

***CITY OF LEBANON, OREGON
INDEPENDENT AUDITORS' REPORTS
APPLICABLE TO FEDERAL FINANCIAL
ASSISTANCE PROGRAMS
For the Year Ended June 30, 1995***



GROVE, MUELLER, HALL & SWANK

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

CITY OF LEBANON, OREGON

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**INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL
STRUCTURE BASED ON THE AUDIT OF THE FINANCIAL STATEMENTS**

To the Honorable Mayor and Members of the City Council
City of Lebanon, Oregon

We have audited the general purpose financial statements of City of Lebanon, Oregon as of and for the year ended June 30, 1995, and have issued our report thereon dated November 10, 1995.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The management of City of Lebanon is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization, and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of City of Lebanon for the year ended June 30, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we believe to be a material weakness as defined above.

This report is intended for the information of the City Council, City Management, the State of Oregon, and appropriate grantor agencies. However, this report is a matter of public record and its distribution is not limited.

Grove Mueller Hall & Swank P.C.
CERTIFIED PUBLIC ACCOUNTANTS

November 10, 1995

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***INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND
REGULATIONS BASED ON THE AUDIT OF THE FINANCIAL STATEMENTS***

To the Honorable Mayor and Members of City Council
City of Lebanon, Oregon

We have audited the general purpose financial statements of City of Lebanon, Oregon as of and for the year ended June 30, 1995, and have issued our report thereon dated November 10, 1995.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to City of Lebanon is the responsibility of the City's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

This report is intended for the information of the City Council, City Management, the State of Oregon, and the appropriate grantor agencies. However, this report is a matter of public record and its distribution is not limited.

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***INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE
USED IN ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS***

To the Honorable Mayor and Members of the City Council
City of Lebanon, Oregon

We have audited the general purpose financial statements of City of Lebanon, Oregon as of and for the year ended June 30, 1995, and have issued our report thereon dated November 10, 1995. We have also audited the City's compliance with requirements applicable to its major federal financial assistance program and have issued our report thereon dated November 10, 1995.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, and whether the City complied with laws and regulations, noncompliance with which would be material to a federal financial assistance program.

The management of the City is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization, and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal awards are managed in compliance with laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of City of Lebanon, Oregon for the year ended June 30, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

During the year ended June 30, 1995, the City had one major federal financial assistance programs and expended 100% of its total federal financial assistance under the Community Development Block Grant.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we believe to be a material weakness as defined above.

This report is intended for the information of the City Council, City Management, the State of Oregon, and appropriate grantor agencies. However, this report is a matter of public record and its distribution is not limited.


Grove Mueller Hall & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

November 10, 1995



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS

To the Honorable Mayor and Members of the City Council
City of Lebanon, Oregon

We have audited the general purpose financial statements of City of Lebanon, Oregon as of and for the year ended June 30, 1995, and have issued our report thereon dated November 10, 1995.

We have applied procedures to test the City's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance, for the year ended June 30, 1995:

- Political activity
- Civil rights
- Cash management
- Allowable costs
- Drug-free work place
- Administrative requirements
- Federal financial reports

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's *Compliance Supplement for Single Audits of State and Local Governments*. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

This report is intended for the information of the City Council, City Management, the State of Oregon, and appropriate grantor agencies. However, this report is a matter of public record and its distribution is not limited.

Grove, Mueller, Hall & Swank, P.C.
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November 10, 1995



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**INDEPENDENT AUDITORS' REPORT ON SPECIFIC COMPLIANCE REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

To the Honorable Major and Members of the City Council
City of Lebanon, Oregon

We have audited the general purpose financial statements of City of Lebanon, Oregon as of and for the year ended June 30, 1995, and have issued our report thereon dated November 10, 1995.

We have also audited the City of Lebanon, Oregon's compliance with the requirements governing:

- types of services allowed or unallowed;
- eligibility;
- matching, level of effort, and or earmarking; and
- reporting

and have determined whether:

- federal financial reports and claims for advances and reimbursements contain information that is supported by the books and records from which the basic financial statements have been prepared;

that are applicable to the major federal financial assistance program, which is identified in the accompanying schedule of federal financial assistance, for the year ended June 30, 1995. The management of the City is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-128, *Auditing of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the City of Lebanon, complied, in all material respects, with the requirements governing:

- types of services allowed or not allowed;
- eligibility;
- matching, level of effort, and/or earmarking;
- reporting; and
- preparation of federal financial reports and claims for advances and reimbursements from information that is supported by the books and records from which the basic financial statements have been prepared;

that are applicable to its major federal financial assistance program for the year ended June 30, 1995.

This report is intended for the information of the City Council, City Management, the State of Oregon, and appropriate grantor agencies. However, this report is a matter of public record and its distribution is not limited.

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November 10, 1995

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**INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE
OF FEDERAL FINANCIAL ASSISTANCE**

To the Honorable Major and Members of the City Council
City of Lebanon, Oregon

We have submitted, under separate cover, our report on the general purpose financial statements of the City of Lebanon, Oregon as of and for the year ended June 30, 1995, and our report thereon, dated November 10, 1995. Our report was unqualified, except for the use of the modified accrual basis of accounting for the proprietary fund types and failure to include a statement of cash flows. The financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of Office of Management and Budget Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements of the City of Lebanon, Oregon, taken as a whole. The accompanying supplemental Schedule of Federal Financial Assistance for the year ended June 30, 1995 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such supplemental schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Grove, Mueller, Hall & Swank P.C.
CERTIFIED PUBLIC ACCOUNTANTS

November 10, 1995

CITY OF LEBANON, OREGON
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 1995

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
Community Development Block Grant	14.228	\$ 421,698
<i>Total Federal Financial Assistance</i>		<u>\$ 421,698</u>