

CITY OF GUTHRIE, OKLAHOMA
SINGLE AUDIT REPORTS
AND SUPPLEMENTARY SCHEDULES

September 30, 2013

CITY OF GUTHRIE, OKLAHOMA

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**INDEPENDENT AUDITOR'S 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, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 22, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. 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.

Our consideration of internal control 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2013-01, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 no

instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Arledge & Associates, P.C.

May 22, 2014



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Guthrie, Oklahoma's (the "City's") compliance 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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each

major federal program 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 of 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated May 22, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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. 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Arledge & Associates, P.C.

May 22, 2014

CITY OF GUTHRIE, OKLAHOMA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2013

	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U. S. DEPARTMENT OF JUSTICE:		
<hr/>		
Passed through Oklahoma State Bureau of Investigation:		
Recovery Act - Internet Crimes against Children Task Force Program (ICAC)	16.800	\$ 6,792
Bulletproof Vest Partnership Program	16.607	1,560
Passed through District Attorneys Council:		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	9,971
Total U.S. Department of Justice		<u>18,323</u>
U. S. DEPARTMENT OF INTERIOR:		
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Passed through Oklahoma Department of Wildlife Conservation:		
Sport Fish Restoration Program	15.605	31,288
U.S. DEPARTMENT OF TRANSPORTATION:		
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Passed through Oklahoma Department of Transportation:		
Highway Planning and Construction	20.205	6,500
Federal Aviation Administration (FAA):		
Airport Improvement Program	20.106	543,275
Total U.S. Department of Transportation		<u>549,775</u>
INSTITUTE OF MUSEUM AND LIBRARY SERVICES:		
<hr/>		
Passed through Oklahoma Department of Libraries:		
Grants to States	45.310	19,715
U.S. DEPARTMENT OF HOMELAND SECURITY:		
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Non-Profit Security Program	97.008	30,259
Passed through Oklahoma Department of Emergency Management:		
Chemical Stockpile Emergency Preparedness Program	97.040	46,140
Total U.S. Department of Homeland Security		<u>76,399</u>
Total Federal Awards		<u>\$ 695,500</u>

CITY OF GUTHRIE, OKLAHOMA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2013**

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of the City of Guthrie under programs of the federal government for the year ended September 30, 2013. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting consistent with the City's basic financial statements.

CITY OF GUTHRIE, OKLAHOMA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2013**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unmodified

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

Reportable condition(s) identified

not considered to be material weakness(es)?

_____ yes X none reported

Type of auditor's report issued on compliance
for major programs:

Unmodified

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:

CFDA Number(s)

Name of Federal Program or Cluster

20.106

Airport Improvement Program

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, 2013**

SECTION II – FINANCIAL STATEMENT FINDINGS

Compliance Findings

None

Internal Control Findings

2013-01

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, 2013**

SECTION II – FINANCIAL STATEMENT FINDINGS

**Finding 2013-01: Utility Receivables
(Repeat Finding)**

Criteria: An objective of an effective internal control system is to ensure accurate and reliable information through reconciliation.

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

Cause: Reconciliation duties are not assigned to specific staff.

Effect: Utility receivables may be inaccurate.

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.

CITY OF GUTHRIE, OKLAHOMA

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2013**

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 PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2013**

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 were 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.

Status: Resolved in the current year.

CITY OF GUTHRIE, OKLAHOMA

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

Status: See Finding 2013-01.

CITY OF GUTHRIE, OKLAHOMA

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2013**

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.

Status: Resolved in the current year.