

CITY OF GUTHRIE, OKLAHOMA
SINGLE AUDIT REPORTS
AND SUPPLEMENTARY SCHEDULES
September 30, 2009

CITY OF GUTHRIE, OKLAHOMA

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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 Guthrie, Oklahoma

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 Guthrie, Oklahoma (the "City"), as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 27, 2010. 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 the City's internal control over financial reporting as a basis for designing our auditing procedures 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

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 City'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 City's financial statements that is more than inconsequential will not be prevented or detected by the City'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 City's internal control.

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be 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 the City'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 09-1 and 09-3.

We noted certain matters that we reported to management of the City, in a separate letter dated July 27, 2010.

The City's response to the findings 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 it.

This report is intended solely for the information and use of the mayor, City Council, and management and is not intended to be and should not be used by anyone other than these specified parties.


Edmond, Oklahoma
July 27, 2010

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

To the Honorable Mayor and Members of City Council
City of Guthrie, Oklahoma

Compliance

We have audited the compliance of the City of Guthrie, Oklahoma (the "City"), 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 September 30, 2009. 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 of 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 September 30, 2009.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 09-2 to be a control deficiency.

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 the entity's internal control. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City's response to the findings 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 it.

Schedule of Expenditure of Federal Awards

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 as of and for the year ended September 30, 2009, and have issued our report thereon dated July 27, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's 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 of the City. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Mayor, City Council, and management and is not intended to be and should not be used by anyone other than these specified parties.

Arledge & Associates, P.C.
Edmond, Oklahoma
July 27, 2010

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Agency or Pass Thru Number	Program or Award Amount	Federal Expenditures
FEDERAL ASSISTANCE:				
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Passed through District Attorney's Council: 2008 Justice Assistance Grant	16.738	J08-065	5,513	5,424
Passed through Oklahoma State Bureau of Investigation: ICAC Grant	16.543		3,546	3,546
Total U.S. Department of Justice			9,059	8,970
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Passed through Oklahoma Aeronautics Commission: Airport Improvement Program	20.106	3-40-0036-09-2007	150,000	5,478
Airport Improvement Program	20.106	3-40-0036-10-2008	760,712	86,312
Sub-total CFDA 20.106			910,712	91,790
Passed through Oklahoma Highway Safety Office: State and Community Highway Safety	20.600	PT-08-03-13-05	18,000	1,887
State and Community Highway Safety	20.600	PT-09-03-13-06	12,000	11,358
Sub-total CFDA 20.600			30,000	13,245
Passed through Oklahoma Department of Transportation: Centennial Corridor Project	20.205	STP-142E (147)EH	400,000	312,147
Passed through Oklahoma Department of Tourism and Recreation: Highland Park Trails - Phase III	20.219	NRT-RT (100) OTRD 06-08	80,000	80,000
Total U.S. Department of Transportation			1,420,712	497,182
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY:</u>				
Disaster Recovery	97.036	FEMA-1754-DR	124,419	95,523
Sub-total CFDA 97.036			124,419	95,523
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>				
Assistance to Firefighter's Grant	97.044	EMW-2008-FO-09169	158,769	158,650
Total U.S. Department of Homeland Security			158,769	158,650
TOTAL FEDERAL ASSISTANCE			\$ 1,712,959	\$ 760,325

CITY OF GUTHRIE, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2009

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
Material weakness(es) identified? _____ yes X no
Significant deficiency(ies) identified
not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal Control over major programs:
Material weakness(es) identified? _____ yes X no
Significant deficiency(ies) identified
not considered to be material weakness(es)? _____ yes X none reported

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
OMB Circular A-133, Section .510(a)? X yes _____ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Centennial Corridor
97.044	Firefighter's Grant

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

Auditee qualified as low-risk auditee? _____ yes X no

CITY OF GUTHRIE, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2009

SECTION II – FINANCIAL STATEMENT FINDINGS

Compliance Findings

See findings 09-1 and 09-3.

Internal Control Findings

None.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Compliance Findings

None.

Internal Control Findings

See finding 09-2.

CITY OF GUTHRIE, OKLAHOMA

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2009

Finding 09-1

Fund Balance Deficits

Criteria: Title 11, Section 17-211 of the Oklahoma State Statutes prohibits the creation of a deficit in any individual fund.

Condition: As of September 30, 2009, the City's Centennial Funds and Airport Fund reported report fund balance deficits totaling \$148,034 and \$13,274, respectively.

Cause: Due to the modified accrual basis of accounting, the deficit was caused by the deferral of available grant revenue to fund the deficit.

Effect: The deferral of grant revenues caused a deficit fund balance, which will be resolved when the grant funds are recognized as revenues.

Recommendations: We recommend that the City explore terms of adequately financing these deficits and implement controls to safeguard against the future occurrence of deficit fund balances.

City's Response: The Centennial Fund deficit was the result of reimbursement the City of Guthrie has not received from Oklahoma Department of Transportation Special Project Branch for Centennial Corridor Project No. STP-142E(147)EH JP 24561(4). The Centennial Corridor Project should be completed in this fiscal year and anticipate reimbursement prior to September 30, 2010.

The Airport Fund deficit was the result of a reimbursement the City of Guthrie has not received from the Oklahoma Aeronautics Commission (OAC) for engineering service for the Taxi-lane North of Delta Project. The project is expected to be completed and anticipate reimbursement from OAC prior to September 30, 2011.

CITY OF GUTHRIE, OKLAHOMA

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2009

Finding 09-2

Davis-Bacon Act

Airport Improvement Program, CFDA 20.106

Criteria: The Davis-Bacon Act (the Act) requires the payment of prevailing wages to laborers on applicable construction projects.

Condition: The City's airport improvement program was subject to the Act. However, the City was not aware that the Act applied and did not monitor payments to the applicable laborers to ensure compliance with the Act.

Cause: The City is aware of the general requirements of the Act but was not aware that the provisions of the Act pertained to this program.

Effect: Subsequent to any payments made to laborers, the City reviewed the applicable contractor payments and determined that its laborers had been paid in accordance with the Act. Failure to monitor such payments on a pro-active basis can lead to non-compliance and potential questioned costs.

Recommendation: We recommend that the City perform a thorough review of applicable requirements to ensure compliance with those requirements is met.

City's Response: The City of Guthrie agrees with this finding. The construction phase of the Centennial Corridor Project is complete and in the future the City of Guthrie will monitor this requirement.

CITY OF GUTHRIE, OKLAHOMA

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2009

Finding 09-3

Controls over Laws and Regulations – Cash Collateralization

Criteria: Oklahoma state statutes require that all uninsured deposits of municipal funds in financial institutions must be secured by the financial institution with acceptable collateral.

Condition: As of September 30, 2009, deposits totaling \$209,150 were not insured or collateralized as required by state law.

Cause: Controls were not in place to ensure that deposits at the City's financial institutions were fully insured or collateralized due to confusion over FDIC and related collateral coverage over the City's deposits.

Effect: Because of the failure to adequately collateralize its deposits, the City was exposed to potential losses resulting from custodial credit risk up to \$209,150 as of September 30, 2009.

Recommendation: We recommend that the City have procedures in place to ensure that all applicable deposits are adequately insured or collateralized throughout the year.

City's Response: The City of Guthrie will take the necessary steps to be in compliance with State Statutes.

CITY OF GUTHRIE, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND QUESTIONED COSTS
Year Ended September 30, 2009

Finding 08-1

Criteria: Title 11, Section 17-211 of the Oklahoma State Statutes prohibits the creation of a deficit in any individual fund.

Condition: As of September 30, 2008, the City's Centennial Funds and Airport Fund reported report fund balance deficits totaling \$18,787 and \$114,039, respectively.

Cause: Due to the modified accrual basis of accounting, the deficit was caused by the deferral of available grant revenue to fund the deficit.

Effect: The deferral of grant revenues caused a deficit fund balance, which will be resolved when the grant funds are recognized as revenues.

Recommendations: We recommend that the City explore terms of adequately financing these deficits and implement controls to safeguard against the future occurrence of deficit fund balances.

City's Response: The Centennial Fund deficit was the result of reimbursement the City of Guthrie has not received from Oklahoma Department of Transportation Special Project Branch for Centennial Corridor Project No.STP-142E(147)EH JP 24561(04). The Centennial Corridor Project should be completed in FY 2008-2009 and anticipate reimbursement prior to September 30, 2009.

The Airport Fund deficit was the result of a reimbursement the City of Guthrie has not received from the Federal Aviation Administration (FAA). The City of Guthrie borrowed funds to purchase land to meet FAA guidelines for the Runway Safety Area. FAA will not reimburse the City until the project is complete. The City of Guthrie has completed the project and anticipates reimbursement from FAA prior to September 30, 2009.

Status: See current year finding 09-1.