

Division 40

MINIMUM STANDARDS FOR REVIEW OF OREGON MUNICIPAL CORPORATIONS

162-040-0001

Preface

(1) Pursuant to the provisions of ORS 297.465, there is presented herewith the Minimum Standards for Review of Oregon Municipal Corporations.

(2) These Standards have been approved by the Oregon Board of Accountancy (the Board), and have been adopted by the Secretary of State as Administrative Rules under the provisions of ORS Chapter 183.

(3) All reviews of municipal corporations shall be made in accordance with these Standards, and all review reports shall be in the form prescribed herein.

Statutory/Other Authority: ORS 297

Statutes/Other Implemented: ORS 297.465

History:

AUDIT 3-2015, f. & cert. ef. 8-19-15

AUDIT 1-2012, f. 2-9-12, cert. ef. 4-1-12

AUDIT 2-2010, f. 3-23-10, cert. ef. 4-1-10

162-040-0002

Definitions

The following definitions describe terms within the context of their application to Municipal Audit Law.

Review: A review is a service, the objective of which is to obtain limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with the applicable financial reporting framework. In a review engagement, the accountant should accumulate evidence to obtain a limited level of assurance. Financial statements prepared on the cash or modified cash basis of accounting are financial reporting frameworks (special purpose frameworks) other than GAAP and are permitted under municipal audit law.

Statutory/Other Authority: ORS 297.465

Statutes/Other Implemented: ORS 297.465

History:

AUDIT 3-2015, f. & cert. ef. 8-19-15

AUDIT 1-2012, f. 2-9-12, cert. ef. 4-1-12

Renumbered from 162-040-0000 by AUDIT 2-2010, f. 3-23-10, cert. ef. 4-1-10

The Oregon Administrative Rules contained here were effective through December 31, 2023.

AUDIT 2-2007, f. 6-7-07, cert. ef. 6-30-07

DOA 1-1996, f. 4-10-96, cert. ef. 6-1-96

DOA 2-1991, f. 3-8-91, cert. ef. 7-1-91, Renumbered from 165-040-0000

SD 6-1981, f. & ef. 9-1-81

162-040-0005

General Requirements

(1) All municipal corporations, as defined in ORS 297.405, are required to have their accounts and fiscal affairs audited annually, unless they are exempt from audit under ORS 297.435. The following administrative rules apply to review reports prepared under 297.435(3). Review reports must be prepared in accordance with Statements on Standards for Accounting and Review Services (SSARS), which contain professional requirements, together with related guidance, in the form of explanatory material. Accountants performing a compilation or review have a responsibility to consider the entire text of SSARS in carrying out their work on an engagement and in understanding and applying the professional requirements of the relevant Standards.

(2) The objective of a review differs significantly from the objective of an audit of financial statements in accordance with generally accepted auditing standards. The objective of an audit is to provide a reasonable basis for expressing opinions on the financial statements that collectively comprise the municipality's basic financial statements. A review does not contemplate obtaining an understanding of the entity's internal control; assessing fraud risk; testing accounting records by obtaining sufficient appropriate evidence through inspection, observation, confirmation, or the examination of source documents; or other procedures ordinarily performed during an audit. A review is designed to obtain limited assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with GAAP or another financial reporting framework permitted by law.

(3) The accountant who performs a review of the financial statements of a municipal corporation must:

(a) Be licensed by the Oregon Board of Accountancy to conduct municipal audits;

(b) Personally perform the review in accordance with these rules to an extent satisfactory to the Secretary of State; and

(c) Prepare a report expressing limited assurance on the financial statements in accordance with these rules.

(4) Since the functions and forms of government, as well as the accounting, internal control, and management information systems, will vary greatly among municipal corporations, the accountant must be or become familiar with legal provisions applicable to a particular

The Oregon Administrative Rules contained here were effective through December 31, 2023.

government. The accountant must also be familiar with the accounting principles considered to be generally acceptable for governments.

(5) Officials of the municipal corporation must account for all resources for which they are responsible. An appropriate accounting by officials of the municipal corporation will include financial statements, notes to the financial statements, and the supplementary information required by these rules.

(6) Based upon the review, the accountant should ascertain whether the municipal corporation's accounts and records are maintained in a manner that will permit the preparation of financial statements that fairly present its financial position and results of operations in accordance with legal provisions, and in accordance with generally accepted accounting principles or other financial reporting framework permitted by law. The accounting principles contemplated are those contained in pronouncements of authoritative bodies including, but not necessarily limited to, the Financial Accounting Standards Board, the American Institute of Certified Public Accountants, and the Governmental Accounting Standards Board. If the municipal corporation does not prepare and present the financial statements specified in these rules, the accountant should make a reasonable attempt to draft them for the municipal corporation using its accounts and records. Whenever legal provisions conflict with generally accepted accounting principles or principles applicable to another comprehensive basis of accounting, the accountant shall disclose these conflicts and modify the review report if necessary.

(7) The accountant should establish an understanding of the industry in which the municipality operates, and whether operations have been carried out in accordance with appropriate legal provisions including federal and state laws, charter provisions, court orders, ordinances, resolutions, and rules and regulations issued by other governmental agencies. If significant deficiencies, material weaknesses, or other recommendations for improvements have been communicated in a separate letter to management or the governing body, the independent accountant shall file a copy of the letter with the Secretary of State within 30 days of delivering the report to the municipal corporation.

(8) The report shall include financial statements with appropriate notes, and the accountant's review report containing limited assurance on the financial statements. If the accountant becomes aware of a departure from GAAP or another financial reporting framework permitted by law that is material to the financial statements, the accountant should consider whether modification of the standard report is adequate to disclose the departure. The accountant's review report shall include the reporting elements prescribed by the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

(9) The municipal corporation must file a copy of its report with the Secretary of State. The report and supporting documentation are subject to review by the Secretary of State for

The Oregon Administrative Rules contained here were effective through December 31, 2023.

compliance with these rules. The Secretary of State may require the accountant to submit documentation covering the review engagement for purposes of this requirement.

(10) The accountant shall submit a summary of the revenues and expenditures of the municipal corporation within 30 days after delivering the review report. The summary shall encompass the period covered by the review and shall be prepared in a manner and on forms prescribed by the Secretary of State. One copy of the summary shall be delivered to the municipal corporation.

Statutory Authority: ORS 297.465

Statutes/Other Implemented: ORS 297.465

History:

AUDIT 3-2015, f. & cert. ef. 8-19-15

AUDIT 1-2012, f. 2-9-12, cert. ef. 4-1-12

AUDIT 2-2007, f. 6-7-07, cert. ef. 6-30-07

DOA 1-1996, f. 4-10-96, cert. ef. 6-1-96

DOA 2-1991, f. 3-8-91, cert. ef. 7-1-91, Renumbered from 165-040-0005

SD 6-1981, f. & ef. 9-1-81

162-040-0010

Contracts

Laws governing contracts are prescribed in the Oregon Public Contracting Code, ORS Chapters 279A, 279B, and 279C. Reviews shall be performed in accordance with a contract executed by the municipal corporation. The contract should clearly establish the nature of the services to be performed and shall clearly set forth the scope of work to be conducted by the accountant. The contract should include a provision for the expression of limited assurance on the financial statements of the municipal corporation. It should also provide for the accountant to make a reasonable attempt to draft the financial statements for the municipal corporation if the municipal corporation has not prepared them.

Statutory Authority: ORS 297.465

Statutes/Other Implemented: ORS 297.465

History:

AUDIT 3-2015, f. & cert. ef. 8-19-15

AUDIT 1-2012, f. 2-9-12, cert. ef. 4-1-12

AUDIT 2-2007, f. 6-7-07, cert. ef. 6-30-07

DOA 2-1991, f. 3-8-91, cert. ef. 7-1-91, Renumbered from 165-040-0010

SD 6-1981, f. & ef. 9-1-81

The Oregon Administrative Rules contained here were effective through December 31, 2023.

162-040-0020

Financial Statements

(1) The GASB is recognized as the standard-setting body of GAAP for state and local governments. As such, fair presentation of financial position and results of operations in conformity with GAAP for Oregon municipal corporations are those financial statements and notes thereto consistent with GASB Statements and Interpretations and the hierarchy of GAAP applicable to state and local governments.

(2) The focus of accounting in an Oregon governmental unit is the individual fund. Therefore, the financial statements to be reviewed in accordance with these administrative rules, and upon which the accountant is to express limited assurance, should include the nonmajor combining and individual fund financial statements and schedules, whether presented as basic, required supplementary information (RSI) or supplementary information (SI).

Statutory Authority: ORS 297.465

Statutes/Other Implemented: ORS 297.465

History:

AUDIT 3-2015, f. & cert. ef. 8-19-15

AUDIT 1-2012, f. 2-9-12, cert. ef. 4-1-12

AUDIT 2-2010, f. 3-23-10, cert. ef. 4-1-10

AUDIT 2-2007, f. 6-7-07, cert. ef. 6-30-07

DOA 1-1996, f. 4-10-96, cert. ef. 6-1-96

DOA 2-1991, f. 3-8-91, cert. ef. 7-1-91, Renumbered from 165-040-0020

SD 6-1981, f. & ef. 9-1-81

162-040-0054

Required Supplementary Financial Information (RSI)

In addition to financial statements, the accountant should be aware that the Governmental Accounting Standards Board may determine that certain statements, schedules, statistical data, or other information are necessary to supplement, although not required to be a part of, the basic financial statements.

Statutory/Other Authority: ORS 297.465

Statutes/Other Implemented: ORS 297.465

History:

AUDIT 3-2015, f. & cert. ef. 8-19-15

AUDIT 1-2012, f. 2-9-12, cert. ef. 4-1-12

AUDIT 2-2007, f. 6-7-07, cert. ef. 6-30-07

The Oregon Administrative Rules contained here were effective through December 31, 2023.

162-040-0055

Supplementary Information (SI)

In addition to the basic financial statements, notes, and required supplementary information thereto, supplementary information is considered necessary for full disclosure and compliance with various laws, rules, and regulations relating to the operations and finances of the municipal corporation.

Statutory/Other Authority: ORS 297.465

Statutes/Other Implemented: ORS 297.465

History:

AUDIT 3-2015, f. & cert. ef. 8-19-15

AUDIT 1-2012, f. 2-9-12, cert. ef. 4-1-12

AUDIT 2-2007, f. 6-7-07, cert. ef. 6-30-07

DOA 1-1996, f. 4-10-96, cert. ef. 6-1-96

DOA 2-1991, f. 3-8-91, cert. ef. 7-1-91, Renumbered from 165-040-0005

SD 6-1981, f. & ef. 9-1-81

162-040-0060

Schedule of Revenues, Expenditures, and Changes in Fund Balances/Retained Assets, Budget and Actual (Each Fund)

The municipal corporation must prepare an individual schedule of revenues, expenditures/expenses, and changes in fund balances/net position, budget and actual, for each fund for which budgets are legally required. It must compare estimated with actual revenues or receipts, transfers in, expenditures or disbursements, transfers out and ending balances on the basis of the legally adopted budget. If the municipal corporation has made appropriations in a manner that differ materially from the presentation of estimated expenditures in the budget document, a separate schedule must be included that compares actual expenditures/expenses with the legally adopted appropriations.

Statutory/Other Authority: ORS 297.465

Statutes/Other Implemented: ORS 297.465

History:

AUDIT 3-2015, f. & cert. ef. 8-19-15

AUDIT 1-2012, f. 2-9-12, cert. ef. 4-1-12

AUDIT 2-2010, f. 3-23-10, cert. ef. 4-1-10

AUDIT 2-2007, f. 6-7-07, cert. ef. 6-30-07

DOA 2-1991, f. 3-8-91, cert. ef. 7-1-91, Renumbered from 165-040-0005

SD 6-1981, f. & ef. 9-1-81

The Oregon Administrative Rules contained here were effective through December 31, 2023.

162-040-0085

Other Financial or Statistical Information (OI)

The report may include such other financial or statistical information as desired by the municipal corporation, including financial statements or schedules relating specifically to programs funded wholly or partially by other governmental agencies.

Statutory/Other Authority: ORS 297.465

Statutes/Other Implemented: ORS 297.465

History:

AUDIT 3-2015, f. & cert. ef. 8-19-15

AUDIT 2-2007, f. 6-7-07, cert. ef. 6-30-07

DOA 2-1991, f. 3-8-91, cert. ef. 7-1-91, Renumbered from 165-040-0005

SD 6-1981, f. & ef. 9-1-81

162-040-0095

Officers and Registered Agent of the Municipal Corporation

Immediately inside the front cover, each report shall contain the names and mailing addresses of officers of the municipal corporation and members of its governing body. In addition, reports of special districts, as defined by law (ORS Chapter 198), shall contain the name of the district's registered agent and its registered address. If a special district has not designated a registered agent or registered address, the report shall so indicate.

Statutory Authority: ORS 297.465

Statutes/Other Implemented: ORS 297.465

History:

AUDIT 3-2015, f. & cert. ef. 8-19-15

AUDIT 1-2012, f. 2-9-12, cert. ef. 4-1-12

AUDIT 2-2007, f. 6-7-07, cert. ef. 6-30-07

DOA 2-1991, f. 3-8-91, cert. ef. 7-1-91, Renumbered from 165-040-0095

SD 6-1981, f. & ef. 9-1-81;

162-040-0096

Management Representation of Fiscal Affairs

(1) Each report shall include inside the back cover a signed report of management's representation of the municipal corporation's compliance with its fiscal affairs. At a minimum, the report should include the representations in the following example:

(2) Management Representation of Fiscal Affairs The [name of entity] is subject to, and responsible for, compliance with various laws, rules, and regulations relating to its operation and finances. Among such laws, rules, and regulations are the requirements prescribed in Municipal Audit Law (ORS Chapter 297) and the Minimum Standards for Review of Oregon Municipal Corporations (OAR 162, division 40) including, but not limited to:

- (a) Deposit of public funds with financial institutions (ORS Chapter 295).
- (b) Indebtedness limitations, restrictions, and repayment.
- (c) Budgets legally required (ORS Chapter 294).
- (d) Insurance and fidelity bonds in force or required by law.
- (e) Programs funded from outside sources.
- (f) Highway revenues used for public highways and roads (ORS Chapters 294, 368 & 373).
- (g) Authorized investment of surplus funds (ORS Chapter 294).
- (h) Public contracts, purchasing, and improvements (ORS Chapters 279A, 279B, and 279C).

The management of [name of entity] is aware of the requirements of Oregon laws and administrative rules concerning each of the above requirements and has complied, in all material respects, with such requirements. Further, we are not aware of any violations or possible violations of laws, rules, or regulations, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

Signature

Printed Name

Title

Date

Statutory Authority: ORS 297

Statutes/Other Implemented: ORS 297.465

History:

The Oregon Administrative Rules contained here were effective through December 31, 2023.

AUDIT 3-2015, f. & cert. ef. 8-19-15

AUDIT 1-2012, f. 2-9-12, cert. ef. 4-1-12

162-040-0150

Other Comments and Disclosures

The accountant shall include such other comments or disclosures with respect to the review of fiscal affairs as may be appropriate in the circumstances.

Statutory Authority: ORS 297.465

Statutes/Other Implemented: ORS 297.465

History:

DOA 2-1991, f. 3-8-91, cert. ef. 7-1-91, Renumbered from 165-040-0150

SD 6-1981, f. & ef. 9-1-81

162-040-0155

Suggested Review Procedures

The AICPA Statement on Standards for Accounting and Review Services provide guidance for the accountant's inquiry and analytical procedures ordinarily performed in a review engagement. Those standards include an appendix of illustrative letters and reports inquiries.

Statutory Auth: ORS 297.465

Statutes/Other Implemented: ORS 297.465

History:

AUDIT 3-2015, f.& cert. ef. 8-19-15

AUDIT 1-2012, f. 2-9-12, cert. ef. 4-1-12

AUDIT 2-2007, f. 6-7-07, cert. ef. 6-30-07

DOA 1-1996, f. 4-10-96, cert. ef. 6-1-96

DOA 2-1991, f. 3-8-91, cert. ef. 7-1-91, Renumbered from 165-040-0155

SD 6-1981, f. & ef. 9-1-81

162-040-0160

Extensions of Time to Deliver Review Reports

If the required report is not filed with the Secretary of State within six months following the end of the fiscal year, the municipal corporation shall file a written request for extension of time. The request shall state the reasons for the delay and the expected filing date of the report. The Secretary of State, for good cause shown, may grant the request for a reasonable period of time.

(1) The municipal corporation must submit a request for extension of time to file a review report on forms provided by the Secretary of State. The request must contain the following information:

- (a) The name and registered or mailing address of the municipal corporation;
- (b) The name, address, and signature of the accountant or firm, if known, conducting the review;
- (c) The accounting period under review;
- (d) A statement setting forth the reasons for the delay in delivering the review report;
- (e) The signed approval or disapproval of the request by the chair of the governing body, or managing or executive officer, of the municipal corporation. Reasons for disapproval must be included.

(2) A request for extension of time shall be submitted to the Secretary of State. The Secretary of State shall notify the independent accountant and the municipal corporation of its approval to grant an extension of time or reasons for its disapproval.

Statutory Authority: ORS 297.465

Statutes/Other Implemented: ORS 297.465

History:

AUDIT 3-2015, f. & cert. ef. 8-19-15

AUDIT 2-2010, f. 3-23-10, cert. ef. 4-1-10

AUDIT 2-2007, f. 6-7-07, cert. ef. 6-30-07

DOA 2-1991, f. 3-8-91, cert. ef. 7-1-91