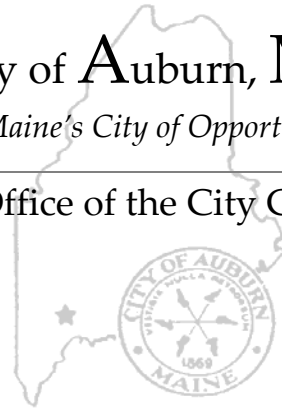


City of Auburn, Maine

"Maine's City of Opportunity"

Office of the City Clerk



Council Meeting Agenda Packet

March 1, 2010

This packet contains the City Council Agenda and supporting documents. The items in this packet are bookmarked in Adobe Acrobat .pdf format. You may need to click on the Bookmark tab on the left to open the Bookmark window. If you do not see a Bookmark tab on the left, you may need to select the Show/Hide Navigation Pane button in your icon toolbar above or update your version of the Adobe Reader. You can download the free Adobe Reader application at www.adobe.com.



City Council Meeting and Workshop March 1, 2010

Agenda

5:00 p.m. Dinner & Workshop – Edward Little High School Cafeteria

5:30 p.m. Workshop – See attached

7:00 p.m. City Council Meeting

I. Consent Items—All items listed with an asterisk (*) are considered as routine and will be approved in one motion. There will be no separate discussion of these items unless a Councilor or citizen so requests. If requested, the item will be removed from the consent agenda and considered in the order it appears on the agenda. **Consent item is as follows: Minutes of February 16, 2010**

II. Minutes

* Minutes of February 16, 2010

III. Reports

Mayor

City Councilors

- Michael Farrell: Recreation Adv Bd, Airport, Audit, Lake Auburn Watershed Protection Comm
- Robert Hayes: Planning Bd, Water, Library, and Railroad
- Daniel Herrick: MMWAC, Auburn Housing
- David Young: School Committee, Cable TV Adv Board
- Raymond Berube: Lewiston-Auburn Economic Growth Council, Sewer, Audit, USM-L/A
- Belinda Gerry: LA Transit, Neighborhood Stabilization Program
- Eric Samson: 9-1-1, Auburn Business Development Corp, Andros Valley Council of Gov

City Manager

Discussion: Comprehensive Annual Finance Report
Budget Update

IV. Communications, Presentations and Recognitions

V. Open Session – Members of the public are invited to speak to the Council about any issue directly related to City business which is *not* on this agenda.

VI. Unfinished Business

None

VII. New Business

Update: National Endowment for the Arts (Tracey Steuber)

Discussion: Lease Buy Program (Reine Mynahan)

Discussion: Appointments

VIII. Open Session - Members of the public are invited to speak to the Council about any issue directly related to City business which is *not* on the agenda.

IX. Future Agenda/Workshop Items

X. ADJOURNMENT

Executive Session: On occasion, the City Council discusses matters which are required or allowed by State law to be considered in executive session. Executive sessions are not open to the public. The matters that are discussed in executive session are required to be kept confidential until they become a matter of public discussion. In order to go into executive session, a Councilor must make a motion in public. The motion must be recorded, and 3/5 of the members of the Council must vote to go into executive session. An executive session is not required to be scheduled in advance as an agenda item, although when it is known at the time that the agenda is finalized, it will be listed on the agenda. The only topics which may be discussed in executive session are those that fall within one of the categories set forth in Title 1 M.R.S.A. Section 405. Those applicable to municipal government are:

- A. Discussion of personnel issues
- B. Discussion or consideration by a school board of suspension or expulsion
- C. Labor contracts
- D. Contemplated litigation
- E. Discussions of information contained in records made, maintained or received by a body or agency when access by the general public to those records is prohibited by statute;
- F. Discussion or approval of the content of examinations administered by a body or agency for licensing, permitting or employment purposes; consultation between a body or agency and any entity that provides examination services to that body or agency regarding the content of an examination; and review of examinations with the person examined; and
- G. Consultations between municipal officers and a code enforcement officer representing the municipality pursuant to Title 30-A, section 4452, subsection 1, paragraph in the prosecution of an enforcement matter pending in District Court when the consultation relates to that pending enforcement matter.

City Council

Workshop Information Sheet

Council Workshop Date: 3/1/2010

Workshop Item:

SUBJECT:

5:00 p.m. – Dinner and Workshop with School Committee at Edward Little High School

INFORMATION:

Much discussion has been given to the physical condition of Edward Little High School, and especially as it pertains to our accreditation. Having the City Council visit Edward Little and to see its current condition will help foster future discussions regarding what the City needs to do, or should do, to maintain our accreditation. This meeting is also a great opportunity for the City Council to ask specific questions about the physical condition of the building and either past or future capital expenditures.

STAFF REQUEST:

**CITY OF AUBURN
FEBRUARY 16, 2010
CITY COUNCIL MEETING**

PRESENT

Mayor Richard D. Gleason, Councilors Michael J. Farrell, Robert P. Hayes, Daniel R. Herrick, David C. Young, Raymond C. Berube, Eric G. Samson and Belinda A. Gerry, City Manager Glenn Aho, Assistant City Manager Laurie Smith, and City Clerk Mary Lou Magno. Tracy Roy, Finance Directors was absent. There were 26 people in the audience.

Mayor Gleason called the meeting to order at 7:00 p.m. in the Council Chambers of the Auburn City Building with a salute to the flag.

CONSENT AGENDA

Councilor Farrell moved to accept, approve and place on file the item marked with an asterisk. Seconded by Councilor Berube. Vote: 7 Yeas

***MINUTES OF FEBRUARY 1, 2010**

Approved under consent agenda.

REPORTS OF THE MAYOR

Mayor Gleason read a prepared written report noting events from February 2 thru February 14. (A copy of the report is on file in the City Clerk's Office.)

REPORTS OF CITY COUNCILORS

Councilors reported on their Council Committee Assignments

REPORTS OF THE CITY MANAGER

FINANCE REPORT – MONTH OF JANUARY

Councilor Young moved to accept the report and place it on file. Seconded by Councilor Farrell. Vote: 7 Yeas.

COMMUNICATIONS, PRESENTATIONS, AND RECOGNITIONS

**COMMUNICATION FROM MUSEUM LA RE: LA DU (RUN, CYCLE AND RUN EVENT)
RE: USE OF CITY PROPERTY AND SERVICES**

Councilor Hayes moved to accept the communication, place it on file and that the request be approved. Seconded by Councilor Young.

Jennifer Dube-Works, Development Director for Museum L-A, explained the above request and answered Councilors questions.

Vote: 7 Yeas.

OPEN SESSION

Marcel Larose, Dag's Bait Shop; and Cindy Leavitt, representing "Healthy Smiles" a non-profit group that will hold a fundraiser on February 27, fishing derby – brochure is on file in the City Clerk's Office.

OPEN SESSION CLOSED

UNFINISHED BUSINESS

1. ORDINANCE – AMENDMENT TO CHAPTER 29, SECTION 3.69 – SETBACKS IN THE CENTRAL BUSINESS DISTRICT (SECOND READING)

Councilor Hayes moved for acceptance of second reading and final passage. Seconded by Councilor Berube. Vote: 5 Yeas with Councilors Farrell and Gerry voting Nay.

NEW BUSINESS

2. RESOLVE – AUHTORIZE COMMUNITY DEVELOPMENT DIRECTOR TO EXECUTE DOCUMENTS IN CONNECTION WITH HOUSING DEVELOPMENT AT 22 PINE STREET

Councilor Berube moved for passage of the resolve. Seconded by Councilor Hayes. Reine Mynahan, Community Development Director, explained the above resolve and answered Councilors questions.
Vote: 7 Yeas.

3. RESOLVE – AUTHORIZE CITY MANAGER TO RELEASE RIGHTS OF EASEMENT TO MAINE DEPARTMENT OF TRANSPORTATION (OLD DANVILLE ROAD TO THE ROYAL RIVER)

Councilor Berube moved for passage of the resolve. Seconded by Councilor Herrick. Vote: 7 Yeas.

4. RESOLVE – ADOPTING A MORATORIUM ON MEDICAL MARIJUANA DISPENSARIES

Councilor Young moved for passage of the resolve. Seconded by Councilor Samson. Eric Cousens, City Planner, answered Councilors questions; and Jonathan Leavitt, Sumner, made comments and also answered Councilors questions.
Councilor Farrell moved to table. Seconded by Councilor Herrick. Vote: 4 Nays with Councilors Farrell, Herrick and Gerry voting Yea.
Vote on passage of the resolve: 4 Yeas with Councilors Farrell, Herrick and Gerry voting Nay.

5. APPOINTMENTS TO THE RAILROAD BOARD AND THE BOARD OF ASSESSMENT REVIEW

Councilor Hayes moved to approve the following appointments: Stephen Lunt to the Lewiston/Auburn Railroad Board until April 2013; to the Board of Assessment Review, Gerard Belanger, until December 2014; Georgia Chomas, until January 2015; and Bruce Mason until June 2014. Seconded by Councilor Young. Vote: 7 Yeas.

OPEN SESSION

No one spoke.

CLOSED OPEN SESSION

FUTURE AGENDA ITEMS

Councilor Berube requested that staff review an agreement between the City of Auburn and Central Maine Power.

SUSPEND THE RULES

Councilor Hayes moved to suspend the rules in order to go into Executive Session. Seconded by Councilor Herrick. Vote: 7 Yeas.

EXECUTIVE SESSION

Councilor Hayes moved to go into Executive Session Title 1 MRSA Section 405(D) – Contemplated Litigation. Seconded by Councilor Berube. Vote: 7 Yeas.

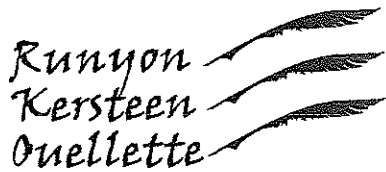
Councilor Berube moved to come out of Executive Session. Seconded by Councilor Gerry. Vote: 7 Yeas.

ADJOURNMENT – 8:30 PM

Councilor Samson moved to adjourn. Seconded by Councilor Young. Vote: 7 Yeas.

A TRUE RECORD

ATTEST:_____CITY CLERK



Certified Public Accountants and Business Consultants

January 13, 2010

To the Management of the
City of Auburn, Maine:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Auburn (the City) as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

However, during our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. The "Schedule of Comments" that accompanies this letter summarizes our comments and suggestions concerning that matter.

This communication is intended solely for the information and use of management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the cooperation and assistance we received from the officials and employees of the City and School Department during the course of our audit. We will review the status of this comment during our next audit engagement. We have already discussed these issues with various City and School personnel, and we will be pleased to discuss it in further detail at your convenience, or to assist you in implementing the recommendations.

Sincerely,

CITY OF AUBURN, MAINE
Schedule of Comments
June 30, 2009

OTHER COMMENT

School Department /City Reconciliation

During the year ended June 30, 2009, the School Department's general ledger balance sheet accounts had not been reconciled to the City's general ledger balance sheet accounts maintained by the City's finance office on their separate general ledger system.

While working with the School Department business office staff, as well as with the City finance office staff, we are aware that they are working to reconcile all accounts. However, due to some accounts not being fully reconciled, weaknesses in the internal controls exist in that balances and reports being utilized by management could be misstated or misunderstood. These weaknesses were partially mitigated by the fact that the City did maintain a separate record of all School Department transactions and that the revenue and expenditure transactions were reconciled between the School Department system and the City system on a monthly basis, with entries posted to the City's general ledger. However, not all entries were posted to the School Department's general ledger. We want to make you aware that these weaknesses did exist during the year, and we recommend that the following checks and balances be performed at least monthly:

- School revenue and expenditure account for all funds continue to be reconciled to the City's general ledger;
- School balance sheet accounts for all funds are reconciled to the City's general ledger;
- Grant balances by fund are reconciled to grant tracking reports and approved by individual grant directors, if applicable;
- Balance sheet accounts for all funds (receivables and payables) are reconciled to underlying detailed listings;
- Journal entries to reconcile the City and School are posted by both entities to their respective general ledgers promptly.



Certified Public Accountants and Business Consultants

January 13, 2010

Audit Committee
City of Auburn, Maine

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Auburn for the year ended June 30, 2009, and have issued our report thereon dated January 13, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our meeting with the Audit Committee on May 19, 2009. Professional standards also require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated May 18, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the City of Auburn's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the 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 of Auburn'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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the City of Auburn'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 of Auburn'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 of Auburn's compliance with those requirements.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Auburn are described in the notes to the financial statements. As described in the notes to the financial statements, the City of Auburn, Maine changed accounting policies related to other post-employment benefits by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 45 in 2009. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the historical cost of certain assets, including infrastructure, and the related depreciation expense. If historical cost of an asset was unknown, the cost was estimated based on current replacement costs indexed for inflation and estimated useful lives of assets.
- Management's estimates of the allowance for CDBG loan receivables which is based on historical collection rates

We evaluated the key factors and assumptions used to develop the historical cost information and depreciation expense, and the allowance for loan receivables, in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit other than those that are trivial, and communicate them to the appropriate level of management. The attached listing of *Adjusting Journal Entries* represents misstatements detected as a result of audit procedures, some of which were material. All entries have been corrected by management.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 13, 2010, which we have attached to this letter.

Management Consultations with Other Independent Accountants

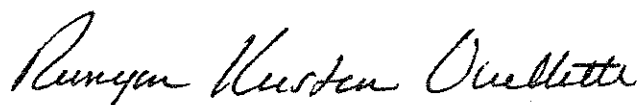
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination 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.

Other Audit Findings or Issues

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

This information is intended solely for the use of the City Council, School Committee, Audit Committee and management of the City of Auburn, Maine and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

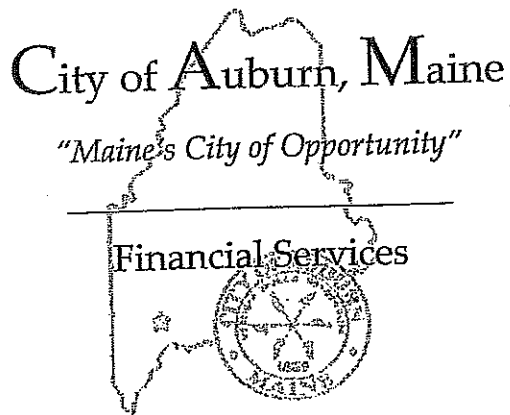
A handwritten signature in cursive script, reading "Remya Keaton Ouellette". The signature is written in dark ink and is positioned below the "Very truly yours," text.

City of Auburn
Adjusting Journal Entries
6/30/2009

	Account Number	Account		Debit	Credit
1)	0100-024816	Deferred Revenue	GG	367,365.64	
	01000100-041200	Property Tax Revenue - Current			367,365.64
		<i>(To adjust deferred revenue)</i>			
2)	0100-011534	Accounts Receivable - School	P100	53,310.35	
	0100-016021	Due to/from SR - School			53,310.35
	0210-016000	Due to/from other funds		53,310.35	
	02100135-044300	SRS02 CLC			53,310.35
		<i>(To book additional 21st Century Grant money the state sent but school hasn't received yet)</i>			
3)	0100-024612	Accrued Payable		65.00	
	01700000-058966	Capital			65.00
	03008255-057490-C0007	08 Bond		105,039.75	
	02100240-058993-SRS06	Title I			28.41
	02100240-058993-SRS02	CLC			4,522.72
	0210-024612	Accrued Payable			100,488.62
		<i>(To adjust school payables to actual)</i>			

Auburn School Department
Adjusting Journal Entries
6/30/2009

	Account Number	Account	Debit	Credit
1)	100-0000-0000-11020-00-00-00-00	Payroll Checking	773,047.31	
	100-0000-0000-11010-00-00-00-00	General Checking	646,472.63	
	100-0000-0000-11410-00-00-00-00	Due to/from City of Auburn		1,419,519.94
	<i>(To net accounts that ADS is using for cash transactions that should be Due To/From City)</i>			
2)	650-0000-0000-44585-94-65-00-65	RETC MECare Reimbursement	11,835.95	
	650-0000-0000-25100-00-00-00-00	DTF		11,835.95
	100-0000-0000-25650-00-00-00-00	DTF	11,835.95	
	100-0000-0000-44585-01-00-00-00	Special Ed. Me Care Reimb	8,269.85	
	100-0000-0000-11010-00-00-00-00	Cash - A/P Checking (General)		20,105.80
	<i>(To adjust revenues to actual)</i>			
3)	200-0000-0000-12200-00-00-00-00	Accounts Receivable	62,461.00	
	200-0000-0000-44577-99-00-00-00	ELMP-21st		62,461.00
	<i>(To record 21st century grant money sent by the state, but not yet received)</i>			
4)	400-0000-2690-54500-90-00-00-26	Bond Projects	62,573.75	
	400-0000-0000-23000-00-00-00-00	Accrued Payables		62,573.75
	<i>(To adjust payables to actual per the school listing given to us for accounts payable)</i>			



January 13, 2010

Runyon Kersteen Ouellette
20 Long Creek Drive
South Portland, Maine 04106

We are providing this letter in connection with your audit of the financial statements of the City of Auburn, Maine, as of June 30, 2009 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Auburn, Maine, and the respective changes in financial position and, where applicable, cash flows thereof in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with U.S. generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of January 13, 2010, the following representations made to you during your audit.

- 1) The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information of the primary government required by generally accepted accounting principles to be included in the financial reporting entity.
- 2) We have made available to you all—
 - a) Financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Minutes of the meetings of the City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 3) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 4) There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal awards.
- 5) We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
- 6) We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

- 7) We have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - a) Management
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 8) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
- 9) We have identified to you and previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective actions taken to address significant findings and recommendations.
- 10) The City has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund equity.
- 11) The following, if any, have been properly recorded or disclosed in the financial statements:
 - a) Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b) Guarantees, whether written or oral, under which the City is contingently liable.
 - c) All accounting estimates, (including fair value measurements), that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances, consistently applied, and adequately disclosed.
- 12) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 13) There are no—
 - a) Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting noncompliance.
 - b) Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with *Financial Accounting Standards Board (FASB) Statement No. 5, Accounting for Contingencies*.
 - c) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5.
 - d) Reservations or designation of fund equity which were not properly authorized and approved.

- 14) As part of your audit, you prepared the draft financial statements and related notes and schedule of expenditures of federal awards. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.
- 15) The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 16) The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 17) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 18) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 19) The financial statements properly classify all funds and activities.
- 20) All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 21) Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
- 22) Provisions for uncollectible receivables have been properly identified and recorded.
- 23) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 24) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 25) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 26) Deposits and investment securities are properly classified as to risk, and investments are properly valued.
- 27) Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- 28) Required supplementary information (RSI) is measured and presented within prescribed guidelines.
- 29) With respect to federal award programs:
 - a) We are responsible for complying and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

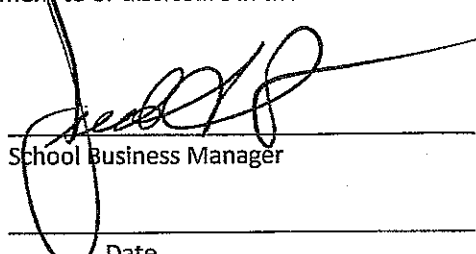
- b) We have, in accordance with OMB Circular A-133, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
- c) We are responsible for complying with, and have complied with in all material respects, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.
- d) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control over compliance or other factors to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to control deficiencies reported in the schedule of findings and questioned costs.
- e) We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to each major federal program.
- f) We have received no requests from a federal agency to audit one or more specific programs as a major program.
- g) We have complied, in all material respects, with the compliance requirements, including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews.
- h) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- i) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- j) We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- k) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- l) We have charged costs to federal awards in accordance with applicable cost principles.
- m) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.

- n) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- o) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133, and we are responsible for preparing and implementing a corrective action plan for each audit finding.

No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.



Finance Director



School Business Manager

1/21/2010

Date

Date

City Council

Workshop Information Sheet

Council Workshop Date: 3/1/2010

Workshop Item:

SUBJECT:

Discussion update: National Endowment for the Arts (NEA) Mayors' Institute on City Design 25th Anniversary Initiative.

INFORMATION:

The National Endowment for the Arts (NEA) will award less than 15 grants, ranging from \$25,000 - \$250,000 in the area of planning, design and arts engagement activities. There are 600 communities nationwide eligible for these grants which include the following six communities in Maine: Auburn, Augusta, Gardiner, Lewiston, Portland and Waterville. The City of Auburn would like to partner with the City of Lewiston, L/A Arts and others in this initiative. The project chosen is "Bridging Communities Together Through Arts & Culture." Our vision is to emphasize all the projects that have been done in the downtown areas and compliment all future projects to come by illuminating the Riverwalk Railroad Pedestrian Bridge.

STAFF REQUEST:

City Council

Workshop Information Sheet

Council Workshop Date: 3-1-2010

Workshop Item:

SUBJECT:

Authorize Community Development Director to Sign a Loan Guarantee for the Lease/Buy Program.

INFORMATION:

Auburn's Lease-Buy Program is administered through a partnership with Auburn Housing Development Corporation (AHDC). This arrangement enables the City of Auburn to utilize the HOME Program's Community Housing Development Organization (CHDO) reserve funds, the 15% set-aside which can only be used by CHDO entities.

Mechanics Savings Bank is willing to provide a \$500,000 loan for interim financing for properties purchased on behalf of our customers in the Lease/Buy Program. Although the loan is to AHDC, Mechanics Savings Bank requested a guarantee from the City of Auburn Community Development Block Grant Program. The terms of the loan are described in the attached Commitment Letter from Mechanics Savings Bank.

STAFF REQUEST:

Request that this item be placed on the March 15th City Council Agenda for action.

Mechanics

PRIVATE BANK

For Business and Professionals

February 22, 2010

100 Minot Avenue, Auburn, Maine 04210

Phone: 207-786-5700 Fax: 207-786-5709

Toll Free: 800-325-7553

www.mechanicsprivatebank.com

Mr. Richard S. Whiting, Secretary
Auburn Housing Development Corporation
P.O. Box 3037
Auburn, ME 04212-3037

Dear Rick:

We are pleased to advise you of Mechanics Savings Bank's commitment to make a loan (the "Loan") on the following terms and conditions:

BORROWER: Auburn Housing Development Corporation

GUARANTORS: City of Auburn

AMOUNT: \$500,000 Revolving Master Line of Credit

PURPOSE: The purpose of the proposed financing is to provide acquisition financing for residential properties in Auburn, Maine. These properties will be leased to households participating in the Lease/Buy Home Ownership Program (the "HOME" program), as is further described in an agreement between the City of Auburn, and the Auburn Housing Development Corporation.

INTEREST RATE: The Loan shall bear interest at a fixed rate of Five and one-half percent (5.50)% fixed for the term of the loan.

All interest hereunder shall be computed on the basis of the actual number of days elapsed over a 360-day year.

DEFAULT

INTEREST RATE: Bank shall have the right to charge interest, payable on demand, on the unpaid principal balance of the Loan at an interest rate of five percent (5%) per annum in excess of the rate of interest otherwise payable for any period during which the Borrower shall be in default under any document governing or securing the Loan.

COMMITMENT

FEE: None

TERM: The term of the Loan is three (3) years and may be renewed at Bank's sole discretion, subject to review of credit and pricing.

PAYMENT: Each advance shall be a separate draw under the master revolver and payments are required as outlined below:

An interest only payment will be due monthly commencing one month after closing. Any unpaid principal plus accrued interest shall be due and payable at maturity. Upon sale of any "HOME" program property, any funds advanced on such property will be due immediately.

PREPAYMENT: This Loan may be prepaid at any time without penalty.

LATE CHARGE: Borrower agrees to pay Bank a late charge of five percent (5%) of any scheduled payment of principal and/or interest which is not paid within ten (10) days of the date when due.

ADVANCE RATIO: Advances on the proposed revolver are subject to a maximum advance ratio of 100% of the value of the proposed property. HUD and/or homebuyer subsidy funds representing at least 15% of the purchase price shall be contributed to the subject property.

FINANCIAL STATEMENTS: Ongoing Financial Reporting:
On an annual basis, Borrower will provide the following financial information within one-hundred (120) days after the close of the Borrower's fiscal year:

Complete Federal form 990 EZ or other such form as required of Borrower by the Internal Revenue Service.

On an annual basis, Guarantor will provide the following financial information within 180 days after the close of the Borrower's fiscal year.

Audited financial statements prepared by an accountant satisfactory to Bank in accordance with generally accepted accounting principles, accompanied by any Management Letter.

INSURANCE: Borrower shall obtain and maintain with respect to its operations such insurance as Bank may require, including: commercial general liability insurance and owner's contingent or protective liability insurance acceptable to Bank. Bank shall be named as additional insured.

AUTHORITY

TO ACT: Borrower and Guarantor shall provide evidence of its organization, existence, legal good standing, and authority to enter into the transaction contemplated by this commitment letter as may be required by Bank and its counsel.

LEGAL

OPINIONS: Borrower and or Guarantor shall provide to Bank at closing a legal opinion from counsel satisfactory to Bank with respect to Borrower, any Guarantor and/or their assets as Bank or its counsel shall require.

DEPOSIT

RELATIONSHIP: Borrower its affiliates and/or guarantor shall open and maintain a deposit relationship with Bank during the term of the Loan.

ADDITIONAL

REQUIREMENTS: Bank will require written approval, inform and substance satisfactory to Bank's counsel, from the City of Auburn indicating that the City is authorized to enter into the transactions.

Borrower shall authorize Bank to communicate directly with the City of Auburn on any matters relating to the "HOME" program including any associated Banking issues, and the City of Auburn shall consent and agree to communicate with Bank on all matters related to the "HOME" program.

Auburn Housing Development Corporation, and the City of Auburn will not permit liens, attachments or other encumbrances to be placed or arise on the "HOME" program properties except with the prior written consent of the Bank.

MISCELLANEOUS:

The parties hereto agree that this commitment shall survive the Loan closing and that each of the obligations and undertakings of the Borrower hereunder shall continue until the entire Loan, together with interest and fees, is paid in full.

This commitment represents the entire agreement of the parties and supersedes all prior agreements with respect to the Loan.

This commitment is conditioned upon the completeness and accuracy of the information contained in the financial statements, loan applications and all other documents submitted to Bank by or on

behalf of Borrower, and upon the absence of any adverse change in the information as of the date of the Loan closing, and upon the absence of any omission from the documents of any material fact relating to the Borrower, any Guarantor, the Loan contemplated herein or the security for the Loan. Borrower shall furnish Bank promptly with any documentation reasonably requested hereunder.

The Loan shall be made without cost to Bank. Acceptance of this letter shall constitute your agreement to pay all fees, commissions, costs, charges, taxes and other expenses incurred by Bank in connection with this commitment and the making, administration or enforcement of the Loan, whether or not the Loan closes.

Bank shall not be required to pay any brokerage fees or commissions arising from the issuance of this letter or the making of the Loan and Borrower and any Guarantor agree to defend, indemnify, and hold Bank harmless from and against any and all cost, claim, liability, damage or expense (including but not limited to reasonable attorneys' fees) in connection therewith.

All documents executed and delivered in connection with the closing of the Loan and all other material documents shall be in form and substance satisfactory to Bank's counsel. All other legal matters shall be to such counsel's satisfaction.

This commitment shall not be assigned by Borrower without the prior written consent of Bank.

The transactions contemplated by this letter shall be governed by the laws of the State of Maine.

Bank may terminate this commitment prior to the Loan closing if (a) Borrower or any Guarantor fails or refuses to comply with any of the terms and conditions set forth herein, (b) any adverse change in the opinion of Bank shall occur with respect to Borrower, any general partner of Borrower, any Guarantor, or any other person or entity connected with the Loan or any collateral for the Loan or other source of repayment of the Loan at any time prior to the Loan closing, (c) any part of the assets to be pledged as collateral for the Loan shall have been taken in condemnation or other like proceeding, or any such proceeding is pending or threatened at the time of the Loan closing, or (d) Borrower, any general partner of borrower, any Guarantor, or any other person or entity (including tenants) connected with the Loan or any collateral for the Loan or other source of repayment shall be insolvent or involved as debtor in any arrangement, bankruptcy, reorganization or insolvency proceeding. In the event of termination, Bank shall be entitled to collect and retain all commitment fees required of Borrower. Such termination shall become effective upon the mailing of notice to Borrower at the address of Borrower shown on this commitment.

AS A FURTHER CONDITION OF THIS COMMITMENT, AND IN ORDER TO OBTAIN A PROMPT DETERMINATION OF RIGHTS AND REDUCE COSTS, THE BANK, BORROWER AND EACH GUARANTOR, FOR THEMSELVES AND THEIR RESPECTIVE HEIRS, SUCCESSORS AND ASSIGNS, HEREBY KNOWINGLY, VOLUNTARILY AND MUTUALLY WAIVE ANY AND ALL RIGHTS THAT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON OR RELATED TO THE LOAN OR ANY LOAN DOCUMENTS, THE COLLATERAL GIVEN AS SECURITY FOR THE LOAN, OR IN ANY WAY RELATED TO THE ADMINISTRATION OF THE LOAN OR THE EXERCISE OF RIGHTS OR REMEDIES RELATED THERETO.

BORROWER AND ALL GUARANTORS AGREE THAT ANY AND ALL DISPUTES OR CLAIMS OF BORROWER OR GUARANTORS AGAINST THE BANK OR ITS AGENTS ARISING OUT OF OR RELATING TO THIS COMMITMENT, THE LOAN, THE LOAN DOCUMENTS, ANY COLLATERAL SECURING THE LOAN OR THE CONDUCT OF THE BANK OR ITS AGENTS SHALL BE RESOLVED SOLELY BY MEANS OF BINDING ARBITRATION CONDUCTED IN AUBURN, MAINE IN ACCORDANCE WITH THE RULES OF THE AMERICAN ARBITRATION ASSOCIATION GOVERNING COMMERCIAL ARBITRATION.

The terms of this commitment cannot be waived or modified except in writing and signed by the parties to this commitment.

This is notification that under Maine law, no promise, contract, or agreement to lend money, extend credit, forbear from collection of a debt or make any other accommodations for the repayment of a debt for more than \$250,000 may be enforced against Bank unless the promise, contract, or agreement is in writing and signed by Bank, nor can any change, forbearance or other accommodation relating to the Loan be enforced against Bank unless in writing and signed by Bank.

Unless this Loan is closed by April 15, 2010, this commitment will expire. Any extension of this commitment will be at the sole option of Bank and must be in writing.

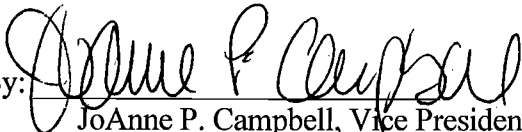
If these terms and conditions are satisfactory, please sign and return the enclosed copy of this letter to us not later than our close of business on March 30, 2010. Unless we receive a signed copy of this letter by that date, this commitment will expire.

February 22, 2010
Page 6 of 6
Auburn Housing Development Corporation

Should you have any questions or comments, please do not hesitate to call.

Very truly yours,

MECHANICS SAVINGS BANK

By: 
JoAnne P. Campbell, Vice President
Senior Private Bank Officer

Accepted and agreed to this ____ day of _____, 2010.

BORROWER: AUBURN HOUSING DEVELOPMENT CORPORATION

By: _____
Richard S. Whiting, Its Secretary

GUARANTOR: CITY OF AUBURN, MAINE

Glenn Aho, Its City Manager

Cc: Reine Mynhan, Community Development Administrator, City of Auburn

City Council

Workshop Information Sheet

Council Workshop Date: 3/1/2010 **Workshop Item:**

SUBJECT:

DISCUSSION: APPOINTMENTS

INFORMATION:

Re-appointments to the Auburn Housing Authority:

Arthur Wing, 104 Grandview Avenue

Alice Conway, 521 Turner Street #8

Community Service Volunteer Forms for both Mr. Wing and Ms. Conway are attached.

STAFF REQUEST:

Councilors Hayes and Berube request that these appointments be placed on the March 15th City Council agenda for action.