits of Oregon municipal corporations and, more specifically, *capable* of providing *quality auditing services* at a competitive price in a *timely, efficient* manner for the City as follows:

Understanding of the Work to be Done

- **Audit performed in accordance with:**
 - Generally accepted auditing standards
 - Minimum Standards for Audits of Oregon Municipal Corporations
 - Governmental auditing standards
 - OMB Circular A-133, Single Audit

- **Report requirements:**
 - Appropriate auditor opinions and reports including:
 - Independent Auditor’s Report
 - Opinions and reports required by the Government Auditing Standards and Single Audit Act
 - Independent Auditor’s Report Required by the Minimum Standards for Audits of Oregon Municipal Corporations
 - Required communications under AU-C 260 to those charged with governance
 - Management letter

Exhibit A to Resolution No. 2014-3124

Janelle Nordyke, Finance Director
CITY OF NEWBERG

January 29, 2014

Commitment to Perform the Work Within the Time Period

We will complete the audit and deliver the required reports within the specified time frame for the year ended June 30, 2014 as follows:

- Complete fieldwork by October 24, 2014.
- Deliver drafts of independent auditor's report, opinions and reports required by the Government Auditing Standards and Single Audit Act, independent auditor's report required by the Minimum Standards for Audits of Oregon Municipal Corporations, and recommendations to management for review by the City by November 14, 2014.
- Deliver the final copy of all auditor's reports to management by November 25, 2014.

Why Boldt Carlisle + Smith is the Best Qualified

Boldt Carlisle + Smith has over 40 years of experience auditing Oregon Municipal Corporations, including many local governments similar in size to Newberg and several entities which participate in the Governmental Finance Officer's Association Certificate of Achievement for Excellence in Financial Reporting program. Our audit approach emphasizes working with the client to achieve the greatest efficiency, utilizes the latest technology, and provides for appropriate review performed by supervisory staff. Our staff includes 23 CPA's, including 10 licensed to perform audits of Oregon Municipal Corporations. We maintain an extensive library of resource material (electronic and paper) specifically related to governmental accounting and auditing, and we are a member of the AICPA Governmental Audit Quality Center. We also provide on-going training for our staff, including instruction on implementation of GASB pronouncements as they are issued. We feel certain that our experience, audit approach, and depth of staff will enable us to successfully complete the requested services in a professional manner within the suggested time period and make us the best qualified firm to provide your auditing services.

Firm Offer

Our proposal is for the year ended June 30, 2014, and the next two subsequent years. We understand that the City reserves the right to review the audit contract annually during the period covered by this proposal.

If you have any questions after you have had an opportunity to review our proposal, we would be pleased to answer them. Please contact either Brad Bingenheimer or myself at (503) 585-7751.

Very truly yours,

BOLDT CARLISLE + SMITH



Douglas C. Parham, CPA

PROPOSAL TO
CITY OF NEWBERG
TO PROVIDE AUDITING SERVICES

TECHNICAL PROPOSAL

INDEPENDENCE

Boldt Carlisle + Smith is independent of the City of Newberg as defined by generally accepted auditing standards and the U.S. General Accounting Office’s Government Auditing Standards. Those standards require that, in all matters relating to the audit work, the firm and the individual auditors should be free from personal and external impairments to independence, should be organizationally independent, and should maintain an independent attitude and appearance. Based upon our policy of documenting firm and employee independence with respect to continuing clients and prospective clients, we believe we are independent with respect to the City of Newberg.

LICENSE TO PRACTICE IN OREGON

Boldt Carlisle + Smith and all assigned key professional staff are properly registered/licensed to practice in Oregon. All assigned key professional staff are licensed by the Oregon State Board of Accountancy to practice public accounting in Oregon *and* are registered by the same licensing body to perform audits of Oregon municipal corporations.

FIRM QUALIFICATIONS AND EXPERIENCE

SIZE OF THE FIRM

Boldt Carlisle + Smith is a local certified public accounting firm which began business in 1968 and was founded by the following individuals:

- Robert L. Boldt
- George E. Carlisle
- Larry A. Smith

The firm’s steady growth since inception in 1968 has been derived almost entirely from internal expansion. Our dedication to providing quality service and personalized attention to each client has resulted in this growth and enabled the admission of other individuals as members (owners). Between 1994 and 2013, the firm has successfully retired eight members including the three founders. In 2013, the firm merged with Johnson McGowan & Associates, LLP, expanding our Albany office from a staff of six with one partner, to a staff of fourteen with three partners. Today the firm owners include Douglas C. Parham, Clinton J. Bentz, Brad Bingenheimer, Kevin Gienger, Ronald “Skip” Neill, Forrest “Rick” Johnson, and Heather McGowan.

The firm serves over 3,000 clients in the Willamette Valley, from border to border along the Oregon Coast, and throughout the state.

OFFICE ADDRESSES

Salem
480 Church Street SE
Salem, OR 97301

Albany
200 Calapooia St. SW
Albany, OR 97321

Stayton
408 North Third Ave.
Stayton, OR 97383

The firm’s home office is located in Salem, Oregon. However, we utilize staff from all offices in providing audit services.

FIRM QUALIFICATIONS AND EXPERIENCE (continued)

EMPLOYMENT ROSTER

Boldt Carlisle + Smith current personnel roster of **forty-five** includes **six members** (owners) who are certified public accountants (three of whom are licensed Oregon municipal auditors), **seventeen** other certified public accountants (seven of whom are licensed Oregon municipal auditors), **five** CPA candidates, **seven** paraprofessionals, **two** information technology staff (including one owner), and **eight** secretarial/clerical staff.

NATURE AND NUMBER OF ENGAGEMENT STAFF

The significant factors which dictate assignment of personnel for professional service engagements include proper measurement of the scope of services to be performed, planning and control of the engagement, and careful matching of the skills and experience levels of professional personnel with the requirements of the engagement. Accordingly, we would anticipate the following staff to be employed in this engagement:

- (1) Independent report reviewer
- (1) Engagement Partner
- (1) Audit Manager
- (2-3) Audit Team Members
- (1) Clerical

GFOA CERTIFICATE OF ACHIEVEMENT PROGRAM

Boldt Carlisle + Smith has the experience, resources and technical abilities to assist governmental entities with successful participation in the GFOA certificate program. The GFOA award signifies an easily readable and efficiently organized CAFR whose content conforms to the GFOA program standards and satisfies both GAAP and applicable legal requirements. If a governmental entity desires to participate in this program and has sufficient internal resources we encourage that participation and offer the necessary assistance. Our experiences have included assisting clients in the initial attainment of the award: (City of Salem, Marion ESD, and City of Albany) as well as assisting clients with continued participation (City of Albany, Tillamook County, Lincoln County and City of Newberg).

We will assist the City of Newberg as it continues successful participation in the GFOA award program by providing the City with new requirements as they are issued, reviewing the CAFR prepared by city staff and providing timely recommendations.

FIRM QUALIFICATIONS AND EXPERIENCE (continued)

PEER REVIEW

Boldt Carlisle + Smith has successfully completed an independent peer review of its accounting and auditing practice. The reviewers concluded, in their report dated July 26, 2011, that the firm complies with the stringent quality control standards set by the American Institute of Certified Public Accountants, the national professional organization of CPAs. The reviewers made an independent assessment of the firm's quality control policies and procedures and inspected the working papers and reports on a representative sample of accounting and auditing engagements. They also inspected the firm's administrative files and records and interviewed professional personnel. The reviewers' report has been accepted by the AICPA and is included as Appendix B.

In evaluating a firm's quality controls, a peer reviewer considers, among other things, what the firm has done to ensure that it hires only quality people, that it properly supervises them and provides them with professional training, that it advances them to responsibilities they are capable of handling, and that it provides them with necessary technical resources.

Our next peer review will occur in the summer of 2014 and will be conducted by Read & Bose, PC.

FEDERAL AND STATE REVIEWS

Annually, audits we perform are subject to review by the Secretary of State's office and each year a selection of our audits are reviewed in either desk or field review. We have received recommendations for minor changes and improvements in the presentation of financial statements, but none of the comments received as a result of a review have resulted in a report requiring reissuance.

We have not received any notices of any Federal or State reviews indicating any significant deficiencies in audits performed.

Boldt Carlisle + Smith has not been subject to, and has no pending disciplinary action by state regulatory bodies or professional organizations.

PARTNER, SUPERVISORY AND STAFF QUALIFICATIONS AND EXPERIENCE

Boldt Carlisle + Smith maintains a staff which is capable of performing quality professional audit services for municipal corporations. This is demonstrated by the fact that *ten* of our certified public accountants are licensed municipal auditors. We are ready, willing and able to commit these resources to the City of Newberg. Staff from any of our three offices (Salem, Stayton, and Albany) may be utilized to fulfill your professional auditing needs.

PROFESSIONAL DEVELOPMENT PROGRAM

In order to maintain the quality of our audit services, Boldt Carlisle + Smith is dedicated to the continual professional development of its entire staff. All certified public accountants attend courses covering accounting, auditing, tax and other pertinent topics. Other accounting staff also attend professionally sponsored courses. Our *ten* municipal auditors attend courses consistent with the state and federal requirements for licensing and performing governmental audits, including the CPE requirements under Government Auditing Standards.

Boldt Carlisle + Smith has a long-standing, firm-wide commitment to governmental accounting and auditing. Toward this commitment, the firm has dedicated resources to professionally develop and educate its entire accounting staff as evidenced by:

- Annual attendance at the OSCPA's Governmental Accounting and Auditing Conference
- Participation on the OSCPA's Governmental Accounting and Auditing Strategic Interest Team
- Annual Firm-sponsored education day devoted to municipal auditing concepts and procedures
- Maintenance of a comprehensive professional library including:

- Oregon Revised Statutes
- Single Audit Information Service (Thompson Publishing Group)
- Catalog of Federal Domestic Assistance (OMB)
- Compliance Supplement for Single Audits of State and Local Governments (OMB)
- *Guide to Audits of Local Governments (Practitioners Publishing Company)
- Audits of State and Local Governments (AICPA)
- Governmental Auditing Standards (GAO)
- Codification of GASB
- GASB Pronouncements
- Governmental Accounting, Auditing, and Financial Reporting (GAAFR) - Blue Book
- GAAFR, Appendix D

*Includes checklists for compliance with GFOA certificate program.

PERSONNEL ASSIGNED TO ENGAGEMENT

Key personnel chosen specifically for the requirements/scope of this engagement will include the following:

Independent report reviewer:	Douglas C. Parham, CPA, Licensed Municipal Auditor
Partner in-charge:	Brad Bingenheimer, CPA, Licensed Municipal Auditor
Audit Manager:	Oren Hampton, CPA, Licensed Municipal Auditor
Staff assistants (2-3):	To be selected from CPAs and staff accountants

Exhibit A to Resolution No. 2014-3124

PARTNER, SUPERVISORY AND STAFF QUALIFICATIONS AND EXPERIENCE (Continued)

RÉSUMÉS OF ASSIGNED CPA'S

Douglas C. Parham, CPA: Mr. Parham joined Boldt Carlisle + Smith in 1977 and became a CPA (#3511) in 1979 and a licensed municipal auditor (#780) in 1979. He has significant government audit experience including cities, counties, school districts, and other governmental entities.

As independent report reviewer Mr. Parham is responsible for engagement administration and performing final report review of municipal audit reports and CAFRs. He is the firm's Quality Control partner.

Education: B.S. in Business Administration, Oregon State University

Government Audit Experience

Mr. Parham serves as the firm's quality control partner. Mr. Parham has over 35 years of experience auditing Oregon municipal corporations, business and non-profit organizations. His municipal audit experience includes cities, counties, school districts and a variety of special districts throughout Oregon.

Understanding of Local Budget Law

Mr. Parham has over 35 years' experience working with local governments and auditing their compliance with Local Budget Law. Our governmental clients regularly consult him on budgetary issues.

Continuing Professional Education

Mr. Parham has attended the following pertinent continuing professional education classes during the past two years:

- OSCPA Governmental Accounting and Auditing Conference
- OSCPA Winter Governmental Auditors Conference
- I See It! Bringing Into Focus the New Clarified Auditing
- Government Accounting & Reporting: Putting it All Together
- OSCPA Disclosure - The Key to Financial Statements

Memberships in Professional Organizations

- American Institute of Certified Public Accountants (AICPA)
- Oregon Society of Certified Public Accountants (OSCPA)
- OSCPA Legislative Action Committee

PARTNER, SUPERVISORY AND STAFF QUALIFICATIONS AND EXPERIENCE (Continued)

RÉSUMÉS OF ASSIGNED CPA's (Continued)

Bradley G. Bingenheimer, CPA: Mr. Bingenheimer joined Boldt Carlisle + Smith in 1986, and has been a CPA (#6134) since 1989, and he has been a licensed municipal auditor (#1081) since 1992. His governmental audit experience includes cities, counties, school districts, housing authorities and other governmental entities.

Education: B.S. in Business Administration, Portland State University

Governmental Audit Experience

Mr. Bingenheimer serves as the firm's engagement partner for all municipal audit engagements. Brad has been invited to speak on several occasions at the Oregon Municipal Finance Officers Association conference. Mr. Bingenheimer also serves as the audit manager or senior on the following municipal engagements:

City of Albany
Tillamook County
Yamhill County
City of Silverton

Understanding of Local Budget Law

Mr. Bingenheimer has over 25 years' experience working with local governments and auditing their compliance with Local Budget Law.

Continuing Professional Education

Mr. Bingenheimer has attended the following pertinent continuing professional education classes during the past three years:

OSCPA Governmental Accounting and Auditing Conference
OSCPA Winter Governmental Auditors Conference
GAAP and OCBOAs and Review for Small and Medium Sized Entities
Governmental & Nonprofit Annual Update
PPC & AuditWatch Conference on Key Accounting and Auditing Developments
PPC & AuditWatch Conference on Audit Quality and Efficiency
OSCPA Auditing Standards Update and Review

Memberships in Professional Organizations

American Institute of Certified Public Accountants (AICPA)
Oregon Society of Certified Public Accountants (OSCPA)
OSCPA Governmental Accounting and Auditing Strategic Interest Team

PARTNER, SUPERVISORY AND STAFF QUALIFICATIONS AND EXPERIENCE (Continued)

RÉSUMÉS OF ASSIGNED CPA'S (Continued)

Oren Hampton, CPA: Mr. Hampton rejoined Boldt Carlisle + Smith in September 2007 after several years of self-employment as a CPA. He also contracted with other CPA firms to perform a variety of professional services. Previously, Mr. Hampton had been employed by Boldt Carlisle + Smith immediately after he graduated from Oregon State University. Mr. Hampton is also a licensed municipal auditor.

Education: B.S. in Business Administration, Oregon State University

Governmental Audit Experience

As Audit Manager, Mr. Hampton would be responsible for scheduling and planning the audit as well as supervising the field audit staff, review of the City's CAFR and drafting of the auditor's reports. Mr. Hampton has supervised or participated in several governmental audit engagements, as follows:

City of Albany
City of Forest Grove
Clatsop County
Tillamook County

Continuing Professional Education

Mr. Hampton has attended the following governmental continuing professional education classes during the past three years:

OSCPA Governmental Accounting and Auditing Conference
OSCPA Winter Governmental Auditors Conference
OSCPA Substantive Analytical Procedures Workshop
OSCPA A Complete Guide to the New 2011 YellowBook
OSCPA Advanced OMB A-133 Issues

Memberships in Professional Organizations

American Institute of Certified Public Accountants (AICPA)
Oregon Society of Certified Public Accountants (OSCPA)

Additional résumé information of these individuals and our other CPA's may be found in Appendix A.

CHANGES IN KEY PERSONNEL /ROTATION OF STAFF

We expect that the staff assigned to the initial audit will be available for the following year's audits. We would rotate staff in or out of the engagement if it would promote efficiency. We do not anticipate that there will be turnover in our senior audit personnel, but if a change in staffing is required, we would notify the City and expect a smooth transition because of the number of CPAs on our staff with substantial governmental audit experience.

Exhibit A to Resolution No. 2014-3124

SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENT ENTITIES

Auditing Oregon municipalities has been an important part of our business since our inception in 1968. We have significant experience auditing governmental entities comparable in size of the City of Newberg.

Please contact any of the following individuals as a reference to the quality of our accounting and auditing services:

Organization Principal Contact Telephone	Date of Engagement	Scope of Work	Engagement Partner and Manager	Total Hours
City of Albany Stewart Taylor (541) 917-7521	June 30, 2013	<ul style="list-style-type: none"> • Audit in accordance with Generally Accepted Auditing Standards • Comprehensive Annual Financial Report submitted to GFOA for certificate • Audit in accordance with Governmental Auditing Standards (Yellow Book) • Audit in accordance with Single Audit Act and OMB Circular A-133 	Partner Brad Bingenheimer Fieldwork Senior Oren Hampton	375
Tillamook County Debbie Clark (503) 842-3425	June 30, 2013	<ul style="list-style-type: none"> • Audit in accordance with Generally Accepted Auditing Standards • Comprehensive Annual Financial Report submitted to GFOA for certificate • Audit in accordance with Governmental Auditing Standards (Yellow Book) • Audit in accordance with Single Audit Act and OMB Circular A-133 	Partner Brad Bingenheimer Fieldwork Senior Brad Bingenheimer	480
Polk County Linda Fox (503) 623-9264	June 30, 2013	<ul style="list-style-type: none"> • Audit in accordance with Generally Accepted Auditing Standards • Audit in accordance with Governmental Auditing Standards (Yellow Book) • Audit in accordance with Single Audit Act and OMB Circular A-133 	Partner Brad Bingenheimer Fieldwork Senior Shadron Lehman	310
City of Forest Grove Paul Downey (503) 992-3200	June 30, 2013	<ul style="list-style-type: none"> • Audit in accordance with Generally Accepted Auditing Standards 	Partner Brad Bingenheimer Fieldwork Senior Oren Hampton Jessica Luther	280
City of Silverton Kathleen Zaragoza (503) 874-2203	June 30, 2013	<ul style="list-style-type: none"> • Audit in accordance with Generally Accepted Auditing Standards • Audit in accordance with Governmental Auditing Standards (Yellow Book) 	Partner Brad Bingenheimer Fieldwork Senior Brad Bingenheimer	240

SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENT ENTITIES (Continued)

A complete list of governmental entities currently audited by our firm is as follows:

Counties and Cities	
City of Albany Albany Revitalization Agency City of Brookings Brookings Urban Renewal City of Brownsville City of Carlton Carlton Urban Renewal Agency Clatsop County Westport Sewer Service District Clatsop County Rural Law Enforcement District Clatsop County Road District #1 Clatsop County 4-H and Extension Service District City of Detroit City of Forest Grove	City of Gold Beach City of Mill City City of Newberg Polk County Polk County Extension Service District City of Silverton Silverton Urban Renewal Agency City of Sublimity Tillamook County Solid Waste Service District Tillamook County 4-H and Extension Service District City of Willamina Yamhill County Yamhill County Extension Service District Cove Orchard Sewer Service District

Other municipal entities	
Albany RFPD Brownsville RFPD Cascade School District No. 5 Central School District No. 13J Dallas Cemetery District (review) Dayton School District No. 8 Drakes Crossing RFPD (review) Halsey-Shedd RFPD Idanha-Detroit RFPD League of Oregon Cities Lincoln County Communications Agency (review) Local Government Personnel Institute Lyons-Mehema Water District Marion County Fire District # 1 Mill City RFPD Monitor RFPD	Mt. Angel School District No. 91 Netarts Water District Neah-Kah-Nie School District No. 56 North Lincoln Health District Northwest Senior and Disability Services Oregon Municipal Electric Utilities Association (12/31 year end) Rainier School District No. 13 North Columbia Academy Santiam Water Control District (12/31 year end) Scio School District No. 95C St. Paul School District No. 45 Sunset Empire Transportation District Tillamook County Transportation District Tualatin Valley Irrigation District (12/31 year-end) West Valley Housing Authority (9/30 year-end) Yamhill Communications Agency

APPROACH TO THE AUDIT

With a staff that includes 23 CPAs, including 10 licensed to perform audits of Oregon Municipal Corporations Boldt Carlisle + Smith has sufficient resources to meet the City's needs for professional audit services.

At Boldt Carlisle + Smith, our audit work plan has been developed over *forty* years of municipal and commercial auditing. Our audit strategies and work programs give proper attention to authoritative pronouncements which govern the conduct of all audits and focus specifically on authoritative pronouncements that guide the conduct of governmental engagements.

Also, requirements from Federal granting agencies, the State of Oregon, Secretary of State, Audits Division; and the Department of Revenue have helped to shape our audit programs, which enable us to efficiently complete the requirements of the Single Audit Act and the Minimum Standards for Audits of Oregon Municipal Corporations.

Our audit approach emphasizes a team approach between us, as your auditors, and City management, who is responsible for the financial statements. Accordingly, we welcome the opportunity to work with City personnel as we conduct the audit and as you draft the City's comprehensive annual financial report.

We contemplate periodic meetings during the engagement involving key personnel from the City to promote efficiency and provide progress reports. Proposed audit adjustments, including documentation and written justification, and audit findings will be reviewed with appropriate City personnel to develop an accurate interpretation of the facts and circumstances by all parties.

Our work plan for the audit of the City of Newberg is predicated on the expectation that fiscal services staff shall provide adjusted trial balances of all funds as well as draft financial statements. We also understand that fiscal services staff will provide assistance in locating supporting documents for transactions we select for sampling during our test of controls and substantive tests of transactions or balances.

We understand that City staff must continue with their regular responsibilities during our audit and we will make every effort to minimize the amount of time that we require their assistance.

**Exhibit A to
Resolution No. 2014-3124**

APPROACH TO THE AUDIT (Continued)

PROPOSED SEGMENTS OF THE AUDIT

SEGMENT	OBJECTIVES	TIME FRAME	STAFF LEVEL	HOURS
PLANNING AND INTERIM	<ul style="list-style-type: none"> • Pre-audit conference • Written work plan and schedule • Engagement letter, contract and PBC list prepared • Gain an understanding of the nature of operations and internal controls • Formulate audit strategy • Preliminary analytical procedures • Perform risk assessments • Test internal control structure • Determine major funds to be presented • Determine applicability of single audit requirements 	June / July	Partner Manager Assistants	2 32 32
POST YEAR-END FIELDWORK	<ul style="list-style-type: none"> • Entrance conference with city officials • Substantive tests of transactions and accounts • Test compliance with laws and regulations • Test controls over major programs if city is subject to the single audit requirements • Review of work papers 	October	Partner Manager Assistants	2 40 80
DRAFT AND REVIEW REPORTS	<ul style="list-style-type: none"> • Draft auditor's report on basic financial statements single audit reports and auditor's comments • Review Management Discussion and Analysis • Review city prepared basic financial statements and footnotes • Review information included in statistical section of the CAFR • Prepare letter of management comments • Review complete draft of CAFR with city officials 	October / November	Partner Manager Assistants	5 9 4
PRESENTATION	<ul style="list-style-type: none"> • Highlight results of the audit with City officials 	November / December	Partner Manager	1 1

APPROACH TO THE AUDIT (Continued)

USE OF SPECIALIZED GOVERNMENTAL AUDIT PROGRAMS

Boldt Carlisle + Smith is committed to provide quality professional services. Our audits are performed using programs developed by Practitioners Publishing Company (PPC) in their electronic service titled Guide to Audits of Local Governments. The PPC programs have passed stringent tests of peer review and serve our needs in audit areas common to all government audits. We have developed audit programs to comply with the requirements of the Minimum Standards for Audits of Oregon Municipal Corporations. Also, by reference to the Compliance Supplement, we have developed programs to comply with federal financial assistance audit requirements (internal controls and compliance) for grant programs.

USE OF COMPUTER-ASSISTED AUDITING PROCEDURES

Boldt Carlisle + Smith has experience auditing computerized accounting systems. Specifically, the staff assigned to the audit will have experience auditing in a computerized environment, including municipal and commercial entities with computerized accounting systems. Our audit planning and the audit approach we apply will give consideration to the electronic data processing system and capabilities of the City.

Many of the audits we conduct are in highly computerized environments, including financial institutions, counties, school districts and cities. Our approach to auditing computerized systems includes consideration of how the computer systems affect internal controls, assessment of risks related to computerized systems, testing of computer system controls, and tests of computerized information which drives the financial statement presentation.

Our audits are conducted using a paperless process facilitated by CCH ProSystem fx Engagement software. This software, integrated with Microsoft Word and Excel, allows us to import client trial balance information, create appropriate lead schedules, perform various analyses on account balances, scan supporting documentation and, if needed, prepare the financial statements and schedules.

Additionally, Boldt Carlisle + Smith uses the data extraction software IDEA in conducting audits. We will request electronic files containing all transactions for the year which we will use to perform extensive analytic procedures directly on the underlying financial data and provides a basis for statistical sampling of transactions.

Our experience and approach to auditing computerized information will provide increased efficiency in the audit process, allow for extensive analysis of financial information, and provide a basis for suggesting improvements to the city's accounting system and financial reporting.

SAMPLING

An audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and testing compliance with laws and regulations; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Audit sampling will be used to the extent deemed appropriate in applying a given procedure to less than 100 percent of the items within an account balance or class of transactions for the purpose of evaluating some characteristic of the balance or class or for testing compliance. The IDEA software, discussed above, will be used to assist us in selecting samples and analyzing the results of tests applied to the sample. Based upon professional judgment, there may be situations where procedures other than sampling are more efficient.

APPROACH TO THE AUDIT (Continued)

ANALYTICAL PROCEDURES

We will utilize a variety of analytical procedures in conducting our audits. These will include comparison of current, prior and budget amounts, ratio analysis, predictability tests and consideration of relationships between financial and non-financial information. The IDEA software will also be used for analytical purposes to scan transactions for anomalies, gaps in sequences and review of significant accounts. These procedures will be used in planning the audit, as tests to support amounts in the financial statements and in final review of the financial statements.

UNDERSTANDING THE CITY, INTERNAL CONTROLS AND RISK ASSESSMENTS

At Boldt Carlisle + Smith, we consider various risk factors in planning and performing an audit. This approach provides for a more efficient audit by focusing our efforts to those areas where there is the greatest risk for a misstatement, an instance of non-compliance with laws and regulations, or a breakdown in internal controls. In order to perform proper risk assessments, we will gain an understanding of the operations of the city, its personnel and internal controls. This understanding will be obtained through interviews with appropriate personnel, review of the city's written documentation of internal control, review of the city's written policies and procedures and performance of a walk-through of transactions as processed by the city's systems.

Based on the understanding of the City and its internal controls we will make risk assessments for each audit area and consider the financial statement assertions for each audit area. The financial statement assertions that pose the greatest risk will vary among the various audit areas. These assessments by assertion will assist us in planning the audit process and in the determination of testing internal controls in order to rely upon them to reduce other audit procedures. This decision considers the level of control risk needed to be achieved, the financial statement assertion related to the control and whether it is efficient to test controls.

If we determine that internal controls are sufficient and that testing controls is the most efficient approach we will design and perform tests of controls that relate to the financial statement assertion being audited. These tests of controls may include observation, inquiry, reperformance or inspection of documents, and may involve the selection of a representative number of items or transactions from the population being tested. The results of these tests will enable us to determine whether we may rely upon the city's internal controls and may provide a basis for suggestions to the city for improvements in internal controls.

CONSIDERATION OF FRAUD

The purpose of an audit in accordance with auditing standards generally accepted in the United States of America is the expression of an opinion on the fair presentation of financial statements. Accordingly, our audit will be designed to detect material misstatements, including those that would be caused by fraud, either through fraudulent financial reporting or misappropriation of assets. Our audit may not be relied upon to detect occurrences of fraud that are not material, however, should any fraud come to our attention, we would communicate that finding to the appropriate level of management.

APPROACH TO THE AUDIT (Continued)

SAMPLES AND TESTS OF COMPLIANCE

When testing compliance we determine the specific compliance requirements that are applicable, test controls over those compliance requirements and test compliance with the rules, regulations and contractual provisions of the programs. These tests may take on a variety of forms including selection of a representative number of expenditures under the program, inquiry into City policies and procedures that are followed, comparison of amounts reported to granting agencies with the City's general ledger or any other test that is appropriate for the applicable compliance requirement.

LAWS AND REGULATIONS

The laws and regulations, compliance with which will be subjected to testing during the audit, are determined based upon the following:

- Minimum Standards for Audits of Oregon Municipal Corporations - These require us to test for compliance and comment on compliance with specific Oregon laws and regulations including:
 - Collateralization of deposits
 - Local budget law
 - Debt limitations
 - Investment of public funds
 - Public contracting
 - Use of highway fuel tax
 - Insurance and fidelity bonding
 - Programs funded from outside sources
- Specific laws and regulations in connection with grants audited as "major" programs under OMB Circular A-133, if applicable.
- Our knowledge of other laws and regulations, where non-compliance with would result in a direct and material effect on the financial statements including the Internal revenue code and Oregon Municipal Finance Law.

SINGLE AUDIT EXPERIENCE AND APPROACH

To improve the approach to audits of federal award programs, Congress passed the Single Audit Act of 1984. In July 1996, the Single Audit Act Amendments of 1996 was signed into law superseding the 1984 Act and required significant changes to the performance of and reporting on Single Audits. Among these changes, the most significant was the adoption of a risk-based approach to the selection of programs to be audited as "major programs".

Since our inception in 1968, we have provided audit services to local governments and nonprofit organizations throughout Oregon. Providing those services led us to develop the skills and understanding needed to comply with the Single Audit Act. Since 1984, we have performed 20 to 30 Single Audits annually.

Our audit approach is guided by the requirements of the Single Audit Act and Circular A-133, as well as efficiency in performing governmental audits. We are required to obtain an understanding of the controls over compliance for federal programs sufficient to plan and perform tests in order to support a low assessment of control risk. We will use our professional judgment in determining the extent and nature of these tests based upon the nature of and the applicable controls over the compliance requirement.

APPROACH TO THE AUDIT (Continued)

SINGLE AUDIT EXPERIENCE AND APPROACH (Continued)

To support this service area, we have obtained various technical resources and made use of various websites pertinent to the Single Audit Act, OMB, and the Data Collection Form. All of our CPA's involved in government audits regularly attend continuing professional education (CPE) courses sufficient to satisfy the CPE requirements of the GAO Yellow Book (Government Auditing Standards).

During 2013 we completed 20 Single Audits for local governments and nonprofit organizations including:

- 7 School Districts
- 4 Counties
- 2 Cities
- 4 Other Governments
- 3 Non-profit Organizations

These Single Audits were performed for entities with 3 - 50 federal programs and with federal expenditures ranging from \$560,000 to over \$5,000,000. Our experience with Single Audits includes award programs provided by a variety of federal agencies including the following:

- Department of Agriculture
- Department of Commerce
- Department of Defense
- Department of Education
- Department of Energy
- Department of Health and Human Services
- Department of Homeland Security
- Department of Housing and Urban Development
- Department of the Interior
- Department of Justice
- Department of Transportation
- U.S. Election Assistance Commission
- General Services Administration
- Environmental Protection Agency
- Corporation for National and Community Service
- Social Security Administration

At the conclusion of Single Audit engagements, we assist our clients by completing the "reporting package" required by OMB. We complete the Data Collection Form using the electronic template available through the website of the Federal Audit Clearinghouse. Additionally, we upload a copy of the financial report and coordinate the electronic certification and submission process.

We have reviewed your Schedule of Expenditures of Federal Awards for the year ended June 30, 2013. We are confident that our past experiences and our commitment to continued training make us well qualified to perform the Single Audit requirements included in your annual audit.

APPROACH TO THE AUDIT (Continued)

TECHNICAL ASSISTANCE

As part of our audit services we are available for consultation on audit related issues including financial reporting, budgeting, accounting and internal controls throughout the year.

CONSTRUCTIVE SUGGESTIONS FOR IMPROVEMENT

Our audit experience enables us to provide constructive suggestions for improving the City's internal accounting controls and administrative procedures. Appropriate notes will be made during the audit and later summarized for presentation to the appropriate level of City management.

PRE-AUDIT PLANNING SEMINAR

Annually, we provide a four to eight hour seminar as a no-charge service to our local government audit clients. The seminar is designed for individuals who hold positions of fiscal and administrative responsibility. Attendants have told us that this seminar is useful because it provides information on issues of current interest and a forum to exchange ideas with others who are actively involved in fiscal operations.

ANTICIPATED POTENTIAL AUDIT PROBLEMS

Based upon our experience conducting audits of Oregon municipal corporations, our knowledge of the City of Newberg and its accounting staff, and planned audit approach, we do not foresee any potential audit problems. Should any problems arise in the conduct of our audit, we would immediately communicate that to City management and arrive at an appropriate response to any problems which might occur.

NEW ACCOUNTING AND AUDITING PRONOUNCEMENTS

ACCOUNTING

For the year ended June 30, 2015, the City of Newberg will be required to implement the provisions of GASB 68, *Accounting and Financial Reporting for Pensions*. This accounting standard requires the City to report in its government-wide and proprietary fund financial statements a net pension liability for its unfunded accrued liability based on an actuarial valuation. We will be available to assist with this implementation by reviewing the footnote disclosures and the resulting accounting data.

We have evaluated other recently issued accounting standards and do not expect that they would require any significant changes in the City's accounting or financial reporting.

AUDITING

We have evaluated auditing standards and revisions to the requirements under OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and believe that none of them should have a significant effect on the scope of the audit such that additional audit fees will be assessed. However, if other significant revisions are made, and if an adjustment in audit fee is justified, we would discuss the revised requirement with City management to arrive at a mutually satisfactory fee arrangement.

**Exhibit A to
Resolution No. 2014-3124**

PROPOSED FEES FOR PROFESSIONAL SERVICES

ALL-INCLUSIVE MAXIMUM FEE

The significant factors which influence the cost of professional services include proper measurement of the scope of services to be performed, planning and control of the engagements, and careful matching of the skills and experience levels of professional personnel with the requirements of these engagements.

Therefore, our fee is based upon the number of hours estimated to complete the requested services combined with the various staff positions required to fulfill the specific needs of the city. Our proposed fees are as follows:

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
City of Newberg	\$ 27,160	\$ 28,250	\$ 29,385
Single Audit (if applicable)	.20 - .50 percent of total expenditures of federal awards [\$750,000 of expenditures would result in a fee of \$1,500 - \$3,750]		

Additionally, should the City extend the audit contract for an additionally two years, we would estimate those fees to be:

2016-17	\$ 30,560
2017-18	31,780

The proposed fees are based on the estimate of time requirements and the hourly rates of professionals assigned to the audit as follows:

<u>Staff</u>	<u>Current hourly rate</u>	<u>Estimated hours</u>	<u>2013-14 Totals</u>	<u>2014-15 Totals</u>	<u>2015-16 Totals</u>
Partner	\$ 210	10	\$ 2,100	\$ 2,185	\$ 2,275
Manager	150	82	12,300	12,795	13,310
Staff	110	116	12,760	13,270	13,800
			\$ 27,160	\$ 28,250	\$ 29,385

PROPOSED FEES FOR PROFESSIONAL SERVICES (Continued)

CHARGES FOR SPECIAL REQUESTS

Should it become necessary for the city to request Boldt Carlisle + Smith to render additional services to either supplement the services requested herein or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed at the current rates commensurate with the level of staff required as follows:

<u>Staff Classification</u>	<u>Hourly Rates</u>
Partner	\$200 - \$250
Manager	\$130 - \$170
Staff accountants	\$90 - \$130
Clerical	\$80

SCHEDULE OF BILLINGS

Boldt Carlisle + Smith will provide progress billings on a monthly basis (26th to 25th) based upon the hours of work completed during the course of the engagement in accordance with our price quote.