

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

**FOR THE YEAR ENDED JUNE 30, 2015
(AS REISSUED)**

**MERINA
& COMPANY, LLP**

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**City of Sandy, Oregon
Single Audit Report
(As Reissued)**

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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 Sandy, Oregon
Sandy, Oregon

We have audited, 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, the 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 Sandy, Oregon, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Sandy, Oregon's basic financial statements, and have issued our report thereon dated December 2, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Sandy, 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 City of Sandy, Oregon's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Sandy, 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 Sandy, Oregon's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 2, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
THE 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 Sandy, Oregon
Sandy, Oregon

Report on Compliance for The Major Federal Program

We have audited the City of Sandy, 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 the City of Sandy, Oregon's major federal program for the year ended June 30, 2015. City of Sandy, Oregon's major federal program is 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 the City of Sandy, Oregon's major federal program 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 Sandy, 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 the major federal program. However, our audit does not provide a legal determination of the City of Sandy, Oregon's compliance.

We revised the Schedule of Expenditures of Federal Awards for the year ended June 30, 2015, and finding SA2015-1 of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2015. The audit work was completed on July 31, 2016, which resulted in the dual-dating of our audit report.

Opinion on the Major Federal Program

In our opinion, the City of Sandy, Oregon, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the City of Sandy, Oregon, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Sandy, Oregon's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 Sandy, Oregon's internal control over compliance.

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.

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. We identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompany schedule of findings and questioned costs as item SA2015-01.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on the response.

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 Sandy, Oregon, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Sandy, Oregon's basic financial statements. We issued our report thereon dated December 2, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 basic financial statements as a whole.

Purpose of this Report

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.



Merina & Company, LLP

West Linn, Oregon

December 2, 2015, except for the finding described in the paragraph above as to which date is July 31, 2016.

CITY OF SANDY, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015

<i>REVISED</i>			
<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass Through Entity's DUNS Number</u>	<u>Expended</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Administration on Aging			
State of Oregon Senior and Disabled Services Office		878435676	
VIA Clackamas County Social Services Division		0969926560000	
Special Programs for the Aging Title III, Part B			
Grants for Supportive Services and Senior Centers	93.044		114,535
 U.S. DEPARTMENT OF TRANSPORTATION			
Federal Motor Carrier Safety Administration			
Oregon Department of Transportation			
Motor Carrier Safety Assistance Program	20.218		2,710
 Federal Transit Administration			
Oregon Department of Transportation	20.509	8095806810000	435,395
Formula Grants for Other Than Urbanized Areas			
 Federal Transit Administration			
Oregon Department of Transportation	20.513	8095806810000	168,667
Capital Assistance Program for Elderly Persons and Persons with Disabilities			
 Federal Highway Administration			
Western Federal Lands Highway Division	20.205	139768597	47,808
Federal Lands Access Program			
TOTAL			<u>\$ 769,115</u>

CITY OF SANDY, OREGON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2015

Note 1. General

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of all federal financial assistance programs of the City of Sandy, Oregon (the City).

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, 2015.

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 OMB Circular 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 accrual method of accounting. Revenues are recorded as received in cash or when measurable and available. Expenditures are recorded when the liability is incurred.

Note 3. Reissuing of the Single Audit Reports

After issuance of the 2015 financial and single audit reports, the City found that they did not include certain federal expenditures in its Single Audit Report dated December 2, 2015. Total federal money passed through from the Oregon Department of Transportation was under reported by \$41,406 on the Schedule of Expenditures of Federal Awards (SEFA). Because of this addition, a revised Schedule of Expenditures of Federal Awards is presented which resulted in dual-dating of the audit report.

CITY OF SANDY, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(As Reissued)
June 30, 2015

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 **Name of Federal Program or Cluster**
 20.509 Formula Grants for Other Than Urbanized Areas

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

Auditee qualified as low-risk auditee? Yes No

CITY OF SANDY, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(As Reissued)
June 30, 2015

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings and Questioned Costs

SA2015-1

Condition: After issuance of the 2015 financial and single audit reports, the City found that they did not include certain federal expenditures in its Single Audit Report dated December 2, 2015. Total federal money passed through from the Oregon Department of Transportation was under reported by \$41,406 on the Schedule of Expenditures of Federal Awards (SEFA). Controls were not in place to ensure the information on the SEFA was properly reported.

Criteria: In accordance with OMB Circular A-133, the auditee shall prepare a SEFA for the period covered by the financial statements. The SEFA should provide total federal awards expended for each individual program.

Effect: By not reporting all federal expenditures, the SEFA was understated.

Cause: Controls over preparation of the SEFA were not adequate.

Recommendation: We recommend that the City implement procedures for proper preparation and review of the SEFA to ensure all federal expenditures are included.

Auditee Response: The City agrees with the finding.

Section IV – Schedule of Prior Federal Award Findings and Questioned Costs

None