

CITY OF GUTHRIE, OKLAHOMA
SINGLE AUDIT REPORTS
AND SUPPLEMENTARY SCHEDULES
September 30, 2011

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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 14, 2012. 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

Management for the City is responsible for establishing and maintaining effective 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.

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.

Arledge & Associates, P.C.

Edmond, Oklahoma

June 14, 2012

**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 *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, 2011. 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 could have a direct and material effect on its major federal programs for the year ended September 30, 2011.

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, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2011, and have issued our report thereon dated June 14, 2012, 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 on the Schedule of Expenditures of Federal Awards replaces the previously issued report dated June 14, 2012. The report has been reissued as the Schedule of Expenditures of Federal Awards has been updated to include the Safe Drinking Water State Revolving Fund and the Cap Grants for State Revolving Fund, which were inadvertently left off the original schedule. The Cap Grants for State Revolving Fund was audited as a major program.

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

June 14, 2012

Except for paragraph 8 as to which the date is August 24, 2012

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

<u>Federal/State Grantor/Pass through agency Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass Thru Number</u>	<u>Program or Award Amount</u>	<u>Federal Expenditures</u>
FEDERAL ASSISTANCE:				
<u>U.S. DEPARTMENT OF ENERGY:</u>				
Passed through Oklahoma Department of Commerce: Stimulus State Energy Program	81.041	14402 SSEP 09	710,700	479,590
Total U.S. Department of Energy			<u>710,700</u>	<u>479,590</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Passed through Oklahoma Aeronautics Commission: Airport Improvement Program	20.106	3-40-0036-012-2011	140,410	26,587
Sub-total CFDA 20.106			<u>140,410</u>	<u>26,587</u>
Passed through Oklahoma Highway Safety Office: State and Community Highway Safety	20.600	OP-11-03-05-08	18,000	13,564
Sub-total CFDA 20.600			<u>18,000</u>	<u>13,564</u>
Total U.S. Department of Transportation			<u>158,410</u>	<u>40,151</u>
<u>ENVIRONMENTAL PROTECTION AGENCY</u>				
Passed through Oklahoma Water Resources Board: Capital Grants from State Revolving Fund	66.458	ORF-10-0008-CW	314,230	314,230
Sub-total CFDA 66.458			<u>314,230</u>	<u>314,230</u>
Passed through Oklahoma Water Resources Board: Safe Drinking Water State Revolving Fund	66.468	ORF-08-0009-DWA	262,029	262,029
Sub-total CFDA 66.468			<u>262,029</u>	<u>262,029</u>
Total Environmental Protection Agency			<u>576,259</u>	<u>576,259</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>				
Emergency Management and Assistance	97.096	Skid Loader	4,608	4,608
Sub-total CFDA 97.096			<u>4,608</u>	<u>4,608</u>
Disaster Recovery	97.036	FEMA-1985-DR-OK	14,560	14,560
Disaster Recovery	97.036	FEMA-1989-DR-OK	3,199	3,199
Disaster Recovery	97.036	FEMA-1989-DR-OK	1,302	1,302
Disaster Recovery	97.036	FEMA-1989-DR-OK	4,002	4,002
Disaster Recovery	97.036	FEMA-1989-DR-OK	928	928
Disaster Recovery	97.036	FEMA-1989-DR-OK	33,286	20,571
Disaster Recovery	97.036	FEMA-1985-DR-OK	223	223
Disaster Recovery	97.036	FEMA-1989-DR-OK	2,711	2,711
Disaster Recovery	97.036	FEMA-1989-DR-OK	453	453
Disaster Recovery	97.036	FEMA-1989-DR-OK	14,801	2,398
Disaster Recovery	97.036	FEMA-1989-DR-OK	12,983	11,175
Disaster Recovery	97.036	FEMA-1989-DR-OK	47,316	47,316
Disaster Recovery	97.036	FEMA-1989-DR-OK	31,251	25,517
Disaster Recovery	97.036	FEMA-1989-DR-OK	34,853	34,853
Disaster Recovery	97.036	FEMA-1989-DR-OK	5,370	5,370
Sub-total CFDA 97.036			<u>207,238</u>	<u>174,578</u>
Total Federal Emergency Management			<u>211,846</u>	<u>179,186</u>
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Bullet Proof Vest	16.607		167	167
Total U.S. Department of Justice			<u>167</u>	<u>167</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 1,657,382</u>	<u>\$ 1,275,353</u>

CITY OF GUTHRIE, OKLAHOMA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2011**

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)? _____ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
81.041	State Energy Program
66.458	Cap Grants for State Revolving Fund

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, 2011**

SECTION II - FINANCIAL STATEMENT FINDINGS

Compliance Findings

None.

Internal Control Findings

None.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Compliance Findings

None.

Internal Control Findings

None.

CITY OF GUTHRIE, OKLAHOMA

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND QUESTIONED COSTS**

Year Ended September 30, 2011

**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.

Status: This comment was resolved in the current year.