

CITY OF COLLEGE STATION, TEXAS

PROPOSAL TO PROVIDE PROFESSIONAL SERVICES

AUDIT OF THE FINANCIAL STATEMENTS
AND GRANT PROGRAMS

FOR EACH OF THE THREE FISCAL YEARS ENDING
SEPTEMBER 30, 2003-2005

INGRAM, WALLIS & COMPANY

A PROFESSIONAL CORPORATION

Certified Public Accountants

2100 Villa Maria, Suite 100

BRYAN, TEXAS 77802

Contacts:

JAMES D. INGRAM, III

THOMAS A. WALLIS

776-2600

April 29, 2003

CITY OF COLLEGE STATION, TEXAS
PROPOSAL TO PROVIDE PROFESSIONAL SERVICES

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TRANSMITTAL LETTER

INGRAM, WALLIS & COMPANY

A PROFESSIONAL CORPORATION

Certified Public Accountants

2100 E. Villa Maria, Suite 100

BRYAN, TEXAS 77802

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E-MAIL
iwc@ingram-wallis.com

April 29, 2003

Mayor Ron Silvia and Members of the
City Council
College Station, Texas

Dear Honorable City Council:

Ingram, Wallis & Company, P.C. welcomes the opportunity to present our credentials to perform professional services for the City of College Station, Texas (the "City") as described in the methodology and audit approach section of the accompanying proposal.

Our understanding of the work to be performed for the City in accordance with your Request for Proposal #03-58 dated April 4, 2003, discussions with the City's Financial and Accounting personnel and our knowledge of the City is as follows:

- Conduct audits of the financial statements as of and for each of the fiscal years ended September 30, 2003 through September 30, 2005. The financial statements consist of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information and the respective changes in financial position and cash flows and related notes to the financial statements.

The scope of our audits will be sufficient to allow us to express an opinion on the fairness of presentation of such statements in accordance with generally accepted accounting principles.

- Conduct financial and compliance audits of Federal and State Financial Assistance Programs in accordance with Government Auditing Standards (1996 Revision), issued by the Comptroller General of the United States and the Provisions of Office of Management and Budget Circular A-133 "Single Audits of States, Local Governments, and Non-Profit Organizations" for each of the fiscal years ended September 30, 2003 through September 30, 2005.
- Conduct audits of the financial statements as of and for each of the fiscal years ended September 30, 2003 through September 30, 2005 for the Brazos Valley Solid Waste Management Agency.

At the conclusion of our audits we will issue reports on the above as well as other reports identified in our proposal.

We will schedule our work to insure that the reporting deadlines in our proposal are met.

We believe the City will be best served by the selection of Ingram, Wallis & Company, P.C. as their independent auditors because:

First, we are proven. Our professionals have the proven experience and technical abilities necessary to serve the City as evidenced by our prior service to the City.

Second, we are local. We have the knowledge necessary to evaluate the local atmosphere and apply that knowledge to our audit and in our role as your business advisors.

Third, Ingram, Wallis & Company, P.C. staffing decisions are made locally so quality service is provided on a continuous basis by experienced people who will know you and whom you will know.

Fourth, shareholder involvement. The shareholders leading our service team do not drop in only once or twice a year; they are on the scene regularly - as often as necessary. They remain informed and accessible.

Fifth, as a team, we have significant experience in auditing in both the local area and in the government services area.

Sixth, we are committed to meeting your reporting deadlines. We will schedule our work so as to be able to provide you with a final draft no later than February 28th of each year.

Seventh, we offer a competitive fee, as more fully explained in the separate letter of our fee estimates.

We are excited about the prospect of serving as the City's independent auditors. Attached to this letter are details of our commitment to serve you which describe our audit approach and timing, our professional qualifications, and in a separate letter our fee estimates.

Our proposal will remain firm and irrevocable until 5:00 p.m. on July 28, 2003.

We hope this commitment to serve is an indication of how interested we are in serving the City of College Station, Texas. Should you have any questions regarding information included in our proposal or require additional information, we encourage you to contact James D. Ingram, III, President or Thomas A. Wallis, Executive Vice-President at 776-2600.

Sincerely,



James D. Ingram, III

STATEMENT OF INDEPENDENCE

Of paramount importance in contracting for an audit is the independence of the auditors. While you are of course interested in hiring professionals who will work effectively and efficiently with the City and in its best interest, the credentials and independence of those professionals must be beyond question. We have determined that our firm and all individuals included in this proposal are independent of the City of College Station, Texas as defined by Rule 501.70 of the Rules of Professional Conduct promulgated by the Texas State Board of Public Accountancy, and Rule 101 of the Code of Professional Conduct of the American Institute of Certified Public Accountants (AICPA). We have further determined that we are in compliance with AICPA interpretation 501-3 as it relates to independence as defined in the second general standard of government auditing in Government Auditing Standards (1996) issued by the Comptroller General of the United States.

Ingram, Wallis & Company, P.C. has, in the past five (5) years, had the following professional relationships with the City and related organizations:

- City of College Station – Ingram, Wallis & Company, P.C. has been the auditor of record of the City of College Station for the past five (5) years.
- Brazos Valley Solid Waste Management Agency – Ingram, Wallis & Company, P.C. has been the auditor of record of Brazos Valley Solid Waste Management Agency for the past five (5) years.
- Brazos County Health Department – Ingram, Wallis & Company, P.C. has been the auditor of record for the Brazos County Health Department for the past five (5) years.

None of the relationships stated above would constitute a conflict of interest between Ingram, Wallis & Company, P.C. and the City of College Station.

Further, all assigned key professional staff are properly licensed to practice public accountancy in the State of Texas.

Ingram, Wallis & Company, P.C. will give the City of College Station written notice of any future professional relationship involving Ingram, Wallis & Company, P.C. which, in our judgement, would constitute a conflict of interest with the City of College Station.

STATEMENT OF LICENSE IN TEXAS

Ingram, Wallis & Company, P.C. is properly licensed to practice public accountancy in the State of Texas.

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY



THE INDIVIDUAL OR PRACTICE UNIT IDENTIFIED BELOW IS LICENSED TO PRACTICE PUBLIC ACCOUNTANCY IN TEXAS.

IDENTIFICATION NO.	EXPIRES ON	FORM NO.
C00488-001 (U03118)	12/31/2003	03022716

INGRAM, WALLIS, & COMPANY, INC.
OFFICE
2100 E VILLA MARIA RD STE 100
BRYAN TX 77802-2542

**FIRM QUALIFICATIONS
AND EXPERIENCE**

Ingram, Wallis & Company, P.C. will have complete responsibility for the coordination and rendering of service to the City.

Our clients represent all facets of the business world both large and small. Through them we have become closely identified with many fields and are recognized to have expertise in a variety of these fields. Regardless of size, each client receives the personalized service associated with our firm.

Ingram, Wallis & Company, P.C. meets quality control standards at three levels:

- Program - We maintain an in-house quality control program, which includes assigning a qualified individual who has no role in conducting the audit to review the audit planning process, the identification of audit risks, and subsequent auditing procedures performed, as well as all reports issued.
- Internal Inspection - Ingram, Wallis & Company, P.C. has an annual inspection process to review the quality of audit work and compliance with standards.
- External - Ingram, Wallis & Company, P.C. is a member of the Private Companies Practice Section of the American Institute of Certified Public Accountants Division for CPA Firms. Within the public accounting profession, we have taken a leading role in the quality control "peer review" program that was established by the American Institute of Certified Public Accountants in 1976. This program is an important part of the profession's system of self-regulation. It calls for a public accounting firm to have another firm or a panel of certified public accountants review its quality control systems to ensure that they meet the standards of the profession. The most recent peer review was conducted by Harper & Pearson Company, P.C. A copy of their report dated October 17, 2002, is included in the Appendix. The peer review by Harper & Pearson Company, P.C. included a review of a government engagement. During the past three years, no federal or state desk reviews or field reviews have been conducted.

Ingram, Wallis & Company, P.C. maintains one office located in Bryan, Texas and employs the following personnel:

Officer/shareholders	4
Managers	4
Seniors	2
Other professional staff	4
Support staff	4

Employees who meet continuing education requirements under government auditing standards and regularly participate in governmental audits are as follows:

Officer/shareholders	3
Managers	2
Other professional staff	6

Ingram, Wallis & Company, P.C. anticipates assigning only full-time employees who meet continuing education requirements to the engagement more specifically identified in the section entitled, "Partner, Supervisory and Staff Qualifications and Experience".

The financial statements of our governmental and regulated clients are subject to review by regulatory agencies. No significant findings have resulted from these reviews and we have never been the subject of any disciplinary action by any federal or state regulatory body or professional organization, nor are we aware of any pending investigations by such organizations.

As a part of meeting various federal requirements, Ingram, Wallis & Company, P.C. retains all working papers and reports for a minimum of three years. These working papers are made available to various parties as designated by the City of College Station.

The City of College Station is an important client of Ingram, Wallis & Company, P.C. because we concentrate our professional and community service efforts in Brazos County. The City is undeniably a significant part of our service area. Service to the City provides not only financial rewards, but a way to continuously contribute to our community. Our personnel guide says it best in communicating our philosophy:

- "To contribute to our community . . .
- To grow, but never lose the local identity and personal relationship with clients . . ."

Service to the City is consistent with the philosophy of the firm.

Ingram, Wallis & Company, P.C. has adopted policies regarding staff education and development. The details of such policies are included in our Quality Control Document under Professional Development and include provisions for an annual professional development program, completion of specific continuing education requirements, distribution of information regarding current developments in professional technical standards, on-the-job training, personnel evaluation and annual review of the Personnel Development Program.

**PARTNER, SUPERVISORY AND
STAFF QUALIFICATIONS
AND EXPERIENCE**

Client Service Team

In the context of professional services, there is only one true meaningful yardstick of commitment: The experience and reputation of the personnel assigned to the engagement.

Accordingly, for each of our clients, a “client service team” composed of representatives of each of our practice areas is designated. The special expertise of these individuals and their familiarity with the City will assure that all of your problems will be addressed by personnel having the necessary technical expertise and familiarity with the City's unique circumstances. The team operates continuously on a coordinated basis to maintain the quality and responsiveness of our professional services to the client.

Team Organization

We recognize that the operations of the City are both unique and complex and, as such, an efficient audit of the City's financial statements will require expertise in several areas. For example, we believe that an effective audit team should not only possess expertise in the government services industry, but should also have expertise in auditing large, complex organizations. Accordingly, our proposed team is composed of individuals with the various technical backgrounds and industry expertise necessary to deal with the unique characteristics of the City. This team has been developed to provide a sound basis for ensuring that all technical, administrative and quality assurance requirements of the engagement are effectively carried out. The team seeks to accomplish the following:

- Provide clear and direct lines of communications between the team and City management, financial services, accounting and operating personnel.
- Specify individual responsibilities and authorities for all aspects of the engagement.
- Apply the total technical resources and capabilities of Ingram, Wallis & Company, P.C.

Although there are important “institutional” differences between accounting firms, we believe that the single most important determination of an effective client/auditor relationship is the people who perform the work. On the basis of our assessment of your service needs, we have selected a team which we feel will meet such needs completely.

Responsibilities of Team Members

All of the following persons are with Ingram, Wallis & Company, P.C., and are properly licensed to practice as a CPA in Texas:

- Advisory Audit Partner. The advisory audit partner provides the expertise and experience necessary to solve complex accounting and auditing issues as they arise to insure a smooth audit. James D. Ingram, III will serve as advisory audit partner for the City.

Jim offers over 42 years in the full-time practice of public accounting. He assists and advises with services to governmental and related clients that include Brazos County, the City of College Station, the City of Bryan, Brazos Valley Solid Waste Management Agency, Texas A&M Research Foundation, KAMU-TV, KAMU-FM and the Texas A&M University Twelfth Man Foundation.

- Engagement Partner. The engagement partner has overall and ultimate responsibility for all work performed for a client. Thomas A. Wallis will serve as engagement partner for the City.

Tom has over 30 years experience in the full-time practice of public accounting. He currently serves as engagement partner to Brazos County, the City of College Station, the City of Bryan, Brazos Valley Solid Waste Management Agency, Texas A&M Research Foundation, KAMU-TV, KAMU-FM, KPVU-FM and the Texas A&M University 12th Man Foundation.

- Concurring Partner. The concurring partner provides an objective and independent review of the financial statements and reports and is available to other team members for consultation on technical accounting and auditing matters. James D. Ingram, IV will serve as concurring partner for the City.

Jim has over 20 years experience in the full-time practice of public accounting and is a firm-designated specialist in governmental accounting and auditing. His background includes service as supervising audit partner to the City of Bryan, Texas A&M Research Foundation and the Brazos County Emergency Communications District.

- Audit Manager. The audit manager maintains continuing contact with each audit engagement through review of workpapers, discussions with staff accountants and meetings with client personnel. He is responsible for working with the supervising audit partner on the resolution of problems and in the overall administration of the engagement. He will also be responsible for coordinating the work performed by team members responsible for the various sections of the engagement into the overall audit plan and, ultimately, into inclusion in the general purpose financial statements. Richard L. Webb will serve as audit manager for the City.

Rick has over 15 years experience in the full-time practice of public accounting and is a firm-designated specialist in governmental accounting and auditing. He currently serves as audit manager for the City of College Station, Texas A&M Research Foundation and the Brazos Valley Solid Waste Management Agency.

- Staff. In addition to the personnel listed above, Ingram, Wallis & Company, P.C. will assign only full time employees who meet continuing education requirements to the audit. For the year ended September 30, 2003 it is anticipated that two additional staff will be required.

All professional staff assigned to the City engagement will have attained levels of continuing professional education which will meet or exceed the GAO requirements and those of the State Board of Public Accountancy.

Ingram, Wallis & Company, P.C. has no formal policy on rotation of partners or managers. It is not anticipated that Ingram, Wallis & Company, P.C. will rotate any partners or managers on the City's engagement.

Ingram, Wallis & Company, P.C. is local. Our partners and managers are accessible to City management, financial, and accounting personnel.

It is understood that the individuals named in this proposal will be the individuals who actually do the work associated with the City's audit. Ingram, Wallis & Company, P.C. reserves the right to replace personnel with individuals with similar education and experience.

Ingram, Wallis & Company, P.C. maintains that our success as a professional service organization requires that we maintain a rich diversity of personnel able to render excellent service to the public and to the financial community. The policy of the firm is seek and employ men and women of skill, integrity and enthusiasm and to provide them with the means to develop professionally, without regard to race, color, religion, sex, age, national origin, handicap or veteran status.

Résumés

Résumés for these individuals are shown on the following pages.

JAMES ("JIM") D. INGRAM, III

ROLE IN ENGAGEMENT

Jim will serve as your advisory audit partner, ensuring that our services meet your expectations, and consulting on technical issues.

PERTINENT EXPERIENCE

Jim has over 42 years of experience in providing accounting, auditing, tax and consulting services to Ingram, Wallis & Company, P.C.'s clients. His background as a business advisor and years of experience will bring a positive team-oriented approach to serving the City.

Jim serves as Advisory Audit Partner for the firm's Audit practice; as such, he provides in-depth expertise and experience in resolving complex technical accounting and auditing issues. He participates in such capacity on the following current clients of the firm:

- Brazos County, Texas
- City of Bryan, Texas
- City of College Station, Texas
- Texas A&M Research Foundation
- Texas A&M University 12th Man Foundation
- Texas Poultry Federation (and its affiliates)
- Kurten Farms, Ltd.
- Brazos Valley Solid Waste Management Agency
- Sherwood Health Care, Inc.
- Bryan Construction Company

As business advisor and consultant he has gained a reputation in the area of acquisitions, mergers and dissolutions. Jim also serves as the Firm's designated specialist in the area of gifts and estates.

PROFESSIONAL AND COMMUNITY ACTIVITIES

- Texas State Board of Public Accountancy (Chairman 1984-85)
- American Institute of Certified Public Accountants
- Texas Society of Certified Public Accountants
- Brazos Valley Chapter, Texas Society of Certified Public Accountants
- Bryan-College Station Chamber of Commerce
- Bryan-College Station Jaycees
- Brazos Valley Rehabilitation Center
- Briarcrest Country Club
- Brazos County Industrial Foundation

EDUCATION

Texas A&M University, BBA

CONTINUING EDUCATION

Jim has completed over 173 hours of continuing education in the past three reporting periods.

THOMAS ("TOM") A. WALLIS

ROLE IN ENGAGEMENT

Tom will serve as your engagement partner.

PERTINENT EXPERIENCE

Tom has over 30 years experience in public accounting and heads the firm's audit practice. In this role, he directs the progress of each of the firm's accounting and auditing engagements and is available for consultation on technical accounting and auditing issues. He has participated in numerous accounting and auditing engagements for a wide range of industries, including local government.

Tom serves as engagement partner on the following relevant engagements:

- Brazos County, Texas
- City of College Station, Texas
- Texas A&M Research Foundation
- Brazos Valley Solid Waste Management Agency
- Brazos County Emergency Communications District
- Texas A&M University 12th Man Foundation
- Kurten Farms, Ltd.
- KAMU-TV
- KAMU-FM
- KPVU-FM
- Sherwood Health Care, Inc.
- Bryan Construction Company

PROFESSIONAL AND COMMUNITY ACTIVITIES

- American Institute of Certified Public Accountants
- Brazos Valley Chapter, Texas Society of Certified Public Accountants
- Texas Society of Certified Public Accountants
- Brazos Valley Rehabilitation Center
- Bryan-College Station Chamber of Commerce
- Bryan Cemetery Association
- St. Joseph Foundation
- Brazos County Industrial Foundation

EDUCATION

Texas A&M University, BBA
Texas A&M University, MBA

CONTINUING EDUCATION

Tom has completed over 213 hours of continuing education in the past three reporting periods, including 32 hours in governmental accounting and auditing.

JAMES ("JIM") D. INGRAM, IV

ROLE IN ENGAGEMENT

Jim will serve as your engagement concurring partner. He will provide the independent and objective review of the financial statements and will be available for consultation on accounting matters.

PERTINENT EXPERIENCE

Jim is the firm-designated specialist in government accounting and auditing. He has over 20 years in public accounting and possesses the necessary experience and responsibility to direct the firm's auditing in the field.

Jim currently serves as engagement audit partner of the following relevant engagement:

- City of Bryan, Texas

Jim currently serves as supervisory audit partner of the following relevant engagements:

- Texas A&M Research Foundation
- Brazos County Emergency Communications District
- Texas Poultry Federation (and its affiliates)
- Bryan Construction Company

PROFESSIONAL AND COMMUNITY ACTIVITIES

- American Institute of Certified Public Accountants
- Texas Society of Certified Public Accountants
- Brazos Valley Chapter, Texas Society of Certified Public Accountants
- Brazos Valley Museum
- Bryan-College Station Jaycees
- Bryan Viking Club
- Plaza Club of Bryan-College Station
- Bryan-College Station Chamber of Commerce
- Briarcrest County Club
- Boys and Girls Clubs of the Brazos Valley
- Palace Theatre Foundation Board
- Wells Fargo Bank Advisory Board

EDUCATION

Texas A&M University, BBA

CONTINUING EDUCATION

Jim has completed 128 hours of continuing education in the past three reporting periods, including 32 hours in governmental accounting and auditing.

RICHARD ("RICK") L. WEBB

ROLE IN ENGAGEMENT

Rick will serve as audit manager for the City of College Station and will ensure that fieldwork is completed in a timely manner and professional staff are properly supervised.

PERTINENT EXPERIENCE

Rick has over 15 years of experience in providing accounting and auditing services to the firm's clients with emphasis in governmental accounting and auditing. He currently serves as audit manager on the following relevant engagements:

- City of College Station, Texas
- Texas A&M Research Foundation
- Brazos Valley Solid Waste Management Agency

PROFESSIONAL AND COMMUNITY ACTIVITIES

- American Institute of Certified Public Accountants
- Texas Society of Certified Public Accountants
- Brazos Valley Chapter, Texas Society of Certified Public Accountants
- Business Advisory Council for Blinn College
- Brazos Valley Estate and Financial Planning Council
- Pebble Creek Elementary School PTO

EDUCATION

Texas A&M University, BS
Texas A&M University, MS

CONTINUING EDUCATION

Rick has completed over 129 hours of continuing education in the past three reporting periods, including 32 hours in governmental accounting and auditing.

**REFERENCES – SIMILAR
ENGAGEMENTS WITH OTHER
GOVERNMENTAL ENTITIES**

Ingram, Wallis & Company, P.C. regularly audits the financial statements of several government and nonprofit organizations which have auditing, accounting and reporting requirements similar to City of College Station. Some of our government and nonprofit clients include:

- Brazos County, Texas
- City of College Station, Texas
- City of Bryan, Texas
- Texas A&M Research Foundation
- Brazos Valley Solid Waste Management Agency
- Brazos County Emergency Communications District
- Texas A&M University 12th Man Foundation
- KAMU-TV
- KAMU-FM
- KPVU-FM
- Texas Poultry Federation (and its affiliates)

We believe that an effective audit team should, in addition to possessing expertise in the government service industry, also have expertise in auditing large and complex organizations with computer oriented reporting systems. In this regard, Ingram, Wallis & Company, P.C.'s audit clients include:

- Kurten Farms, Ltd.
- Sherwood Health Care, Inc.
- Bryan Construction Company

The best indicator of services you can expect from us comes from those with whom we have previously worked. We urge you to contact the following governmental references for whom we have performed services in the last three years:

City of Bryan, Texas

During 1988, we were appointed auditors of the City of Bryan, Texas. The City, which has a fiscal year end of September 30, requires approximately 1,200 hours to complete. Jim Ingram serves as the engagement partner on the audit. Since appointment we have accomplished the following:

- Advised management on governmental reporting requirements and assisted in applying policies for implementation of Statement No. 10 of the Governmental Accounting Standards Board.
- Completed our auditors' reports on the City's general purpose financial statements on a timely basis.
- Reviewed compliance with provisions of Federal financial assistance programs in accordance with the Single Audit Act, OMB Circular A-133 and issued our reports thereon.

- Audited the city electric division of the City of Bryan, Texas.
- Audited the rural electric division of the City of Bryan, Texas.
- Suggested improvements that were reported in our letter to the City Council.

Contact: Mary Kaye Moore
 City Manager
 mmoore@ci.bryan.tx.us
 (979) 209-5100

Brazos County, Texas

We have served Brazos County, which has a fiscal year end of September 30, as auditors since 1994. The audit, including the audits of the various departments, requires approximately 1,050 hours to complete. Tom Wallis serves as the engagement partner. During that time we have:

- Completed our auditors' report on the County's general purpose financial statements on a timely basis.
- Reviewed Compliance with provisions of Federal financial assistance programs in accordance with the Single Audit Act, and OMB Circular A-133 and issued our reports thereon.
- Annually audited the Brazos County Health Department and issued our opinion on the general purpose financial statements.
- Annually prepared the combined balance sheet-regulatory basis and statement of revenues and expenditures and changes in fund balance - regulatory basis for the Brazos County, Texas Juvenile Board using Texas Juvenile Probation Commission basis of accounting and provided our report thereon.
- Issued our independent auditors' report on the combined financial statements of the Brazos County Community Supervision and Corrections Department using a prescribed basis of accounting that demonstrates compliance with TDCJ-CJAD financial reporting requirements on an annual basis.
- Suggested improvements in the internal control structure in our letter to the audit committee.

Contact: Randy Sims
 County Judge
 rsims@co.brazos.tx.us
 (979) 361-4102

Texas A&M Research Foundation

Since our appointment in 1990, we have served as independent auditors for the Texas A&M Research Foundation. The Foundation has a fiscal year end of August 31 and requires approximately 700 hours to complete. Tom Wallis serves as the engagement partner. During that time we have:

- Annually audited the Foundation's financial statements and issued our opinion thereon.
- Reviewed compliance with provisions of Federal financial assistance programs in accordance with the Single Audit Act and OMB Circular A-133 and issued our reports thereon.
- Issued a management letter to the audit committee containing our recommendations for improvements in the Foundation's internal control structure.
- Assisted in establishing a new chart of accounts for the Foundation.
- Cooperated with the State Auditor and provided workpapers and reports for inclusion in Comprehensive Annual Financial Report (CAFR) for the State of Texas.

Contact: Mark Smock
Vice President and Treasurer
mss@rf-tamu.edu
(979) 845-9994

Brazos Valley Solid Waste Management Agency

We have served the Brazos Valley Solid Waste Management Agency, which has a fiscal year end of September 30, since 1989. The audit requires approximately 175 hours to complete. Tom Wallis serves as the engagement partner. Since our engagement, we have:

- Annually audited the financial statements of the Agency.
- Provided copies of our reports to the Cities of Bryan and College Station for use in their Comprehensive Annual Financial Reports.
- Advised management and assisted in applying policies for implementation of Statement No. 18 of the Governmental Accounting Standards Board.

Contact: Jim Smith
Executive Director
jsmith@ci.college-station.tx.us
(979) 764-3690

KAMU-TV/KAMU-FM

Since our appointment in 1989, we have served as independent auditors for KAMU-TV and KAMU-FM. The stations have a fiscal year end of August 31 and require approximately 130 hours to complete. Tom Wallis serves as the engagement partner. During that time, we have:

- Annually audited the financial statements, including the conversion to GASB 34 for the year ending August 31, 2002.
- Annually audited the Schedules of Non-Federal Financial Support required by the Corporation for Public Broadcasting.

Contact: Rodney L. Zent
Director
rod@Kamugate.tamu.edu
(979) 845-5671

**METHODOLOGY AND
AUDIT APPROACH**

Scope of Services

The scope of our examination will be sufficient to enable us to express an opinion on the financial statements of the City as of September 30, 2003 and for the year then ended. Our audit will be performed for the City Council in accordance with generally accepted auditing standards, the standards set forth for financial audits in the U.S. General Accounting Office's (GAO) Government Auditing Standards (1996), the provisions of the Federal Single Audit Act Amendments of 1996, and U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. We understand these audits are requested pursuant to Texas Local Government Code Section 115.045 and other applicable State and Federal Laws. For each of the succeeding fiscal years through September 30, 2005, the scope will be similar.

All reports will be rendered within the required time frames identified in your request for proposal, barring conditions beyond our control. The primary purpose of the audit is to express an opinion on the financial statements and such an audit is subject to inherent risk that errors or irregularities may not be detected. If conditions are discovered which lead to the belief that material errors, defalcations, or other irregularities may exist, or if any other circumstances are encountered that require extended services, we will promptly advise the City. No extended services will be performed unless they are authorized in the contractual agreement or in an amendment to the agreement.

In addition, Ingram, Wallis & Company, P.C. will, if engaged, perform the annual audit of the Brazos Valley Solid Waste Management Agency and issue our reports on the balance sheet, and related statements of revenues, expenses and changes in retained earnings and cash flows to the Administrative Board of Trustees.

Reports To Be Issued

We will issue the following reports with regard to the City of College Station, Texas:

- Report on the fairness of presentation of the financial statements in accordance with generally accepted accounting principles.
- Independent Auditors' Report on Compliance and on Internal Control Structure Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
- Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Structure Over Compliance in Accordance with OMB Circular A-133.

- Supplementary Schedule of Expenditures of Federal and State Awards.
- Notes on Accounting Policies for Federal and State Awards.
- Schedule of Findings and Questioned Costs.
- Schedule of Findings and Questioned Costs for the preceding year - Status of Prior Year Findings and Questioned Costs.
- Required communication to the City Council covering certain matters related to the conduct of the audit relating to their oversight responsibility of the financial reporting process. These matters include:
 - The auditors' responsibility under generally accepted auditing standards.
 - Significant accounting policies.
 - Management judgments and accounting estimates.
 - Significant audit adjustments.
 - Other information in documents containing audited financial statements.
 - Disagreements with management.
 - Management consultation with other accountants.
 - Major issues discussed with management prior to retention.
 - Difficulties encountered in performing the audit.
 - Other matters required by GAAS, such as reporting illegal acts, etc.
- Required communication of internal control structure related matters noted in the audit.

Proposed Segmentation of the Engagement

We have developed an engagement plan for serving the City which is comprehensive in scope, integrated in its many aspects, and designed to bring maximum benefit to the City.

We will plan, schedule and coordinate our audits of the City in the most economical and efficient way. The audit will be scheduled, as much as practicable, at times that are most convenient to your accounting personnel and at times when they are least burdened with periodic workloads. Our audit work will be conducted in the following three phases:

Planning Phase (June/July)

The objectives of the planning phase are to:

- Obtain a general familiarity with the City's operations and financial position, the interrelationship of important activities and accounts, and any significant changes from the preceding year.
- Plan for assistance by and coordination with City personnel.

- Identify at an early stage any known accounting, auditing, and reporting problems, or other similar conditions.
- Anticipate potential problems from any planned, pending or probable developments.
- Consider audit timing priorities and estimate or reevaluate the time required for preliminary and final work for each audit area.

To accomplish these objectives, we will:

- Review correspondence with regulatory and funding agencies.
- Schedule a planning meeting of our audit team with the City's top financial management.
- Discuss with accounting personnel the specifics of all significant manual and automated accounting systems and obtain accounting policy and procedure manuals.
- Discuss with MIS personnel the MIS equipment, applications and programs being used; any operational problems, such as delays, out-of-balance situations, or abnormal incidence of errors and retention of data files needed for audit application.
- Arrange audit planning meetings with financial and accounting representatives of operating departments to evaluate internal control procedures and develop audit programs as necessary.
- Analytically review the financial position, results of year-to-date operations, and cash flows.
- Review minutes of meetings of the City Council.
- Meet with the City legal council and the City's operations, planning, and grants management personnel to identify issues relating to the desired external financial reporting structure of the City.

Interim Audit Phase (August/September)

In the interim audit phase, we will finalize our audit plan and begin our preliminary audit testing. During this phase, we will:

- Finalize the audit program.
- Obtain, or update, and review copies of the laws under which the City was created, debt agreements, and contracts.

- Review internal controls on manual and automated systems and reach a conclusion regarding their adequacy.
- Update our analytical review of year-to-date operations.
- Begin detail testing of revenue and expense transactions.
- Test the balances and transactions in the property accounts.
- Update our review of minutes of the City Council.
- Prepare year-end cash, receivables, and payables confirmation letters.
- Observe physical inventory counts (if necessary).
- Observe cash counts (if necessary).

Final Audit and Reporting Phase (November/March)

During this phase we will:

- Review confirmation letters and resolve differences.
- Test capital grant balances and long-term debt.
- Complete review of compliance items.
- Review audits of contracts under Federal grants.
- Review other compliance requirements.
- Audit, as necessary, accrued expenses, allowance for injuries and damages, and other liabilities, by examining the details of the accounts and analyses prepared by the City; comparison to independent statistics; confirmation; etc.
- Test compilation of inventories.
- Review actuarial reports and lawyers' letters for potential impact on statements and footnotes.
- Complete the analytical review of operations.
- Complete our testing of revenues and expenses.
- Obtain representations on compliance with Federal grant regulations and other matters from the City personnel responsible for Federal grants and other matters.

- Complete our review of minutes of the City Council.
- Review with management a draft of the financial statements and our reports thereon.
- Review with management drafts of report formats and notes.
- Issue our reports.
- Review with management the draft of our report to management.
- Issue our report to management.
- Present our reports and findings before the City Council.
- Commence planning for the following year's audit.

Level of Staff and Estimated Hours

A summary of estimated hours for the audit of the City follows:

	<u>Planning</u>	<u>Interim</u>	<u>Final</u>	<u>Total Hours</u>
Partners	5	5	20	30
Managers	30	60	210	300
Staff Accountants	<u>15</u>	<u>120</u>	<u>385</u>	<u>520</u>
Total hours	<u>50</u>	<u>185</u>	<u>615</u>	<u>850</u>

A summary of the estimated hours for the Brazos Valley Solid Waste Management Agency follows:

Partners	3	---	12	15
Managers	8	12	15	35
Staff Accountants	<u>4</u>	<u>20</u>	<u>101</u>	<u>125</u>
Total hours	<u>15</u>	<u>32</u>	<u>128</u>	<u>175</u>

Audit Approach

We disagree with those in our industry who regard the audit as a commodity. As a client, you will receive a high-quality, cost-effective audit of your financial statements. But our services will go far

beyond perfunctory attest functions. In the course of conducting our audits, we fully expect to develop information and insights concerning your operations that will be of direct value to the City.

Our approach to audit service is to be truly responsive to your needs. We are available for you throughout the year to provide timely advice and assistance in financial, administrative and other matters, as well as to perform the efficient, top-quality audit for which we are widely recognized in governmental, business and professional circles. During our audits, we place special emphasis on identifying and communicating opportunities to increase the effectiveness and efficiency of your operations.

Our audit approach will be tailored to meet your specific needs through comprehensive audit planning and assessment of risk based on a thorough understanding of the City. Audit planning and risk assessment help us focus our auditing procedures on critical areas and to design our procedures to provide meaningful constructive services. Risk assessment is based upon the following:

- Thorough examination of the system of internal accounting control, including data processing.
- Identification of specific concerns of management and the City Council.
- Overall materiality and its impact on the financial statements.
- Inherent risk of the operations.

We will design our audit of the City to meet the highest technical standards, to provide the City with cost-effective services and constructive recommendations, and to increase our effectiveness as business advisors to you. Personal computers will be used on-site by our engagement team to ensure the greatest audit efficiencies. The foundation of our ability to provide these services is an understanding of the significant factors affecting the City's business, and sensitivity to the Council's and management's key concerns. We build upon this foundation by performing audit procedures which respond to the risks associated with the City's financial reporting. We also will develop client service objectives which focus our expertise on areas of particular importance to you and, thereby, provide constructive business advice to the City.

The Business Review

The Business Review comprises:

- Developing an understanding of the City's business.
- Carrying out preliminary analytical procedures.
- Obtaining an overview of the accounting system.
- Assessing the control environment.

Understanding Your Organization

We will first gain an understanding of your organization by considering important factors which affect the City. Our procedures will include discussions with key client personnel, visits to principal locations and review of internal and published material. When combined with procedures performed in the planning and interim audit phase, this understanding allows us to determine which areas/departments that will be subject to compliance and substantive sampling. The departments selected for testing may vary from year to year due to changes within the City and our annual planning process.

Preliminary Analytical Procedures

We will apply analytical procedures to high-level aggregations of data, often at the financial statement level. These procedures enable us to:

- Identify unusual or unexpected relationships or balances.
- Understand the City's significant accounting policies.
- Determine an overall materiality level.

Overview of the Accounting System

We will acquire an overview of the accounting system to gain insight into the accounting environment and a preliminary understanding of the flow of transactions and important internal accounting controls. In this connection, we will consider the significant procedures and records established to identify, record, process, summarize and report transactions and to maintain accountability for the related assets. We will assess the effect of MIS on the business and, in light of that assessment, determine our required confidence in the reliability of MIS processing.

Using the Results of the Business Review

The Business Review enables us to do the following:

- Identify factors which indicate an increase in the risk of error or risk to the Firm, and provides a context within which to develop an appropriate audit response.
- Develop specific client service objectives which focus on important business risks or management concerns. Such objectives will enable us to:
 - Provide meaningful recommendations.
 - Respond to opportunities to provide appropriate assistance to the City in dealing with significant business issues.

Risk Assessment Process

We will use our professional judgment and understanding of the business to identify and assess specific risks of errors and to develop, within the flexible framework provided by our audit policies, our responses to such risks. The process of risk assessment involves the following:

- Identifying groups of related accounts. Many accounts, or groups of accounts, are affected simultaneously by the same transactions -- or are interrelated in some other way. Therefore, to enable our risk assessment procedures to be conducted more efficiently, we will identify such groups of related accounts.
- Understanding the nature of the accounts. We will build on the knowledge gained during the Business Review to develop an understanding of the nature and significance of each account, the flow of transactions through the accounting systems and the type of transactions involved. We distinguish between systematically processed transactions (which generally have a low risk of error) and estimates, cutoffs, accruals, and unusual or complex transactions (which generally are more prone to error).
- Searching for risk. Our search for risk will consider factors identified during the Business Review, the significant features of the accounting process, and the susceptibility of assets to theft or loss. We also will consider the history of error and any indications of increased risk in light of the types of transactions which comprise the accounts.
- Pinpointing the risks of error. When we have identified a risk of error, we will pinpoint the effect of that risk, generally by identifying the types of transactions and the related financial statement assertions affected. This enables us to respond directly and effectively to the identified risk.
- Considering controls that reduce the risk of error. We will consider specific accounting or administrative controls which may reduce the risk of error. The extent of our evaluation of such specific controls is based on our planned reliance on the controls. When we place reliance on specific controls, we corroborate their effectiveness during the audit period.

Standard Audit Response

In the absence of an indication of specific risk of error (or when effective controls mitigate the risk), we can obtain all our assurance from our Standard Audit Response. This comprises:

- Confirming our initial conclusions as to the reliability of the system.
- Testing controls that mitigate specific risks of errors.
- Carrying out a Basic Level of Testing.

Focused Audit Response

When specific risk factors exist, we focus on those portions of the account, or on those transaction types or assertions that are affected by the risks. This Focused Audit Response is achieved by designing procedures to address specific risks directly. These procedures consist of substantive tests performed in a manner which provides a higher level of assurance than our Basic Level of Testing or of other specific procedures that address the risk. Our most important response to increased risk, however, is a heightened sense of professional skepticism. We have assigned the City our most experienced personnel who are governmental industry specialists and have years of experience auditing in the public sector.

Substantive Auditing Procedures

The objective of our substantive auditing procedures is to gather sufficient evidence to support our conclusion as to the absence of material errors and our opinion on the financial statements. Substantive auditing procedures include analytical review and tests of details. These procedures may be designed to achieve either the Basic Level of Testing or a Focused Audit Response.

Audit Planning Memorandum

An audit planning memorandum is prepared on all audit engagements. The planning memorandum addresses:

- Significant changes in the City's business, accounting systems and control environment.
- Our conclusions with respect to any risks to the Firm.
- The specific risks of error identified for each significant account, or group of related accounts, and an indication of those areas for which there are no identified risks.
- The nature, timing, and extent of our planned responses to identified risks.
- Other significant matters related to the administration of the engagement.

Error Evaluation

We evaluate all identified errors by considering the potential for further error and quantifying the likely amount of error in the financial statements. Ultimately, our conclusion as to the existence of material error in the financial statements is a matter of professional judgment. However, we base our conclusions on an adequate understanding of the causes of errors and the possibility that other similar errors have occurred.

We will discuss all significant errors with the City's management and propose that appropriate adjustments be made. In addition, we will consider the effect of identified errors on our assessment of risk. In some instances, errors may lead us to reconsider our original risk assessment and, possibly, to amend our audit response.

Sampling

Sample sizes and methods will be determined in accordance with Statement of Auditing Standards (SAS) No. 39 and will include statistical sampling to the extent deemed appropriate by engagement management.

A test of details is a means of assessing the propriety of recorded amounts through one of the following:

- Direct examination of supporting documentation. When used to achieve the Basic Level of Testing this comprises:
 - Tests of totals or sufficient individual transactions or balances to provide a reasonable basis for our conclusions with respect to the entire group of transactions or balances.
 - Examining adequate support data to conclude as to the propriety of the selected item.

We also may use direct examination of supporting documents to achieve a Focused Audit Response by directing our test to a group of transactions or balances having a specific risk of error. Alternatively, we may design our tests to achieve a higher level of assurance regarding an entire balance by increasing our sample size and, thereby, increasing our confidence that the sample provides a reasonable basis for our conclusions. Examining additional supporting data for selected items may also provide a higher level of assurance.

Use of EDP Software in the Engagement

Ingram, Wallis & Company, P.C. will employ the use of various EDP audit tools on the City's audit to ensure maximum efficiency. EDP software to be used will include programs for:

- Engagement administration
- Trial balances and basic workpapers
- Audit programs, checklists and questionnaires

Analytical Procedures

Analytical review is a business-oriented approach based on our understanding of key factors affecting the City's business which are identified in our Business Review. When used as a Basic Level of Testing, it includes:

- Developing an expectation of the recorded amount at an appropriate level of disaggregation based on relevant operating or financial information.
- Comparing the expectation to the recorded amount and identifying differences requiring further investigation based on the level of materiality and the precision of the expectation.
- Corroborating explanations for significant differences between the expectation and the recorded amount by examination of appropriate supporting information or further analysis or inquiry.

To obtain a higher level of assurance from analytical review, we can increase the precision of the expectation by further disaggregation of the data and/or by consideration of additional key factors to further refine our expectation. Examination of additional corroborative evidence for the data used to develop the expectation and/or the data used to support explanations for differences between the expectation and the recorded amount also may increase the level of assurance provided by analytical review.

Evaluation of Control Structure

To ensure that the City's existing systems are performing properly and that internal accounting controls are providing maximum effectiveness, we use an objective approach to determine the audit features of internal controls which are unique to the City. The features of this approach are directed to computer applications of accounting significance including, but not limited to, adequate procedural documentation, input and output controls, security controls and emergency procedures.

This approach specifies procedures for the study and evaluation of internal accounting controls. It is completed for each significant accounting application (for example, revenues, cash receipts, purchases, cash disbursements, payroll, taxes receivable, general ledger, etc.) during the early stages of our field work. Significant accounting applications are those that can materially affect the financial statements.

Our approach focuses on the evaluation of those accounting controls that we will rely on during the audit, or those controls that are of importance to management. The MIS control objectives that are comprehended in the program are as follows:

- Controls should provide reasonable assurance that accounting application programs or systems are initially designed and implemented to process in accordance with management's general or specific authorizations.

- Controls should provide reasonable assurance that changes to programs are made only with proper management authorization and, upon implementation of the changes, the programs continue to process transactions in accordance with management's general or specific authorizations.
- Controls should provide reasonable assurance that all authorized data, and only authorized data, are correctly entered into the MIS system.
- Controls should provide reasonable assurance that authorized data, once entered into the system, are protected from unauthorized deletion or modification.
- Controls should provide reasonable assurance that intended MIS output is delivered intact to the authorized users only.
- Controls should provide reasonable assurance that the MIS hardware and support software (operating systems and data base systems, for example) are functioning properly.

We will work closely with key accounting and MIS personnel to obtain pertinent accounting system information. We then analyze the information, and use our skills to maximize the efficiencies during our audit.

Compliance with Laws and Regulations

In order to comply with Government Auditing Standards which require the auditor to test compliance with applicable laws and regulations, Ingram, Wallis & Company, P.C. will design its audit to provide reasonable assurance of detecting errors, irregularities and illegal acts resulting from violations of laws and regulations that have a direct and material effect on the determination of financial statement amounts as required by SAS No. 53 and SAS No. 54.

We will rely on the City's management to identify and disclose to us all laws and regulations that have a direct and material effect on the general purpose financial statements of the City.

Conclusion

No two audits are the same. Each client's circumstances will differ and, accordingly, we apply our professional judgment and experience to identify and evaluate risks -- and to determine the most appropriate audit responses. An adequate understanding of the City's business is critical in this process. Our understanding of governmental entities and our knowledge of the concerns of the City's Management also enables us to use our professional expertise to ensure that, as a natural by-product of the audit, we can serve as effective business advisors to the City.

**IDENTIFICATION OF ANTICIPATED
AUDIT PROBLEMS**

Ingram, Wallis & Company, P.C. is not aware of any anticipated accounting or audit problems.

REPORT FORMAT

We would expect our independent auditors' report under the GASB 34 reporting model to read as follows:

INDEPENDENT AUDITORS' REPORT

Mayor Ron Silvia, Members of
the City Council and City Manager of the
City of College Station, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of College Station, Texas (the "City"), as of and for the year ended September 30, 2003, 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 an opinion 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 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 opinion.

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the City has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Boards (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* which provides additional guidance for the implementation of GASB Statement No. 34, and GASB Statements No. 38, *Certain Financial Statement Note Disclosures*, which changes note disclosure requirements for governmental entities, in 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated January XX, 2004, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages X through X, are not a required part of the basic financial statements but are 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 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 information presented in the financial section of the table of contents labeled as combining financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining financial statements 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 section and statistical section 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.

We would expect our letter to management to read as follows:

Mayor Ron Silvia,
Members of the City Council and City Manager of the
City College Station, Texas

In planning and performing our audit of the financial statements of the City of College Station, Texas (the "City"), for the year ended September 30, 2003, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

(Any reportable conditions would be reported here)

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. In addition, because of inherent limitations in internal control, errors or fraud may occur and not be detected by such controls. However, none of the reportable conditions above is believed to be a material weakness.

These conditions were considered in determining the nature, timing and extent of the audit tests applied in our audit of the September 30, 2003 financial statements, and this report does not affect our report on those financial statements dated January XX, 2003. We have not considered the internal control structure since the date of our report.

This report is intended solely for the information and use of the Mayor, Members of the City Council, the City Manager, management and others within the] and is not intended to be and should not be used by anyone other than these specified parties.

Our communication with the city council would read similar to the following:

Mayor Ron Silvia,
Members of the City Council and City Manager of the
City of College Station, Texas

We have audited the financial statements of the City of College Station, Texas (the "City") for the year ended September 30, 2003, and have issued our report thereon dated January XX, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated April 29, 2003, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the City's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the City's compliance with the types of compliance requirements described in *the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the City's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City's compliance with those requirements.

As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the City changed accounting policies related to reporting by adopting GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, in 2003. We noted no transactions entered into by the City during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

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. Significant accounting estimates reflected in the City’s financial statements are normal and were determined on a basis consistent with that used in the prior year

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City’s financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the City, either individually or in the aggregate, indicate matters that could have a significant effect on the City’s financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter 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.

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 governmental unit'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.

Issues Discussed Prior to Retention of Independent Auditors

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.

Difficulties Encountered in Performing the Audit

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

This information is intended solely for the use of the Mayor, Members of the City Council and Management of the City of College Station and is not intended to be and should not be used by anyone other than these specified parties.

The two reports associated with the reporting under A-133 would be expected to read as follows:

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Mayor Ron Silvia,
Member of the City Council and City Manager of the
City of College Station, Texas

We have audited the financial statements of the City of College Station, Texas (the "City") as of and for the year ended September 30, 2003, and have issued our report thereon dated January XX, 2004. We conducted our audit in accordance 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.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Mayor, City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Mayor Ron Silvia,
Member of the City Council and City Manager of the
City of College Station, Texas

Compliance

We have audited the compliance of the City of College Station, Texas (the "City") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2003. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2003.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over

compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal and State Awards

We have audited the financial statements of the City as of and for the year ended September 30, 2003, and have issued our report thereon dated January XX, 2003. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information of the Mayor, City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**CERTIFICATION,
ACKNOWLEDGEMENT OF ANY
ADDENDA ISSUED AND STATEMENT
OF WILLINGNESS TO SIGN THE
CITY'S STANDARD OF AGREEMENT**

The undersigned affirms that they are duly authorized to execute this contract, that this RFP has not been prepared in collusion with any other firm, and that the contents of this RFP have not been communicated to any other firm prior to the official opening of this RFP. Additionally, the undersigned affirms that the firm is willing to sign the enclosed Standard Form of Agreement (if applicable) and engagement letter.

Signed by:  Title: President

Typed Name: James D. Ingram, III Company Name: Ingram, Wallis & Company, P.C.

Phone No.: (979) 776-2600 Fax No.: (979) 774-7759

Email: iwc@ingram-wallis.com

Bid Address: 2100 Villa Maria, Ste. 100 Bryan TX 77802
P.O. Box or Street City State Zip

Remit Address: 2100 Villa Maria, Ste. 100 Bryan TX 77802
P.O. Box or Street City State Zip

Federal Tax ID No. 74-2073801

Date: April 29, 2003



City of College Station
1101 Texas Ave * College Station, TX 77842 * (979) 764-3823
www.ci.college-station.tx.us

ADDENDUM # 1
RFP # 03-58

Date: April 23, 2003
To: All Interested Parties
From: Cheryl K. Turney, C.P.M.
Purchasing Manager
Re: **Professional Auditing Services**
RFP #03-58

The following additions, deletions and/or clarifications to the Request for Proposal Documents of RFP #03-58 are hereby made a part of the RFP Documents for the above referenced project as fully and as completely as though the same were included therein.

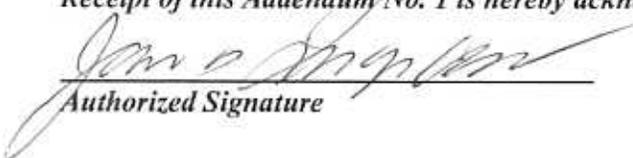
CLARIFICATION

BVSWMA (Brazos Valley Solid Waste Management Agency) is a joint venture between the City of College Station and the City of Bryan. As a result, separate financial statements are issued for BVSWMA. The selected audit firm will be responsible for preparing these financial statements.

Although the City does not require a separate engagement letter, the BVSWMA audit and financial statement preparation should be priced separately for the purpose of internal cost allocation.

Please acknowledge receipt of this addendum with signature and date and return with completed bid. Failure to do so may cause your RFP to be considered non-responsive.

Receipt of this Addendum No. 1 is hereby acknowledged



Authorized Signature

4/29/03
Date

INGRAM, WALLIS & COMPANY, P.C.
Company Name

INGRAM, WALLIS & COMPANY

A PROFESSIONAL CORPORATION

Certified Public Accountants

2100 E. Villa Maria, Suite 100

BRYAN, TEXAS 77802

James D. Ingram, III
Thomas A. Wallis
James D. Ingram, IV
Richard L. Webb

Judith W. Childs
Kenneth W. Chumchal
Jennifer A. Stillman
Melanie R. Bingham
Melissa R. Meier
Donald B. Browning

TELEPHONE
(979) 776-2600

TELECOPIER
(979) 774-7759

EMAIL
iwc@ingram-wallis.com

April 29, 2003

Mr. Charles Cryan
City of College Station
1101 Texas Avenue
College Station, TX 77842-2499

Dear Mr. Cryan:

We are pleased to confirm our understanding of the services we are to provide for the City of College Station, Texas for the years ended September 30, 2003, 2004 and 2005. We will audit the financial statements of the City of College Station, Texas (the "City") as of and for the years ended September 30, 2003, 2004 and 2005. We understand that the financial statements will be presented in accordance with the financial reporting model described in GASB Statement No. 34. Also, the document we submit to you will include the following additional information that will be subjected to the auditing procedures applied in our audit of the financial statements:

1. Schedule of expenditures of federal awards.
2. Combining financial statements.

The document will also include the following additional information that will not be subject to the auditing procedures applied in our audit of the financial statements, and for which our auditor's report will disclaim an opinion:

1. Management's discussion and analysis.
2. Budgetary comparison information.
3. Statistical section.

Audit Objectives

The objective of our audit is the expression of an opinion as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the additional information referred to in the first paragraph when considered in relation to the financial statements taken as a whole. The objective also includes reporting on—

- Internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The reports on internal control and compliance will each include a statement that the report is intended for the information and use of the audit committee, management, specific legislative or regulatory bodies, federal awarding agencies, and if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Our audit will be conducted in accordance with U.S. generally accepted auditing standards; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133, and will include tests of accounting records, a determination of major program(s) in accordance with Circular A-133, and other procedures we consider necessary to enable us to express such an opinion and to render the required reports. If our opinion on the financial statements or the Single Audit compliance opinion is other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

Management Responsibilities

Management is responsible for establishing and maintaining internal control and for compliance with the provisions of contracts, agreements, and grants. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of the controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorizations and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal award programs are managed in compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is responsible for making all financial records and related information available to us. We understand that you will provide us with such information required for our audit and that you are responsible for the accuracy and completeness of that information. We will advise you about appropriate accounting principles and their application and will assist in the preparation of your financial statements, including the schedule of expenditures of federal awards, but the responsibility for the financial statements remains with you. That responsibility includes the establishment and maintenance of adequate records and effective internal control over financial reporting and compliance, the selection and application of accounting principles, and the safeguarding of assets. Management is responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. You are also responsible for informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations. Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan. The summary schedule of prior audit findings should be available for our review on November 15 of each year.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. As required by the Single Audit Act Amendments of 1996 and OMB Circular A-133, our audit will include test of transactions related to major federal award programs for compliance with applicable laws and regulations and the provisions of contracts and grant agreements. Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that comes to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to matters that might arise during any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from you about the financial statements and related matters.

Audit Procedures—Internal Controls

In planning and performing our audit, we will consider the internal control sufficient to plan the audit in order to determine the nature, timing, and extent of our auditing procedures for the purpose of expressing our opinions on the City's financial statements and on its compliance with requirements applicable to major programs.

We will obtain an understanding of the design of the relevant controls and whether they have been placed in operation, and we will assess control risk. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Tests of controls relative to the financial statements are required only if control risk is assessed below the maximum level. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by OMB Circular A-133, we will perform tests of controls to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify reportable conditions. However, we will inform the governing body or audit committee of any matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. We will also inform you of any nonreportable conditions or other matters involving internal control, if any, as required by OMB Circular A-133.

Audit Procedures—Compliance

Our audit will be conducted in accordance with the standards referred to in the section titled Audit Objectives. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City's compliance with applicable laws and regulations and the provisions of contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of the applicable procedures described in the *OMB Circular A-133 Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the City's major programs. The purpose of those procedures will be to express an opinion on the City's compliance with requirements applicable to major programs in our report on compliance issued pursuant to OMB Circular A-133.

Audit Administration, Fees, and Other

Ingram, Wallis & Company, P.C. agrees to and shall indemnify and hold harmless and defend the City, its officers, agents, and employees from and against any and all claims, losses, damages, causes of action, suits and liability of every kind, including all expenses of litigation, court costs, and attorney's fees, for injury to or death of any person, for damage to any property, or for any breach of contract, arising out of, or in connection with the work done by Ingram, Wallis & Company, P.C. under this agreement. In the event of personal injury to or death of Ingram, Wallis & Company, P.C.'s employees, such indemnity shall apply regardless of whether the claims, losses, damages, causes of actions, suits or liability arise in whole or in part from the negligence of the City. Such indemnity shall not apply, however, to liability rising from the personal injury, death, or property damage of persons other than Ingram, Wallis & Company, P.C. or its employees where such liability is caused by or results from the negligence of the City.

Ingram, Wallis & Company, P.C. assumes full responsibility for the work to be performed hereunder and hereby releases, relinquishes, and discharges the City, its officers, agents, and employees from all claims, demands, and causes of action of every kind and character, including the cost of defense thereof, for any injury to or death of any person (whether employees of either of the parties hereto or other third parties) and any loss of or damage to property (whether property of either of the parties, their employees, or other third parties) that is caused by or alleged to be caused by, arising out of, or in connection with Ingram, Wallis & Company, P.C.'s work to be performed hereunder.

This release shall apply regardless of whether said claims, demands, and causes of action are covered, in whole or in part, by insurance and regardless of whether such loss, damage, injury, or death was caused in whole or in part by the negligence of the City.

Ingram, Wallis & Company, P.C. agrees to maintain the types and amounts of insurance required in this agreement throughout the term of the agreement. The following insurance policies shall be required:

1. Commercial General Liability
2. Un-Owned Automobile Liability
3. Workers' Compensation Insurance
4. Professional Liability

For each of these policies, Ingram, Wallis & Company, P.C.'s insurance coverage shall be primary insurance with respect to the City, its officials, employees and volunteers. Any insurance or self-insurance maintained by the City, its officials, employees, and volunteers, shall be considered in excess of Ingram, Wallis & Company, P.C.'s insurance and shall not contribute to it. Certificates of insurance and endorsements shall be furnished to and approved by the City's representative at the time of execution of this agreement. No term or provision of the indemnification provided by Ingram, Wallis & Company, P.C. to the City pursuant to this agreement shall be construed or interpreted as limiting or otherwise affecting the terms of the insurance coverage.

Ingram, Wallis & Company, P.C. shall include all subcontractors (if any) as additional insureds under its policies or shall furnish separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to all of the requirements stated herein.

General Requirements Applicable to All Policies:

- (a) Only insurance carriers licensed and admitted to do business in the State of Texas will be accepted.
- (b) Deductibles shall be listed on the certificate of insurance and are acceptable only on a "per occurrence" basis for property damage only.
- (c) "Claims made" policies will not be accepted, except for Professional Liability insurance.
- (d) Each insurance policy shall be endorsed to state that coverage shall not be suspended, voided, canceled, or reduced in coverage or in limits except after thirty (30) calendar days prior written notice has been given.
- (e) Upon request, certified copies of all insurance policies shall be furnished to the City.
- (f) The certificates of insurance shall be prepared and executed by the insurance company or its authorized agent. Each certificate shall contain the following provisions and warranties: (a) that the insurance company is licensed and admitted to do business in the State of Texas; (b) that the insurance policy is underwritten on forms provided by the Texas State Board of Insurance or ISO; (c) all endorsements and coverages according to the requirements of this agreement; (d) the form of notice of cancellation, termination, or change in coverage provisions; and (e) original endorsements affecting coverage required by this agreement.
- (g) The City of College Station, its officials, employees, and volunteers are to be added as "Additional Insureds" to the Commercial (Public) Liability and Non-Owned Business Automobile Liability Policies. The coverage shall contain no special

limitations on the scope of protection afforded to the City, its officials, employees, and volunteers.

Commercial General Liability requirements:

- (a) Coverage shall be written by a carrier with an "A:VIII" or better rating in accordance with the current Best Key Rating Guide.
- (b) Minimum Combined Single Limit of \$600,000 per occurrence for bodily injury and property damage.
- (c) Coverage shall be at least as broad as Insurance Service's Office Number CG 00 01.
- (d) No coverage shall be deleted from the standard policy without notification of individual exclusions being attached for review and acceptance.
- (e) The coverage shall include but not be limited to: premises/operations; independent contracts, products/completed operations, contractual liability (insuring the indemnity provided herein), and where exposures exist, "Explosion Collapse and Underground" coverage.

Business Automobile Liability requirements:

- (a) Coverage shall be written by a carrier with an "A:VIII" or better rating in accordance with the current Best Key Rating Guide.
- (b) Minimum Combined Single Limit of \$600,000 per occurrence for bodily injury and property damage.
- (c) The coverage shall include non-owned autos, and hired cars.

Workers' Compensation Insurance requirements:

- (a) Employer's Liability limits of \$100,000.00 for each accident is required.
- (b) "Texas Waiver of Our Right to Recover From Others Endorsement, WC 42 03 04" shall be included in this policy.
- (c) Texas must appear in Item 3A of the Worker's Compensation coverage or Item 3C must contain the following: all States except those listed in Item 3A and the States of NV, ND, OH, WA, WV, and WY.

Professional Liability requirements:

- (a) Coverage shall be written by a carrier with a "A:VIII" or better rating in accordance with the current Best Key Rating Guide.
- (b) Minimum of \$500,000 per occurrence and \$500,000 aggregate.
- (c) Coverage must be maintained for two (2) years after the termination of this agreement.

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any invoices selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of and sign the Data Collection Form that summarizes our audit findings. We will provide copies of our reports to the City; however, it is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and a corrective action plan) along with the Data Collection Form to the designated federal clearinghouse and, if appropriate, to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits. At the conclusion of the engagement, we will provide information to management as to where the reporting packages should be submitted and the number to submit.

The workpapers for this engagement are the property of Ingram, Wallis & Company, P.C. and constitute confidential information. However, we may be requested to make certain workpapers available to various federal and state funding agencies pursuant to authority given to it by law or regulation. If requested, access to such workpapers will be provided under the supervision of Ingram, Wallis & Company, P.C. personnel. Furthermore, upon request, we may provide photocopies of selected workpapers to federal and state funding agencies. The federal and state funding agencies may intend, or decide, to distribute the photocopies or information contained therein to others, including other governmental agencies.

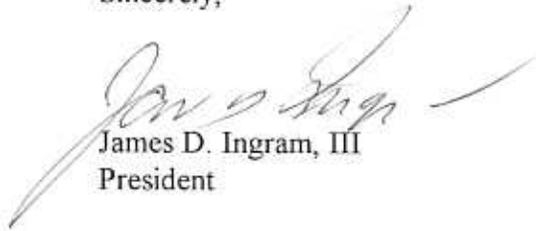
The workpapers for this engagement will be retained for a minimum of three years after the date the auditors' report is issued or for any additional period requested by the federal and state funding agencies. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the workpapers.

We expect to begin our audit on approximately November 15 and to issue our reports no later than February 28 of the following year. Our fee for these services is more fully explained in the separate schedule of estimated fees. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Government Auditing Standards require that we provide you with a copy of our most recent quality control review report. Our 2002 peer review report accompanies this proposal.

We appreciate the opportunity to be of service to the City and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

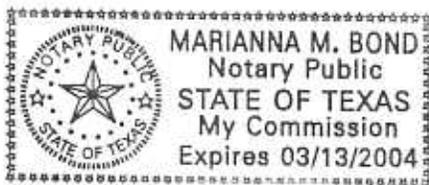
Sincerely,

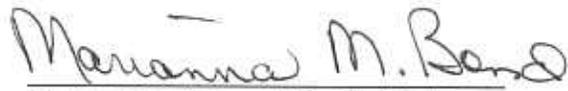

James D. Ingram, III
President

ATTEST:

STATE OF TEXAS)
) ACKNOWLEDGEMENT
COUNTY OF BRAZOS)

This instrument was acknowledged before me on the 29th day of April, 2003, by James D. Ingram, III, in his capacity as President of Ingram, Wallis & Company, P.C., a Texas Corporation, on behalf of said corporation.




Notary Public in and for the State
of Texas

RESPONSE:

This letter correctly sets forth the understanding of the City of College Station, Texas.

CITY OF COLLEGE STATION

By: _____
Ron Silvia, Mayor

Date: _____

ATTEST:

Connie Hooks, City Secretary _____ Date

APPROVED:

Thomas E. Brymer, City Manager _____ Date

Harvey Cargill, City Attorney _____ Date

Charles Cryan, Director of Fiscal Services _____ Date

ATTEST:

STATE OF TEXAS)
) ACKNOWLEDGEMENT
COUNTY OF BRAZOS)

This instrument was acknowledged before me on the _____ day of _____, 2003, by Ron Silvia, in his capacity as Mayor of City of College Station, a Texas home-rule municipality, on behalf of said municipality.

Notary Public in and for the State
of Texas

APPENDIX



October 17, 2002

To the Shareholders of
Ingram Wallis & Company, P.C.

We have reviewed the system of quality control for the accounting and auditing practice of Ingram Wallis & Company, P.C. (the firm) in effect for the year ended June 30, 2002. A system of quality control encompasses the firm's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of Certified Public Accountants (the AICPA). The design of the system and compliance with it are the responsibility of the firm. Our responsibility is to express an opinion on the design of the system, and the firm's compliance with that system based on our review.

Our review was conducted in accordance with standards established by the Peer Review Board of the AICPA. In performing our review, we obtained an understanding of the system of quality control for the firm's accounting and auditing practice. In addition, we tested compliance with the firm's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the firm's policies and procedures on selected engagements. Because our review was based on selective tests, it would not necessarily disclose all weaknesses in the system of quality control or all instances of lack of compliance with it.

Because there are inherent limitations in the effectiveness of any system of quality control, departures from the system may occur and not be detected. Also, projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control for the accounting and auditing practice of Ingram Wallis & Company, P.C. in effect for the year ended June 30, 2002, has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA and was complied with during the year then ended to provide the firm with reasonable assurance of conforming with professional standards.

Harper & Pearson Company

Ingram, Wallis, Company

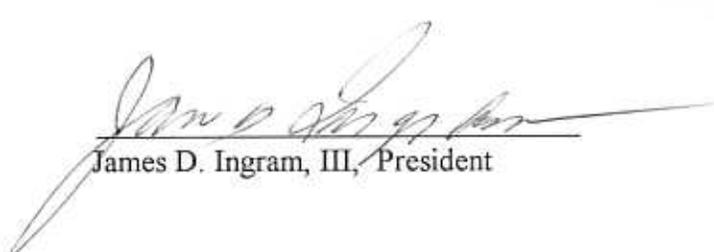
CERTIFIED PUBLIC ACCOUNTANTS

It is the policy of Ingram, Wallis & Company, P.C. to provide equal employment opportunity to all employees and applicants for employment without regard to race, color, religion, age, sex, national origin, handicap or status as a Vietnam-era or special disabled veteran and to base all employment decisions so as to further this principle of equal employment opportunity.

As President of Ingram, Wallis & Company, P.C., I affirm that the policy reflects the attitude of this firm toward the principle of equal employment opportunity, and that it is the obligation of each individual to conduct himself or herself in conformity with the principle of equal employment opportunity at all times. All employment activities including but not limited to hiring, promotion, demotion, transfer, recruitment, advertising, layoff, discharge, rate of pay, and selection for training, shall be conducted without regard to race, color, religion, age, sex, national origin, handicap or status as a Vietnam-era or special disabled veteran.

In furtherance of the objective of equal employment opportunity, I have appointed James D. Ingram, IV to serve as Equal Employment Opportunity Coordinator for this office. The EEO Coordinator is charged with directing and implementing Ingram, Wallis & Company, P.C.'s good faith efforts program ruling in conformity with the principle of equal employment opportunity. All complaints of discriminatory treatment in violation of the policy should be brought to the attention of James D. Ingram, IV so that an internal investigation may be undertaken.

Finally, it should be noted that Ingram, Wallis & Company, P.C., maintains a written good faith efforts program policy, portions of which are available to employees upon request, during normal working hours by contacting to the EEO Coordinator.



James D. Ingram, III, President

Ingram, Wallis & Company

CERTIFIED PUBLIC ACCOUNTANTS

GOOD FAITH EFFORT PROGRAM FOR EQUAL EMPLOYMENT OPPORTUNITY - A STATEMENT OF POLICY

Our success as a professional service organization requires that we maintain a rich diversity of personnel able to render excellent service to the public and to the financial community. Our policy to advance the principles of equal employment opportunity has the effect of supporting that goal by enlarging our talent pool.

The policy of the firm is to seek and employ men and women of skill, integrity and enthusiasm and to provide them with the means of develop professionally, without regard to race, color, religion, sex, age, national origin, handicap or veteran status.

The Ingram, Wallis & Company, P.C. program of equal opportunity is achieved through an ongoing commitment to broad areas of development. These areas and our commitment to each are stated below.

Dissemination of Policy

- ◆ We shall provide a copy of this policy statement to each recruiting source so that they understand our commitment to equal employment opportunity . These sources will include colleges where we recruit and professional firms we may retain to assist us in our search for talent.
- ◆ Copies of this statement will be prominently displayed in employee and applicant areas in all offices throughout the firm.
- ◆ The firm's status as an equal opportunity employer will be communicated to all employees and applicants for employment so that they may know and avail t themselves of its benefits.
- ◆ We shall provide overall direction and support to our program by a management representative who has been appointed firmwide good faith efforts program officer. This individual is responsible for monitoring compliance with federal regulations, guiding and evaluating individual office programs, and recommending firmwide improvements in our equal opportunity program.

Personnel Development

- ♦ All personnel policies including compensation, benefits and transfers are administered without regard to race, color, religion, sex, age, nation origin, handicap, or veteran status.
- ♦ The firm encourages and promotes the nondiscriminatory participation of all employees in firm-sponsored activities.

This document contains the broad outline of our commitment to provide equal employment opportunities. Our basic objectives having been defined, we will continue to refine the direction of our action programs in the months and years ahead.

CITY OF COLLEGE STATION, TEXAS

SCHEDULE OF ESTIMATED PROFESSIONAL FEES

AUDIT OF THE FINANCIAL STATEMENTS AND GRANT PROGRAMS

FOR EACH OF THE THREE FISCAL YEARS ENDING
SEPTEMBER 30, 2003-2005

INGRAM, WALLIS & COMPANY

A PROFESSIONAL CORPORATION

Certified Public Accountants

2100 Villa Maria, Suite 100

BRYAN, TEXAS 77802

Contacts:

JAMES D. INGRAM, III

THOMAS A. WALLIS

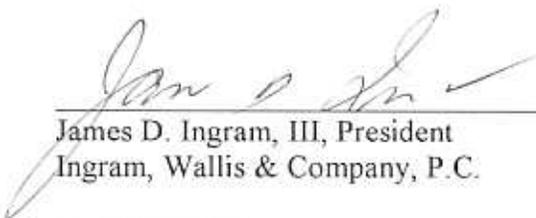
776-2600

April 29, 2003

Name of Firm: Ingram, Wallis & Company, P.C.

Certification: Ingram, Wallis & Company, P.C. certifies that the individual named below is entitled to represent the firm, empowered to submit this proposal and authorized to sign a contract for professional services with the City of College Station, Texas.

Total all-inclusive estimated fee for the fiscal year ended September 30, 2003: \$72,400.00



James D. Ingram, III, President
Ingram, Wallis & Company, P.C.

April 29, 2003

SCHEDULE OF ESTIMATED PROFESSIONAL FEES
FOR THE AUDIT OF THE FINANCIAL STATEMENTS
OF COLLEGE STATION, TEXAS
AND THE BRAZOS VALLEY SOLID WASTE MANAGEMENT AGENCY
For the Year Ended September 30, 2003

	<u>Hours</u>	<u>Standard Hourly Rates</u>	<u>Quoted Hourly Rates</u>	<u>Total</u>
Partner	30	\$ 135.00	\$ 122.00	\$ 3,660.00
Manager	300	98.00	88.00	26,400.00
Staff	505	64.00	58.00	29,290.00
Clerical	15	39.00	39.00	<u>585.00</u>
Subtotal				\$59,935.00
Out-of-pocket expenses:				
Meals and lodging*				
Transportation*				
Other (specify): Postage and supplies				<u>465.00</u>
Estimated fee for audit of City at September 30, 2003				<u>\$60,400.00</u>
Partner	15	\$ 135.00	\$ 122.00	\$ 1,830.00
Manager	35	98.00	88.00	3,080.00
Staff	110	64.00	58.00	6,380.00
Clerical	15	39.00	39.00	<u>585.00</u>
Subtotal				\$11,875.00
Out-of-pocket expenses:				
Other (specify): Postage and supplies				<u>125.00</u>
Estimated fee for audit of BVSWMA at September 30, 2003				<u>\$12,000.00</u>
Total all-inclusive estimate fee for audit of the City and BVSWMA at September 30, 2003				<u>\$72,400.00</u>

Ingram, Wallis & Company estimates that 10%, or \$6,040.00, of the City audit fee is associated with the Community Development Block Grant program.

* Ingram, Wallis & Company, P.C. does not anticipate any costs for meals or lodging or transportation; however, should such become necessary, Ingram, Wallis & Company, P.C. will agree to accept reimbursement for travel, lodging and subsistence at the prevailing City of College Station rates for employees.

Although we believe every entity is entitled to a fair appraisal of costs, the rules of professional conduct promulgated under the Texas Public Accountancy Act of 1979 require that we advise you that the above fees are an estimate and that our actual fee, which will be based on actual time expended, may vary from this estimate.

As you may know, under Texas Public Accountancy Act and the Professional Service Procurement Act, it is against the law for contracts or engagements between a Certified Public Accountant and any state agency, political subdivision, county, municipality, district, authority or publicly owned utility for the performance of professional accounting services to be solicited or awarded on the basis of competitive bids.

Assuming that inflation continues on its current level, and the City's operations, management and control structures remain stable, we anticipate that the following schedule of estimated total fee cost for a three (3) year audit program could be adhered to:

	<u>City</u>	<u>BVSWMA</u>	<u>Total</u>
Year Ended September 30, 2004:	<u>\$62,500</u>	<u>\$12,500</u>	<u>\$75,000</u>
Year Ended September 30, 2005:	<u>\$64,400</u>	<u>\$12,900</u>	<u>\$77,300</u>

It is noted by both parties to this agreement that in the event of extenuating circumstances or unanticipated internal control problems that may be encountered the proposer may ask the City Council to re-examine the above noted pricing for years after fiscal year ended September 30, 2003. The subsequent year fee schedules will be evaluated each year immediately after the completion of the prior year's audit.

If the City requires additional professional services, which Ingram, Wallis & Company, P.C. can reasonably complete, Ingram, Wallis & Company, P.C. agrees to negotiate the performance of those services at our standard hourly billing rates.