

RESOLUTION NO. 1438

A RESOLUTION SETTING FORTH PROPOSED CORRECTIVE MEASURES PERTAINING TO DEFICIENCIES NOTED IN ANNUAL AUDIT REPORT

WHEREAS, the City was independently audited by the accounting firm of Grant Thornton, LLP for the fiscal year ended June 30, 1997; and,

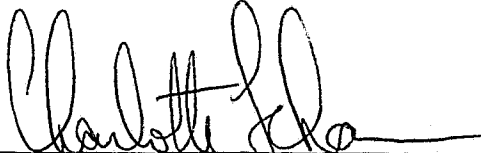
WHEREAS, the auditors identified three areas wherein the City did not conform to certain accounting and budgetary statutes or Oregon Administrative Rules; specifically three certain funds actual expenditures exceeding the budget; and,

WHEREAS, ORS 297.466 requires every municipal corporation to determine the measures it considers necessary to correct any deficiencies disclosed in the report and to adopt a resolution setting forth the corrective measures and the period of time estimated to complete them.

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

1. The finance director shall closely monitor expenditure trends and prepare supplemental budgets, budgetary transfers or recommend curtailing further expenditures in an effort to avoid over expending the legal appropriation levels. Supplemental budgets or budgetary transfers, if necessary, shall be presented in April or May, 1998.

ADOPTED by the City Council of the City of Wilsonville at a regular meeting thereof this 2nd day of February, 1998, and filed with the Wilsonville City Recorder this same date.



CHARLOTTE LEHAN, Mayor

ATTEST:



Sandra C. King, CMC, City Recorder

SUMMARY OF VOTES:

Mayor Lehan	Yes
Councilor Helser	Yes
Councilor Barton	Yes
Councilor Luper	Yes
Councilor Kirk	Yes

Grant Thornton
GRANT THORNTON LLP Accountants and
Management Consultants
The U.S. Member Firm of
Grant Thornton Internatio

Report of Independent Certified Public Accountants on the City's
Compliance and Certain Items Based on an Audit of General
Purpose Financial Statements Performed in Accordance
with Oregon Auditing Standards

Honorable Mayor and City Council
City of Wilsonville, Oregon

We have audited the general purpose financial statements of the City of Wilsonville, Oregon, as of and for the year ended June 30, 1997, and have issued our report thereon dated September 22, 1997. We conducted our audit in accordance with generally accepted auditing standards, and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to the City of Wilsonville, Oregon is the responsibility of the City's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grants. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. Certain areas covered include but were not limited to the following:

Accounting and Internal Control Structure - Our report on the accounting and internal control structure is presented separately under this cover.

Programs Funded from Outside Sources - Reports-related to such programs are presented separately under this cover.

Financial Reporting Requirements - Whether financial reports and related data filed with other governmental agencies in conjunction with programs funded wholly or partially by such agencies were in agreement with or supported by the accounting records.

Compliance with Legal or Other Requirements

Collateral - Pertaining to the amount and adequacy of collateral pledged by depositories to secure the deposit of public funds

Indebtedness - Relating to debt and the limitation on the debt amount, liquidation of debt within the prescribed period of time, and compliance with provisions of indentures or agreements, including restrictions on the use of moneys available to retire indebtedness

Insurance - Relating to insurance and fidelity bond coverage

Investments - Pertaining to the investment of public funds

Budget - Relating to the preparation, adoption and execution of the annual budget for the current fiscal year and the preparation and adoption of the budget for the next succeeding fiscal year

Public Contracts and Purchasing - Pertaining to (as contained in ORS Chapter 279) the awarding of public contracts and the construction of public improvements

Taxes on Motor Vehicle Use and Fuel and use of a Road Fund - Pertaining to (as contained in Article IX, section 3a of the Oregon Constitution) the use of revenue from taxes on motor vehicle use and fuel and use of a road fund (as contained in ORS 294 and 373).

The results of our tests indicate that, with respect to the items tested, the City of Wilsonville, Oregon complied, in all material respects, except for overexpended appropriations as disclosed in the notes to the City's general purpose financial statements, with the provisions referred to above. With respect to items not tested, nothing came to our attention that caused us to believe that the City had not complied, in all material respects, with those provisions.

This report is intended solely for the information and use of management, the City Council and the Secretary of State, Division of Audits, of the State of Oregon and should not be used for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Portland, Oregon
September 22, 1997



CITY OF WILSONVILLE, OREGON
Notes to General Purpose Financial Statements, Continued

June 30, 1997

16. Deficit Fund Balances and Overexpenditures:

At June 30, 1997, the Street Lighting Fund had a deficit fund balance of \$82,207. The city is exploring alternatives to eliminate the deficit.

The following funds had expenditures in excess of related appropriations:

	<u>Road Operating</u>	<u>LID #5</u>	<u>Sewer Operating</u>
Materials and services	\$ <u>4,553</u>	\$ <u>5</u>	
Debt services			\$ <u>24,953</u>

17. Operating Transfers:

Operating transfers in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types for the fiscal year ended June 30, 1997 do not equal because of transfers made with the Sewer Fund and the Water Fund (Enterprise Funds). The following is a reconciliation of operating transfers for the year.

	<u>Transfers In</u>	<u>Transfers Out</u>
Total operating transfers included in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types	\$ 3,900,706	\$ 3,188,040
Transfers to General Fund from Sewer Operating Fund	-	331,817
Transfers to General Fund from Sewer Capital Projects Fund	-	77,834
Transfers to General Fund from Water Operating Fund	-	296,719
Transfers to General Fund from Water Capital Projects Fund	-	21,390
Transfers to Water Operating Fund from Road Capital Projects Fund	3,594	-
Transfers to Water Operating Fund from Street Lighting Fund	<u>11,500</u>	-
Total	<u>\$ 3,915,800</u>	<u>\$ 3,915,800</u>

18. Equity Transfers:

During fiscal 1997 the City created a new fund called Storm Water Fund to account for related activities which were previously accounted for within the Road Operating Fund. In conjunction with the creation of the new fund, \$70,351 of the Road Operating Fund beginning equity was transferred to the Storm Water Fund.

19. Property Tax Limitation:

The State of Oregon has a constitutional limit on property taxes for governmental operations. Under the limit, tax revenues are separated into those for public schools and those for local governments other than public schools. The limitation specifies a maximum rate for all local governments operations of \$10.00 per \$1,000 of real market value. Schools are similarly limited by a \$5.00 maximum rate. Local government taxes in the City currently do not exceed the \$10.00 rate limit; however, this limitation may effect the availability of future tax revenues for the City.

In November 1996, the voters approved a citizen initiative (Measure 47) which generally reduced operating taxes to 90 percent of their levels in fiscal year 1995-96 and restricted future increases of taxes.

FINANCE DEPARTMENT
STAFF REPORT & RECOMMENDATIONS

Date: January 22, 1998

To: Honorable Mayor and City Council

From: Gary S. Wallis, Finance Director

Subject: Audit Report - Correction of Deficiencies

SUMMARY:

State statues require a governmental entity to respond to exceptions noted by the auditor in their "Audit Comments and Disclosures" section of the annual financial report. A copy of this section is reproduced as Attachment A. The City's response must be in the form of a resolution setting forth the corrective measures it proposes and the period of time estimated to complete them. Failure to comply with this requirement may result in the withholding of certain state shared revenues. The auditors noted three exceptions in the report.

RECOMMENDATION:

Staff recommends the adoption of the accompanying Resolution which addresses the deficiencies and steps to avoid reoccurrence.

BACKGROUND:

Our auditors, Grant Thornton, identified three areas where the City did not comply with applicable laws or administrative rules. The areas and corrective measures are as follow:

1. The exception in the Road Operating Fund over-expended its material and services budget by \$4,553. Although a technical violation, the City did not exceed its available resources. When the budget was prepared, consulting services charges for the road utility maintenance fee study were not included.
2. The exception in the LID #5 Fund over-expended its materials and services by \$5. Again, although the City did not exceed its available resources, it still is a technical violation. Staff underestimated the budget for the trustee fee for processing our principal and debt instrument maturates.

3. The exception in the Sewer Operating Fund over-expended its debt service by \$24,953. Although, this too is a technical violation, again the City did not exceed its available resources. Staff erroneously estimated interest for debt by using the actual cash amount to be paid, rather than the accrued interest that applies to the period when the budget was prepared.

To address these issues for 1998-99, staff will more closely analyze the funds and accounts and recommend budgetary transfers where appropriate, or recommend curtailing expenditures in an amount that will result in the city not exceeding a budget category, if that is the appropriate solution.

ORS 297.466 requires the City Council to examine the comments from the auditors, determine if the corrective measures are appropriate and, if so, adopt a resolution setting forth the action to be taken and the time frame to complete the action. These items cannot be corrected retroactively, but the City can do better for the current fiscal year. The accompanying resolution summarizes the issue and the solution.

Respectfully submitted,

Gary S. Wallis
Finance Director

GSW/jej