

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

FOR THE YEAR ENDED JUNE 30, 2015

**MERINA
& COMPANY, LLP**

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**City of Salem, 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***

The Honorable Mayor and City Council
City of Salem, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Salem, Oregon, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Salem, Oregon's basic financial statements, and have issued our report thereon dated December 4, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Salem, 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 Salem, Oregon's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Salem, 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 Salem, 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 4, 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 Salem, Oregon
Salem, Oregon

Report on Compliance for the Major Federal Program

We have audited the City of Salem, 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 Salem, Oregon's major federal program for the year ended June 30, 2015. The City of Salem, 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 Salem, 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 Salem, 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 Salem, Oregon's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Salem, 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 Salem, 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 Salem, Oregon's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for its 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 Salem, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies.

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.

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Salem, 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 Salem, Oregon's basic financial statements. We issued our report thereon dated November 13, 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 4, 2015

CITY OF SALEM, OREGON, FEDERAL GRANT COMPLIANCE REPORT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

<i>Federal Grantor/Pass Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Dept. or Pass Through Entity Identifying Number</i>	<i>City Project Number</i>	<i>Federal Expenditures</i>
Department of Agriculture				
Farm Service Agency Conservation Reserve Program	10.069	41-047-3	835189	\$ 9,055
Department of Housing and Urban Development				
Office of Community Planning and Development HOME Investment Partnerships Program	14.239	M-09-DC-41-0204 M-10-DC-41-0204 M-12-DC-41-0204 M-13-DC-41-0204 M-14-DC-41-0204	Various	262,076 152,891 169,827 383,451 544,713
Community Development Block Grant Entitlement Grants - Cluster Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-41-0004 B-14-MC-41-0004	Various	1,057,459 349,252
<i>Total Community Development Block Grant Entitlement Grants - Cluster</i>				<u>1,406,712</u>
<i>Total Department of Housing and Urban Development</i>				<u>2,919,669</u>
Department of the Interior				
National Park Service Historic Preservation Fund Grants-In-Aid Passed through Oregon Parks & Recreation:				
Certified Local Grant 2014-15	15.904	OR-13-15	252793	1,563
Certified Local Grant 2015-16	15.904	OR-15-15	252804	8,816
				<u>10,379</u>

<i>Federal Grantor/Pass Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Dept. or Pass Through Entity Identifying Number</i>	<i>City Project Number</i>	<i>Federal Expenditures</i>
<i>Department of Justice</i>				
Asset Forfeiture Program	16.000	Various	359865	158,208
Drug Enforcement Administration				
Law Enforcement Assistance-Narcotics & Dangerous Drugs Training				
Organized Crime Drug Enforcement Task Force	16.004	N/A	352554	73,513
Violence Against Women Office				
Passed through Oregon Criminal Justice Service Division:				
Violence Against Women Formula Grants	16.588	VAWA-C-2013SalemPD-00011	353622	90,000
Office of Community Oriented Policing Services				
Public Safety Partnership & Community Policing Grants	16.710	2010-UL-WX-0020	353027	146,837
National Institute of Justice				
Paul Coverdell Forensic Sciences Improvement Grant	16.742	2013-CD-BX-0061	351496	17,558
Bureau of Justice Assistance - Cluster				
Edward Byrne Memorial Justice Assistance Grant Program:				
Community Service Officers	16.738	2012-DJ-BX-0551	353029	418
Community Service Officers	16.738	2013-DJ-BX-0274	353033	59,800
Community Service Officers	16.738	2014-DJ-BX-0351	353035	29,439
Wrongful Conviction Grant	16.738	BJWC-14-011	353037	15,275
<i>Total Bureau of Justice Assistance - Cluster</i>				<u>104,932</u>
<i>Total Department of Justice</i>				<u>591,048</u>
<i>Department of Transportation</i>				
Federal Aviation Administration				
Airport Improvement Program	20.106	AIP 3-41-0055-018	649307	1,198,135
Airport Improvement Program	20.106	AIP 3-41-0055-019	649311	163,868
Federal Highway Administration				
<i>Highway Planning and Construction Cluster:</i>				
Passed through Oregon Department of Transportation:				
I-5 Construction Zone Enforcement Grant	20.205	1315WKZN-421 kkk	353577	15,919 *
Commercial Street/Liberty Road Refinement Plan	20.205	30248	831026	37,376 *
Salem Regional Traffic Signal Control Center	20.205	29137/17310	832012	215,000 *
High Street Bridge at Mill Creek Scour-Permanent Reprs	20.205	28811/27808	711508	17,846 *
Winter Street Bridge at Shelton Ditch-Permanent Reprs	20.205	28813/18213	711509	483,370 *
14th Street Bridge at Shelton Ditch-Permanent Reprs	20.205	28627/18157	711510	318,867 *
Summer Street Bridge at Mill Creek-Permanent Reprs	20.205	28812/27808	711511	197,319 *
Minto Island Trail/Corridor	20.205	29135/27808	712417	1,243,237 *
Union Street Railroad to Glen Creek Road	20.205	28774/16585	712505	127,327 *
<i>Total Highway Planning and Construction Cluster</i>				<u>2,656,260</u>

*Denotes Major Program

<i>Federal Grantor/Pass Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Dept. or Pass Through Entity Identifying Number</i>	<i>City Project Number</i>	<i>Federal Expenditures</i>
Federal Motor Carrier Safety Administration				
National Motor Carrier Safety				
Passed through Oregon Department of Transportation:				
Truck Inspections	20.218	29915	353504	23,830
National Highway Traffic Safety Administration				
<i>Highway Safety Cluster</i>				
Passed through Oregon Association Chiefs of Police:				
State and Community Highway Safety				
Pedestrian Safety Grant	20.600	PS-14-68-02	353652	4,209
Speed Equipment Grant	20.600	SC-15-35-12 ccc	353649	978
Alcohol Traffic Safety & Drunk Driving Prevention Incentive Grants:				
DUII Enforcement-Oregon Impact Grant	20.601	K8-14-12-46	353648	4,150
DUII Enforcement-Oregon Impact Grant	20.601	K8-15-12-36	353648	1,800
National Priority Safety Programs				
Drug Recognition Expert	20.616	N/A	353501	2,097
Safety Belt Enforcement	20.616	M1HVE-14-46-03 ddd	353650	18,713
<i>Total Highway Safety Cluster</i>				31,948
<i>Total Department of Transportation</i>				4,074,041
Department of Treasury				
Asset Forfeiture Program	21.000	2013-2904-000110-01	359864	6,048
Department of General Services Administration				
General Services Administration				
Passed through Oregon Department of Administrative Services:				
Donation of Federal Surplus Personal Property	39.003	N/A	N/A	2,748
Department of Environmental Protection Agency				
Office of Solid Waste and Emergency Response				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	00J93401	613034	38,403
Department of Energy				
Bonneville Power Administration				
Minto Island Conservation Area	81.000	WILF-WL-14	589826	11,621

*Denotes Major Program

<i>Federal Grantor/Pass Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Dept. or Pass Through Entity Identifying Number</i>	<i>City Project Number</i>	<i>Federal Expenditures</i>
<i>Department of Homeland Security</i>				
Passed through Oregon Emergency Management:				
Disaster Grants-Public Assistance				
2012 Flood-Federal Emergency Management Agency	97.036	FEMA-4055-DR-OR	Various	177,332
Hazard Mitigation Grant				
Mill Creek Flood Warning System	97.039	FEMA-4055.0008	713200	64,259
Emergency Management Performance Grants	97.042	14-545	375322	131,287
Passed through Oregon State Fire Marshall's Office				
Fire Management Assistance Grant				
Rowena Conflagration	97.046	N/A	372806	26,098
Beaver Complex Conflagration		N/A	377351	12,664
36 Pit Conflagration		N/A	377352	5,821
Passed through Oregon Emergency Management:				
State Homeland Security Program				
Bomb Teams Equipment/Training Grant	97.073	13-239	353403	97,082
Bomb Teams Equipment/Training Grant	97.073	14-426	353404	90,176
<i>Total Department of Homeland Security</i>				604,719
<i>Total Federal Expenditures</i>				\$ 8,267,731

CITY OF SALEM, 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 Salem, Oregon (the City).

Note 2. Significant Accounting Policies

Reporting Entity: The reporting entity is fully described in Note I. A to the City's basic financial statements.

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 and Expenditure 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.

Payments to subrecipients: Program expenditures reported in the Schedule include amounts provided to subrecipients as follows:

<u>CFDA#</u>	<u>Program Name</u>	<u>Amount</u>
14.218	Community Development Block Grants/Entitlement Grants	\$ 1,181,625
14.239	HOME Investment Partnerships Program	\$ 1,447,285
16.738	Justice Assistance Grant (JAG) Program Cluster	\$ 18,287

CITY OF SALEM, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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:

<u>CFDA Number</u> 20.205	<u>Name of Federal Program or Cluster</u> Highway Planning and Construction Cluster
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Dollar threshold used to distinguish between Type A Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

CITY OF SALEM, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings and Questioned Costs

None

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

None