

**CITY OF INDEPENDENCE, OREGON  
SINGLE AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2013**

**MERINA  
& COMPANY, LLP**

**CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS**

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**City of Independence, Oregon  
Single Audit Report**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and City Council  
City of Independence, Oregon  
Independence, Oregon

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Independence, Oregon, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Independence, Oregon's basic financial statements and have issued our report thereon dated December 6, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Independence, Oregon's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 of Independence, Oregon's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Independence, Oregon's internal control.

*A deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Independence, Oregon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2013-1 and 2013-2.

### **City of Independence, Oregon's Response to Findings**

City of Independence, Oregon's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Independence, Oregon's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Merina & Company, LLP  
West Linn, Oregon  
December 6, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND  
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY  
OMB CIRCULAR A-133**

Honorable Mayor and City Council  
City of Independence, Oregon  
Independence, Oregon

**Report on Compliance for Each Major Federal Program**

We have audited the City of Independence, Oregon's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Independence, Oregon's major federal programs for the year ended June 30, 2013. The City of Independence, Oregon's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Independence, Oregon's major federal programs based on our audit of the types of compliance requirements referred to above. 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 of Independence, Oregon'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Independence, Oregon's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the City of Independence, Oregon complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-1 and 2013-2. Our opinion on each major federal program is not modified with respect to these matters.

City of Independence, Oregon's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of the City of Independence, Oregon is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit, we considered the City of Independence, Oregon's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Independence, Oregon's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or

a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

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 Independence, Oregon, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Independence, Oregon's basic financial statements. We issued our report thereon dated December 6, 2013, which contained an unmodified opinion on those financial statements that collectively comprise the basic financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Independence, Oregon's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.



Merina & Company, LLP  
West Linn, Oregon  
December 6, 2013

**CITY OF INDEPENDENCE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2013**

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<u>GRANTOR AND PROGRAM TITLE</u>	<u>CFDA Number</u>	<u>Total Expenditures</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Community Development Block Grant		
Microenterprise Regional Program ( <i>MERIT</i> )	14.228	\$ 87,500
DEPARTMENT OF THE INTERIOR NATIONAL PARK		
Historic Preservation Fund Grants-In-Aid	15.904	14,000
DEPARTMENT OF HOMELAND SECURITY		
Disaster Grants- Public Assistance (Presidentially Declared Disasters)	97.036	86,350
US DEPARTMENT OF JUSTICE		
Bureau of Justice (Direct)		
Bullet-proof Vest Partnership Program	16.607	1,717
DEPARTMENT OF TRANSPORTATION		
National Highway Traffic Safety Administration Cluster		
Alcohol Impaired Driving Countermeasures Incentive Grants I		
DUII Traffic Safety	20.601	8,700
Passed through Oregon Dept. of Transportation		
Occupant Protection Incentive Grants		
Seat Belt Safety	20.602	5,400
Passed through Oregon Dept. of Transportation		
E-Cite Software Grant	20.610	49,136
Total National Highway Safety Cluster		<b>63,236</b>
DEPARTMENT OF THE INTERIOR FISH AND WILDLIFE SERVICE		
Passed through Oregon Dept. of Fish & Wildlife		
Sport Fish Restoration Program	15.605	408,449 *
US DEPARTMENT OF LABOR		
Passed through Oregon Dept. of Labor		
Job Growers Incorporated- WIA Youth Activities		
HALO Program	17.259	355,383 *
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b>\$ 1,016,635</b>

\* Signifies Major Program

**CITY OF INDEPENDENCE, OREGON**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2013**

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Note 1. General

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the City of Independence, Oregon.

Note 2. Significant Accounting Policies

**Reporting Entity:** The reporting entity is fully described in Note 1 to the City's basic financial statements. The schedule includes all federal financial assistance programs administered by the City for the year ended June 30, 2013.

**Basis of Presentation:** The information in the Schedule is presented in accordance with OMB Circular A-133.

**Federal Financial Assistance:** Pursuant to the Single Audit Act and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations. Accordingly, nonmonetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

**Major Programs:** The Single Audit Act and OMB Circular A-133 establish criteria to be used in defining major federal financial assistance programs. Major programs for the City are those programs selected for testing by the auditor using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in A-133. Programs with similar requirements may be grouped into a cluster for testing purposes.

**Revenue Recognition:** The receipt and expenditure of federal awards are accounted for under the modified cash basis of accounting. Revenues are recorded as received. Expenditures are recorded when the liability is incurred.

**CITY OF INDEPENDENCE, OREGON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2013**

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**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiency(s) identified that are  
Not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal Control over major programs:

Material weakness(es) identified?  Yes  No

Significant deficiency (s) identified that are  
Not considered to be material weaknesses?  Yes  None reported

Type of auditor’s report issued on compliance for major  
Programs: Unmodified

Any audit findings disclosed that are required to be  
Reported in accordance with OMB Circular A-133,  
Section 510(a)?  Yes  No

**Identification of major programs:**

**CFDA Number**

15.605

**Name of Federal Program or Cluster**

Sport Fish Restoration Grant

17.259

Employment Training – Workforce Investment Act,  
HALO Grant

Dollar threshold used to distinguish between Type A  
Type B programs: \$300,000

Auditee qualified as low-risk auditee?  Yes  No

**CITY OF INDEPENDENCE, OREGON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2013**

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**Section II – Financial Statement Findings**

None

**Section III – Federal Awards Findings and Questioned Costs**

2013-1

Sports Fish Restoration Grant

CFDA No. 15.605

Federal Agency: Department of the Interior Fish & Wildlife

Grant period: Year ending June 30, 2013

Condition: It was noted during testing that the City of Independence failed to submit the required progress report as specified in the grant contract.

Criteria: The City is required to submit one progress report by June 29, 2013 that includes the status of the objectives, a description of the work completed, a summary of expenditures and any explanation of any objectives and work not going as planned.

Effect: The City of Independence is out of compliance with the reporting requirement specified in the grant contract.

Cause: The City of Independence was informed that the Oregon Department of Fish and Wildlife would be in charge of the necessary reporting for the Sport Fish Restoration Grant. Due to this, the City was not aware of the required progress report and failed to submit this report as specified in the grant agreement.

Recommendation: We recommend that the City develop and implement procedures to track required reports to ensure that they are filed, and done so timely.

Response: The City will implement procedures to ensure required reports are being submitted.

2013-2

Employment Training – Workforce Investment Act, HALO grant

CFDA No. 17.259

Federal Agency: US Department of Labor

Grant period: Year ending June 30, 2013

Condition: During testing, MCO noted that HALO failed to list Job Growers as an additional insured, and as of June 30, 2013 HALO is covered under the City's auto insurance. The City also does not have Job Growers listed as an additional insured.

**CITY OF INDEPENDENCE, OREGON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2013**

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Criteria: HALO is required to maintain both auto and liability insurance at specific thresholds as outlined in the grant contract, as well as name Job Growers Inc as an additional insured on both policies.

Effect: The City of Independence is out of compliance with insurance requirements as outlined in the grant contract.

Cause: The City of Independence, the fiscal agent for HALO, and HALO have the necessary insurance coverage, but have failed to meet the requirements regarding covered parties under the insurance policies.

Recommendation: We recommend that HALO obtain their own auto insurance, and name Job Growers as an additional insured under both their auto and liability coverage.

Response: The City has named Job Growers as an additional insured effective immediately, and recommended that HALO obtain their own auto insurance that also will name Job Growers as an additional insured.

**Section IV – Schedule of Prior Federal Award Findings and Questioned Costs for the Years Ended June 30, 2013**

None