

CITY OF SAND SPRINGS, OKLAHOMA

AUDIT COMMUNICATION LETTER

FOR THE FISCAL YEAR ENDED

JUNE 30, 2012



December 13, 2012

To the Honorable Mayor and Members of the City Council of the
City of Sand Springs, Oklahoma

We have audited the basic financial statements of the governmental activities, the business activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sand Springs, Oklahoma, (the "City") for the year ended June 30, 2012, and have issued our report thereon dated December 13, 2012.

Our professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in Exhibit I. Professional standards also require that we communicate with you certain matters that may be of interest to you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the City is responsible. Our comments to assist you in fulfilling that obligation are also presented in Exhibit I. Additional information concerning other matters related to the City's internal control structure is presented in Exhibit II.

This report is intended solely for the information and use of the City and management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in cursive script that reads 'Arledge & Associates, P.C.'.

Arledge & Associates, P.C.

REQUIRED COMMUNICATIONS**Significant Audit Findings*****Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Governmental Accounting Standards Board statement no. 68, *Accounting and Financial Reporting for Pensions*, will become effective for the City in its June 30, 2015 annual report. This standard affects how local governments report unfunded pension liabilities. Although the City has not yet determined the effect of this new statement, the change could be material.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

- Allowances for uncollectable utility billings
- Provisions and related disclosures established for other post-employment benefits

We have identified and evaluated the key factors and assumptions used to develop the above estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We are pleased to report that no misstatements were identified during our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 13, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. Crawford & Associates, P.C. acts as consultants for the City and assists the City in drafting the City's financial statements. There were no unresolved differences impacting our opinions on the City's financial statements as a result of these discussions.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

OTHER MATTERS RELATED TO THE CITY'S INTERNAL CONTROL

In planning and performing our audit of the financial statements of the City of Sand Springs, Oklahoma, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding those matters.

Municipal golf course – Our testwork over the City's golf course receipts noted daily overages and shortages up to \$125 related to the golf course's deposits of green fees and related City revenues. In aggregate, these differences totaled approximately \$900 for the year, and while not material, we recommend that the City and golf-course management review procedures to ensure that daily deposits more closely reflect reported activity.
