Compliance Section

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Audit Comments

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GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

COMMENTS AND DISCLOSURE REQUIRED BY STATE REGULATORS

To the Honorable Mayor, Members of the
City Council and the City Manager
City of Springfield, Oregon

Oregon Administrative Rules 162-10-000 through 162-16-000 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments, and disclosures required in annual financial reports. Required comments and disclosures related to our audit of such financial statements and schedules follow.

We have audited the financial statements of the governmental activities, business-type activities, each major fund, the discretely presented component units and the aggregate remaining fund information of City of Springfield, Oregon (the City) as of and for the year ended June 30, 2008, which collectively comprised City of Springfield, Oregon's basic financial statements and have issued our report thereon dated December 29, 2008. We conducted our audit 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.

ACCOUNTING AND INTERNAL CONTROL

Our reports relating to accounting and internal control systems are contained in the Government Ausditing Standards Section of this annual financial report.

ACCOUNTING RECORDS

We found the City's accounting records to be adequate for audit purposes.

ADEQUACY OF COLLATERAL SECURING DEPOSITORY BALANCES

Oregon Revised Statutes Chapter 295 requires that each depository throughout the period of its possession of public fund deposits shall maintain on deposit with its custodians, at its own expense, securities having a value not less than 25% of the certificates of participation issued by the pool manager for funds in excess of those insured by the FDIC. Our review of the adequacy of collateral securing depository balances indicated the collateral was sufficient during the year ended June 30, 2008.

INVESTMENTS

Our review of deposit and investment balances indicated that, during the year ended June 30, 2008, the City was in compliance with ORS 294, as it pertains to investment of public funds.

LEGAL REQUIREMENTS RELATING TO DEBT

The general obligation bonded debt of the City is in compliance with the limitation imposed by ORS 328. We noted no defaults in principal, interest, sinking fund, or redemption provisions with respect to any of this bonded debt or other liabilities

BUDGET COMPLIANCE

The City appears to have complied with Local Budget Law (ORS 294.305 to 294.520) in the preparation and adoption of its budget and tax levy for the years ended June 30, 2008 and 2009, and execution for the year ended June 30, 2008. A description of the budgeting process is in the notes to the basic financial statements.

INSURANCE POLICIES AND FIDELITY BONDS

We have reviewed the City's insurance coverage at June 30, 2008. We ascertained that such policies appeared to be in force. We are not competent by training to comment on the adequacy of the insurance policies covering City-owned property.

PUBLIC CONTRACTS

The City's procedures for awarding public contracts were reviewed and found to be in accordance with ORS Chapter 279.

PROGRAMS FUNDED FROM OUTSIDE SOURCES

Our reports 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* and compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133 are contained in the OMB Circular A-133 (Single Audit) Section of this Annual Financial Report.

We have reviewed the City's compliance with appropriate laws, rules, and regulations pertaining to material programs funded wholly or partially by other governmental agencies. The City is in compliance with the guidelines in all material aspects.

FINANCIAL REPORTING REQUIREMENTS

We have reviewed financial reports and other data relating to programs funded wholly or partially by other governmental agencies. This data, filed with other governmental agencies, is in agreement with and supported by the accounting records.

HIGHWAY FUNDS

The City complied with the legal requirements, Article IX, Section 3a of the Oregon Constitution pertaining to the use of revenue from taxes on motor vehicle fuel, and the statutory requirements of ORS 368 and 373 as they pertain to the use of road funds.

This report is intended for the information of the Honorable Mayor, members of the City Council, the City Manager and management for the City of Springfield, Oregon and the Secretary of State, Audits Division, of the State of Oregon and is not intended to be and should not be used by anyone other than those specified parties.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: _____
Charles A. Swank, A Shareholder
December 29, 2008

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Governmental Auditing Standards

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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

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

We have audited the financial statements of City of Springfield, Oregon, as of and for the year ended June 30, 2008, and have issued our report thereon dated December 29, 2008. We conducted our audit 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered City of Springfield's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Springfield's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Springfield's internal control over financial reporting.

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 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 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 over financial reporting was for the limited purpose described in the first paragraph of this section 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 over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Springfield'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

CERTIFIED PUBLIC ACCOUNTANTS
December 29, 2008

OMB Circular A-133
(Single Audit) Report

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of City of Springfield, Oregon with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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'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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of City of Springfield is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Springfield's 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 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 City of Springfield's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program 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 combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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 over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Grove Mueller & Quick, PC

CERTIFIED PUBLIC ACCOUNTANTS

December 29, 2008

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control reporting:	
· Material weakness(es) identified?	No
· Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
· Material weakness(es) identified?	No
· Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major program:

CFDA Numbers	***Name of Federal Program or Cluster***
14.239	HUD HOME
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs:	$300,000
Auditee qualifies as low-risk auditee?	Yes

FINANCIAL STATEMENT FINDINGS

None.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

CITY OF SPRINGFIELD, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Number or Pass-Through Entity Identifying Number	Federal Expenditures in Fiscal Year 2007-2008	Amount Provided to Subreceiptants
U.S. Department of Justice				
Direct Programs:				
Justice Assistance Grant	16.738	2005-F4377-OR-DJ	$ 281	
Justice Assistance Grant	16.738	2007-DJ-BX-0476	18,166	
Total U.S. Department of Justice			**18,447**	
U.S. Department of Homeland Security				
Direct Program:				
Assistance to Firefighters Grant	97.044	EMW-2007-FO-11054	59,052	
Grants passed through State of Oregon				
State Homeland Security Program	97.073	06-236	12,690	
State Homeland Security Program	97.073	07-232	2,420	
Total U.S. Department of Homeland Security			**74,162**	
U.S. Department of Housing and Urban Development				
Direct Programs:				
HOME Investment Partnership Programs	14.239		891,488	
Community Development Block Grant	14.218		348,348	$ 94,130
Community Development Block Grant Program Income	14.218		297,722	
Total U.S. Department of Housing and Urban Development			**1,537,558**	
U.S. Department of Transportation				
Grants passed through State of Oregon:				
Highway Planning and Construction	20.205		296,558	
Grants passed through Lane County Oregon:				
Highway Planning and Construction	20.205		45,114	
Grants passed through Lane Transit District:				
Capital Improvement Grant	20.500	OR-03-0122	49,023	
Total U.S. Department of Transportation			**390,695**	
U.S. Department of the Interior				
Grants passed through State of Oregon:				
Historic Preservation Fund	15.904	HPF OR-06-11	1,689	
Historic Preservation Fund	15.904	HPF OR-07-22	739	
Total U.S. Department of the Interior			**2,428**	
Total Expenditures of Federal Awards			**$ 2,023,290**	**$ 94,130**

City of Springfield, Oregon

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2008

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

NOTE B – LOANS RECEIVABLE OUTSTANDING

The City had the following loan balances outstanding at June 30, 2008

Program Title	Federal CFDA Number	Amount Outstanding
Community Development Block Grant	14.218	$1,070,101
Hud HOME Grant	14.239	2,129,167
		$3,199,208

NOTE C – LOANS PAYABLE OUTSTANDING

As of June 30, 2008, the City did not have any loan balances outstanding included in the Schedule of Expenditures of Federal Awards.