

CITY OF GUTHRIE, OKLAHOMA
SINGLE AUDIT REPORTS
AND SUPPLEMENTARY SCHEDULES
September 30, 2012

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, 2012, 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 of 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items 2012-02 through 2012-03 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 an instance 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 item 2012-01. We noted certain matters that we reported to management of the City in a separate letter dated May 9, 2013

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 those responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, 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.

Crubridge & Associates, P.C.

Edmond, Oklahoma

May 9, 2013

**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, 2012. 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, 2012.

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, 2012, and have issued our report thereon dated May 9, 2013, 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.

Arledge & Associates, P.C.

Edmond, Oklahoma

May 9, 2013

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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		2,205	2,205
Sub-total CFDA 16.607			<u>2,205</u>	<u>2,205</u>
Passed through Oklahoma State Bureau of Investigation:				
ICAC Grant	16.8	ICAC Grant	4,972	4,972
Sub-total CFDA 16.543			<u>4,972</u>	<u>4,972</u>
Total U.S. Department of Justice			<u>7,177</u>	<u>7,177</u>
U.S. DEPARTMENT OF TRANSPORTATION:				
Passed through Oklahoma Aeronautics Commission:				
Airport Improvement Program	20.106	3-40-0036-012-2011	140,410	113,823
Airport Improvement Program	20.106	3-40-0036-013-2012	1,082,890	22,138
Sub-total CFDA 20.106			<u>1,223,300</u>	<u>135,961</u>
Passed through Oklahoma Highway Safety Office:				
State and Community Highway Safety	20.601	K8-12-03-18-09	12,000	6,749
Sub-total CFDA 20.601			<u>12,000</u>	<u>6,749</u>
Total U.S. Department of Transportation			<u>1,235,300</u>	<u>142,710</u>
U.S. DEPARTMENT OF ENERGY:				
Passed through Oklahoma Department of Commerce:				
State Energy Program	81.041	14185 SSEP 09	710,700	228,622
Sub-total CFDA 81.041			<u>710,700</u>	<u>228,622</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Disaster Recovery	97.036	FEMA-1989-DR-OK	200,547	157,182
Bullet Proof Vest	97.008		2,617	2,617
Total U.S. Department of Justice			<u>203,164</u>	<u>159,799</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 2,156,341</u>	<u>\$ 538,308</u>

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Guthrie and is presented in accordance with the basis for determining federal awards expended as defined by Section 205 of Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF GUTHRIE, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2012

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? X yes _____ 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>
20.106	Airport Improvement Program
97.036	Disaster Recovery

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, 2012**

SECTION II – FINANCIAL STATEMENT FINDINGS

Compliance Findings

2012-01

Internal Control Findings

2012-02 and 2012-03

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Compliance Findings

None.

Internal Control Findings

None.

CITY OF GUTHRIE, OKLAHOMA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2012**

Finding 2012-01: Negative Fund Balances

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

Condition: The City's Capital Project Fund reports a deficit fund balance of \$207,000.

Cause: Two charges were recorded in fiscal 2012 totaling \$251,000 that was not reimbursed by the Guthrie Public Works Authority until early fiscal 2013.

Effect: Timing between the expenditures being charged and the corresponding reimbursement caused a negative fund balance at September 30, 2012.

Recommendation: We recommend that the City put procedures in place to ensure that negative fund balances are not allowed or that the City reimburses these funds from other unrestricted sources.

City's Response: Amounts were reimbursed by the Guthrie Public Works Authority in fiscal 2013.

Finding 2012-02: Utility Receivables

Criteria: Controls should be in place to ensure that utility receivables are reconciled monthly to the supporting detailed subsidiary ledgers.

Condition: Procedures were not in place to ensure that these receivables were reconciled to the supporting detailed subsidiary ledgers.

Cause: City staff had not been assigned to perform this reconciliation.

Effect: An adjusting audit entry totaling \$105,000 was required to reconcile reported amounts to the subsidiary ledgers.

Recommendation: We recommend that the City implement controls to ensure that monthly reconciliations to the subsidiary ledgers are performed.

City's Response: The City will implement a procedure to ensure that quarterly reconciliations to the subsidiary ledgers are performed.

Finding 2012-03: Payroll Approvals

Criteria: Controls should be in place to ensure that payroll transactions have been properly approved.

Condition: The City requires employee's time sheets to be signed by the employee and the employee's supervisor. We noted instances where these signatures were not present.

Cause: The policy requiring these signatures is not being consistently enforced.

Effect: Payroll transactions may be processed in error due to reliance on unapproved time data.

Recommendation: We recommend that the City enforce its policy regarding the signing and approval of employee time sheets.

City's Response: The City will comply with the established policy.

CITY OF GUTHRIE, OKLAHOMA

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

Year Ended September 30, 2011

There were no findings related to fiscal 2011.