

City of Lafayette

"Third Oldest City in Oregon"

Phone: (503) 864-2451

Fax: (503) 864-4501



486 Third Street --- PO Box 55 — Lafayette, Oregon 97127-0055

March 31, 2003

Charles Swank
Grove, Mueller, and Swank
PO Box 2122
Salem, OR 97308-2122

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mailed
3/31/03
DSC

Dear Mr. Swank,

Thank you for responding to the City of Lafayette's RFP for auditing services. We are pleased to inform you that the City Council voted unanimously to enter into a contract with your firm to perform auditing services for the FY2002-03. Please forward the appropriate contract to the City for signature. We look forward to working with you.

If you have any questions, please give me a call at (503) 864-2451.

Sincerely,

Diane Rinks
City Administrator

COPY

CITY OF LAFAYETTE

**PROPOSAL TO PROVIDE AN AUDIT
OF FINANCIAL STATEMENTS
JUNE 30, 2003**

**GROVE, MUELLER & SWANK, P.C.
Charles A. Swank, CPA
Thomas E. Glogau, CPA**

**475 Cottage Street NE, Suite 200
Salem, Oregon 97301**

**(503) 581-7788
FAX (503) 581-0152**

**519 S. Lyon Street
Albany, Oregon 97321**

(541) 967-2315



GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

March 14, 2003

Trena Cranfill
Assistant to the City Administrator
City of Lafayette
P.O. Box 55
Lafayette, Oregon 97101

We are pleased to present this proposal to provide audit services to the City of Lafayette (the "City") for the fiscal year ending June 30, 2003. Our audit will be in accordance with the standards established by the American Institute of Certified Public Accountants and the Minimum Standards for Audits of Oregon Municipal Corporations. In addition our services may include suggestions for improving your procedures.

We are fully prepared to make a commitment of personnel and other resources to assure that the work will be done in a timely and professional manner. Our objective is to exceed your expectations.

We are an experienced resource available to the City. The number of governmental clients we serve, the size of our Firm, our national affiliation and the years of experience of our personnel are available to you for various accounting and reporting questions, usually without any fee involved. Our governmental practice is predominately cities.

Charles A. Swank, shareholder, is authorized to make representations for Grove, Mueller & Swank, P.C. Mr. Swank may be contacted at our Salem office, 475 Cottage Street NE, Suite 200, Salem, OR 97301, 503-581-7788. Mr. Swank, as signer of this letter, is also authorized to bind Grove, Mueller & Swank, P.C.

Grove, Mueller & Swank, P.C. offers several unique advantages that enable us to best serve the City's requirements:

- *We are much more than municipal auditors.* We have extensive governmental experience and technical skills. Because we are a local firm, our professionals also have *capabilities in other areas of accounting and general business operations.*
- *We have limited staff turnover.* We as a firm attempt to provide a positive working environment for our employees. In the last five years we have seen turnover of less than one person a year.

E-Mail Address • cpas@gmscpa.com

Mailing Address • P.O. Box 2122 • Salem, Oregon 97308-2122


Salem • 475 Cottage Street NE, Suite 200 • Salem, Oregon 97301-3814 • (503) 581-7788 • FAX (503) 581-0152
Albany • P.O. Box 663 • 519 S. Lyon Street • Albany, Oregon 97321-0570 • (541) 967-2315 • FAX (541) 926-5926

- *We have experience with many similar engagements.* We perform an audit for more than twenty cities, varying in size from Dayton to Eugene. We also perform audits for a number of school districts and special districts.
- *We understand governmental accounting.* We have been advising governmental entities for many years. We know and understand the accounting, Oregon Local Budget Law and most important, the practical applications. We are available to you throughout the year.
- *We make our experience available to you.* Our partners and managers are average more than ten years of experience. Our unique approach is to use experienced personnel. This results in efficiencies for both the client and us. It also makes us accessible to you to ask questions and discuss ideas. Our suggestions for improvements are a direct product of this experience.

Please read our proposal carefully. It has been prepared specifically for you. If you have any questions, please call.

Very truly yours,

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 
Charles A. Swank, A Shareholder

PROFILE OF GROVE, MUELLER & SWANK, P.C.

Grove, Mueller & Swank, P.C. is a registered firm of certified public accountants properly licensed to practice and conduct municipal audits and reviews in Oregon. We are independent with respect to the City of Lafayette under the guidelines of the AICPA. We do not have a record of any substandard audit work, nor have any positive enforcement actions been instituted against us.

We are a local firm with offices in Salem and Albany. Our home office is located at 475 Cottage Street NE, Suite 200 in Salem; in Albany our office is located at 519 S. Lyon Street.

We participate in the AICPA peer review program, and completed our most recent review in December 2001 with an unqualified report.

Grove, Mueller & Swank, P.C. has established itself as one of the largest and most highly respected accounting firms in the Willamette Valley. With 50 years of combined national accounting firm experience and a staff that has quadrupled in size, Grove, Mueller & Swank, P.C. blends its background with its dedication to serve its local clients and community. We offer a full range of accounting and related services, including commercial and municipal audits, reviews and compilations, business and individual tax services, business planning, estate planning, and business consulting including computer software and hardware needs assessment, acquisition assistance, training, and installation.

Grove, Mueller & Swank is a member of the McGladrey Network. Our Firm, through this affiliation, has access to a vast array of national and international resources. McGladrey & Pullen, LLP is the sixth largest public accounting firm in the United States. This affiliation helps us keep abreast of the latest developments, consult technical specialists as needed, and participate in national level training and professional development programs.

Grove, Mueller & Swank, P.C. strictly adheres to the "Yellow Book" requirements for governmental audit and accounting training. This training is accomplished by attendance at OSCP governmental training courses, local office training and attendance at McGladrey & Pullen governmental training. We believe that quality training is of benefit to us as a Firm and you as our client. All members of our audit staff receive this training.

Our eight partners, supported by seven managers, direct a staff of twenty accountants and four support personnel. This group contains twenty certified public accountants, five of whom are licensed municipal auditors.

The audit of the City will be accomplished by experienced professionals, under the supervision of Charles A. Swank. The field work will be performed by Tom Glogau, shareholder and one staff person. It is our policy to have our management personnel in the field, they are hands on actually performing the procedures. We believe their experience is a benefit to both our firm and the client. Knowledgeable personnel in the field result in a more efficient audit. All management personnel are certified municipal auditors in Oregon. All governmental audit experience has been within the State of Oregon.

Mr. Swank has twenty-eight years of experience in auditing municipalities. He is a former member of the Oregon Society of Certified Public Accountants Board of Directors, and the current chair of the Governmental Accounting and Auditing Committee. He is a frequent instructor of governmental accounting. Chuck has been a reviewer for the GFOA Certificate of Excellence program for a number of years.

Mr. Glogau has twenty-three years of experience auditing municipalities. Tom is best known for his "hands-on" approach to working with his clients. Tom's wealth of experience working with Oregon cities and his availability in the field make him an invaluable resource. He has worked with most of the current software packages and understands the issues in applying Oregon Budget Law. He can be counted on to bring a practical approach to his client's accounting issues.

It is our firm policy to have each audit reviewed by a qualified partner prior to its release. This review will be performed by Devan Esch, audit partner. Devan is not directly associated with the engagement. The purpose is to provide an independent review to assure quality and consistency.

The experienced team of professionals are well versed in the requirements of the Single Audit Act, as a number of our current audit clients require Single Audits. Additionally, Chuck Swank usually teaches a course for the Oregon Society of Certified Public Accountants on testing compliance in governmental and nonprofit entities. Each year our continuing education programs include a session on Single Audit requirements.

EXPERIENCE WITH MUNICIPAL ENGAGEMENTS

Current governmental audit clients include:

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| • City of Eugene * ** | • City of Salem * ** |
| • City of Cannon Beach | • City of Dayton |
| • City of Dundee | • City of Falls City ** |
| • City of Hubbard | • City of Jefferson |
| • City of Keizer * | • City of Lebanon |
| • City of Milwaukie * | • City of Molalla |
| • City of Monmouth * | • City of Mt. Angel ** |
| • City of Philomath | • City of Sheridan |
| • City of Silverton | • City of Stayton |
| • City of Sublimity | • City of Sweet Home * |
| • City of Vernonia | |
| • Salem-Keizer Schools * ** | • Eugene Schools * ** |
| • Springfield School District ** | • Bethel School District * ** |
| • Creswell Schools ** | • Silver Falls School District ** |
| • Vernonia School District ** | |
| • Clackamas County Fire District No. 1 | • Clackamas Rural Fire District No. 68 |
| • Clatskanie Library District | • Clatskanie Park & Recreation District |
| • Community Services Consortium * ** | • Lane Transit District * ** |
| • Marion County Fire District No. 1 | • Mid-Willamette COG ** |
| • Mid-Willamette Senior Services ** | • Mt. Angel RFPD |
| • North Marion Communications | • Oregon Cascades West COG ** |
| • Salem Transit ** | • Stayton Fire District |
| • Tualatin Valley Water District * | • Woodburn Fire District |

* GFOA Certification

** Single Audit

The City should feel to call any of the above listed clients as a reference. If you desire to call specific smaller cities the following references are provided:

City of Dayton – Sue Hollis, City Administrator – 503-864-2221

City of Hubbard – Rob Daykin, Finance Director – 503-981-9633

City of Vernonia – Cindy Naillon, Finance Clerk – 503-429-5291

FEES

The total fee for the audit of the financial statements would be \$5,000. This fee is for financial statements prepared on the cash basis of accounting. This is allowed by Oregon Revised Statutes. The City's previous financial statements were prepared on a different basis of accounting which, in our opinion, creates additional work and unnecessary complexity. This fee does not include Single Audit procedures if required. Assuming a single program, the fee for the Single Audit would be \$750.

The fee also includes consultation as needed on matters related to local budget law, accounting issues, internal control and other such issues that we may be of assistance to the City. We believe this consultation is a benefit to the City. This gives the City the flexibility to discuss these issues without the concern that a bill would be sent each time the accountant was contacted. We want our clients to contact us as often as necessary without fear of being "nickel-and dime'd" by fees.

Fees for subsequent years would increase only for inflation and/or changes in circumstances. The City will be required to implement GASB #34 for the fiscal year ending June 30, 2004. We are prepared to give guidance to the City related to that implementation. GASB #34 may be adopted on the cash basis of accounting. The fees related to the implementation will depend on the quality of the City records and your decision related to infrastructure. We will give you a fee quote in advance.

Our bid is also based on the assumption that the City's records will be ready with all bank accounts reconciled as of year end, and that all adjustments will be posted as of June 30. We will also provide to you a listing of items to have ready for us when we come.

If you desired to hire our professionals for additional projects, our hourly billing rates would be \$150 for partners, \$100 for managers and \$50 for staff. We would always quote you a fee in advance.