

CITY OF SAND SPRINGS, OKLAHOMA

AUDIT COMMUNICATION LETTER

FOR THE FISCAL YEAR ENDED

JUNE 30, 2010



December 27, 2010

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

We have audited the basic 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 of Sand Springs, Oklahoma, (the "City") for the year ended June 30, 2010, and have issued our report thereon dated December 27, 2010.

Our professional standards require that we communicate with you concerning 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 presented in Exhibit I as Required Communications. Additional information concerning certain matters related to the City's internal control structure is presented in Exhibit II. Exhibit III presents a summary of known misstatements that were not corrected and which the City has deemed immaterial.

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,


Arledge & Associates, P.C.

REQUIRED COMMUNICATIONS**Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards**

As stated in our engagement letter dated April 20, 2010, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the accounting standards generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with 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.

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 grants, 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. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the City's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on the City's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated in our engagement letter dated April 20, 2010.

Significant Audit Findings*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. 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 fiscal 2010.

We noted no transactions entered into by the City 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.

EXHIBIT I (CONT'D)

REQUIRED COMMUNICATIONS (CONT'D)

The provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASBS 54"), will become effective in fiscal 2011. This statement establishes fund balance classifications that comprise a hierarchy of constraints imposed upon the use of the resources reported in governmental funds. This statement will result in reclassifications within the City's governmental fund balances for fiscal 2011. However, the City does not expect the provisions of GASBS 54 to result in a restatement of its beginning fund balances in its 2011 comprehensive annual financial statements.

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 financial statements are the allowances for uncollectible accounts receivable and the provision for unfunded other post-employment benefits.

Difficulties Encountered in Performing the Audit

We encountered no 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 trivial and communicate them to the appropriate level of management. Audit adjustments were primarily related to capital assets, construction-in-progress, and notes payable. Management has corrected all such misstatements. Exhibit III summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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 27, 2010.

REQUIRED COMMUNICATIONS (CONT'D)

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 City'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 of Sand Springs and assisted the City in pre-audit matters and in drafting the City's financial statements, and advised the City on a number of issues. 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 prior to retention as the City'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 Services Provided

We provided no other services to the City.

EXHIBIT II

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.

Segregation of Duties

Controls should be in place to ensure one individual cannot create and approve a purchase order, approve the invoice for payment, and create the check file for payment.

Fixed Assets

Controls should be in place to ensure that departments are not using individual project numbers for multiple projects and assets. Controls should also be in place to ensure that when a project is completed, it is reclassified from construction-in-progress to a fixed asset account. Lastly, controls should be in place to prevent ordinary maintenance and repair expenses from being capitalized as part of an open construction-in-progress project.

City of Sand Springs

EXHIBIT III

Adjusting Journal Entries not Posted
June 30, 2010

Debit
(Credit)

Entry No.	Account Description	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Equity	Revenue	Expenses	Explanation
Water Utility Fund									
(1)	Construction in Progress \$ Repairs/Maint	-	(23,820)	-	-	-	-	-	To correct CIP amount for AMR project.
(5)	Capital Outlay CIP		(120,733)					120,733	To remove CIP that had no activity during current year and/or was old projects
		<u>-</u>	<u>(144,553)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>144,553</u>	
Airport Fund									
(2)	Capital Outlay Improvements		(21,213)					21,213	To remove asset that was added, but was still on Wastewater fund's books
		<u>-</u>	<u>(21,213)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,213</u>	
PAJE #3 intentionally left blank, entry was posted after consulting with client.									
Wastewater Fund									
(4)	Other Services & Fees Accounts Payable			(22,256)				22,256	To accrue for services received in June 2010 for consulting on wastewater improvements
(6)	Infrastructure CIP		14,299 (14,299)						To move a CIP project to infrastructure because the project is no longer going and new PO's need to be started for new projects.
		<u>\$ -</u>	<u>-</u>	<u>(22,256)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,256</u>	
Governmental Activities									
(7)	Fixed Assets- CIP Capital Outlay Expenses		150,560					(150,560)	To capitalize consulting fees expensed in the Street Improvement fund for the 41st Street Amory Sidewalk Project.
		<u>\$ -</u>	<u>150,560</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(150,560)</u>	