

CITY OF GUTHRIE, OKLAHOMA
SINGLE AUDIT REPORTS
AND SUPPLEMENTARY SCHEDULES
September 30, 2010

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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 27, 2011. 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.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, 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 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 10-1.

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, the City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Arlidge & Associates, P.C.

Edmond, Oklahoma
May 27, 2011

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2010. 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 compliance requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

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 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 over internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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 material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 that might be deficiencies, 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.

Schedule of Expenditure of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2010, and have issued our report thereon dated May 27, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the City. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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, the City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Edmond, Oklahoma
May 27, 2011

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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.S. DEPARTMENT OF JUSTICE:				
Bullet Proof Vest	16.607	-	825	825
Sub-total CFDA 16.607			825	825
Passed through Oklahoma State Bureau of Investigation:				
ICAC Grant	16.543	ICAC Grant	3,020	3,020
Sub-total CFDA 16.543			3,020	3,020
Total U.S. Department of Justice			3,845	3,845
U.S. DEPARTMENT OF TRANSPORTATION:				
Passed through Oklahoma Aeronautics Commission:				
Airport Improvement Program	20.106	3-40-0036-10-2010	100,605	100,605
Sub-total CFDA 20.106			100,605	100,605
Passed through Oklahoma Highway Safety Office:				
State and Community Highway Safety	20.600	OP-10-03-03-07	24,000	23,615
Sub-total CFDA 20.600			24,000	23,615
Passed through Oklahoma Department of Transportation:				
Centennial Corridor Project	20.205	STP-142E (147)EH	399,410	87,263
Sub-total CFDA 20.205			399,410	87,263
Total U.S. Department of Transportation			524,015	211,483
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
Passed through Oklahoma Department of Commerce:				
Community Development Block Grant	14.228	13764 CDBG 09	249,997	248,528
Sub-total CFDA 14.228			249,997	248,528
U.S. DEPARTMENT OF ENERGY:				
Passed through Oklahoma Department of Commerce:				
State Energy Program	81.041	14185 SSEP 09	19,200	14,300
Sub-total CFDA 81.041			19,200	14,300
U.S. DEPARTMENT OF INTERIOR:				
Passed through Oklahoma Historical Society:				
Historical Preservation Program	15.224	Project # 09-606	5,850	5,073
Sub-total CFDA 15.224			5,850	5,073
FEDERAL EMERGENCY MANAGEMENT AGENCY:				
Disaster Recovery	97.036	PA-1876	10,203	10,203
Disaster Recovery	97.036	FEMA-1926-DR-OK	22,663	22,663
Sub-total CFDA 97.036			32,866	32,866
TOTAL FEDERAL ASSISTANCE			\$ 835,773	\$ 516,095

CITY OF GUTHRIE, OKLAHOMA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2010**

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? X yes _____ 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)? _____ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
14.228	Community Development Block 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, 2010**

SECTION II – FINANCIAL STATEMENT FINDINGS

Compliance Findings

See findings 10-1.

Internal Control Findings

None.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Compliance Findings

None.

Internal Control Findings

None.

CITY OF GUTHRIE, OKLAHOMA

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2010

Finding 10-1

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, 2010, the City's Airport Fund reported a fund balance deficits totaling \$202,744.

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

CITY OF GUTHRIE, OKLAHOMA

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND QUESTIONED COSTS
Year Ended September 30, 2010**

Finding 09-1

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, 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.

Status: See current year finding 10-1.