

**CITY OF BROKEN ARROW, OKLAHOMA**  
**SINGLE AUDIT REPORTS**  
**AND SUPPLEMENTARY SCHEDULES**

**June 30, 2016**

CITY OF BROKEN ARROW, OKLAHOMA

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SINGLE AUDIT REPORTS AND SUPPLEMENTARY SCHEDULES:

**Reports related to financial statements of the reporting entity  
Required by GAO *Government Auditing Standards*:**

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 <i>Government Auditing Standards</i>	1
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**Reports related to Federal Assistance Programs Required by the Title 2 U.S. Code  
of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost  
Principles, and Audit Requirements for Federal Awards*:**

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required By the Uniform Guidance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
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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 Broken Arrow, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Broken Arrow, Oklahoma (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 21, 2017.

**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. 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.

**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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as finding 2016-01.

### **The City's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Arledge & Associates, P.C." in a cursive script.

April 21, 2017



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and Members of the City Council  
City of Broken Arrow, Oklahoma

**Report on Compliance for Each Major Federal Program**

We have audited the City of Broken Arrow, Oklahoma's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 June 30, 2016.

## ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as finding 2016-02. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the 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, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated April 21, 2017, 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 the Uniform Guidance 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.*

April 21, 2017

## CITY OF BROKEN ARROW, OKLAHOMA

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2016

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Federal Expenditures</i>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Passed through Oklahoma Department of Agriculture Specialty Crop Block Grant Program - Farm Bill	10.170	15-SCBGP-OK-0019	\$ -	\$ 1,243
TOTAL U.S. DEPARTMENT OF AGRICULTURE				1,243
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
Passed through Tulsa County CDBG Urban County Community Development Block Grant/Entitlement Grant	14.218	PY2013		22,129
Community Development Block Grant/Entitlement Grant	14.218	PY2014		21,429
Community Development Block Grant/Entitlement Grant	14.218	PY2015	56,621	68,173
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			56,621	111,731
<b>U.S. DEPARTMENT OF JUSTICE</b>				
Passed through Oklahoma District Attorney's Council Crime Victim Assistance	16.575			42,573
Edward Byrne Memorial Justice Assurance Grant	16.738			2,794
Equitable Sharing Program	16.922			73,283
TOTAL U.S. DEPARTMENT OF JUSTICE				118,650
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
<i>Highway Safety Cluster</i>				
Passed through Oklahoma Highway Safety Office State and Community Highway Safety	20.600	PT-15-03-03-15		28,883
State and Community Highway Safety	20.600	MC-15-02-02-14		32,272
State and Community Highway Safety	20.600	PT-16-03-04-16		55,465
Passed through Tulsa County Sheriff Office National Priority Safety Program	20.616	2M2L		7,306
<i>Total Highway Safety Cluster</i>				123,926
TOTAL U.S. DEPARTMENT OF TRANSPORTATION				123,926
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
Staffing for Adequate Fire & Emergency Response (SAFER)	97.083			329,953
<b>Federal Emergency Management Agency</b>				
Passed through Oklahoma Office of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	862		139,945
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	866		31,926
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY				501,824
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 56,621</b>	<b>\$ 857,374</b>

See notes to schedule of expenditures of federal awards.



CITY OF BROKEN ARROW, OKLAHOMA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2016

NOTE A—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2016. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA 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 B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in the Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C—SUBRECIPIENTS

Of the federal expenditures presented in this schedule, the City provided federal awards to subrecipients as follows:

Program	CFDA Number	Subrecipient	Amount Provided
Community Development Block Grant/ Entitlement Grants	14.218	Margaret Hudson Program	\$ 10,182
Community Development Block Grant/ Entitlement Grants	14.218	Broken Arrow Neighbors	20,270
Community Development Block Grant/ Entitlement Grants	14.218	Broken Arrow Seniors	12,939
Community Development Block Grant/ Entitlement Grants	14.218	Child Abuse Network	13,230
			<u>\$ 56,621</u>

CITY OF BROKEN ARROW, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

**Section I--Summary of Auditor's Results**

*Financial statements*

Type of auditor's report issued on whether the financial statements were in accordance with GAAP:

*Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ yes ☒ 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 2 CFR 200.516(a)?

☒ yes ☐ no

Identification of major programs:

Program

CFDA Number

Disaster Grants - Public Assistance (Presidentially Declared Disasters)

97.036

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

☒ yes ☐ no

CITY OF BROKEN ARROW, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

Year Ended June 30, 2016

**Section II--Findings Required to be Reported in Accordance with *Government Auditing Standards*:**

**Finding 2016-01 - Budgeted Appropriations**

*Criteria:* Oklahoma State Law prescribes that no encumbrances or expenditures may be authorized or made by an officer or employee that exceeds the available appropriations for each object category within a department or fund.

*Condition:* Expenditures exceeded appropriations at the legal level of control as follows:

<u>Fund</u>	<u>Department</u>	<u>Amount</u>
General	Fire Department	\$ 44,070

*Cause:* Year-end adjustments are recorded in the preparation of the annual financial statements that result in charges to appropriations that may exceed the appropriations for a department.

*Effect or Potential Effect:* Expenditures exceed appropriations at the legal level of control.

*Recommendation:* We recommend that the City adopt formal budget amendments, especially at or near year-end by department.

*City's Response:* Management will review all funds and departments prior to year-end to ensure that any budget amendments needed are completed and approved prior to June 30.

CITY OF BROKEN ARROW, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

Year Ended June 30, 2016

**Section III--Finding Required to be Reported in Accordance with the Uniform Guidance:**

**Finding 2016-02 Reporting**

*Criteria:* The deadline for filing the 2016 Broken Arrow Single Audit Report under the Uniform Guidance was March 31, 2017.

*Condition:* The financial statements and schedule of expenditures of federal awards (SEFA) were not completed in time to upload to the Federal Audit Clearing House by the March 31, 2017 deadline.

*Cause and Effect:* The Director of Finance was unavailable during parts of the time period when the financial statements are normally drafted. Other staff members did not have the time and/or knowledge needed to prepare and review the financial statements.

*Recommendation:* We recommend the City review its processes for completing its financial statements and SEFA schedule and create a contingency plan should similar circumstances arise in the future.

*City's response:* The City is committed to meeting the filing deadlines. Due to the circumstances that led to the late filing, the City is evaluating the benefits of engaging the assistance of outside accountants in the preparation of the financial statements and other related documents.

CITY OF BROKEN ARROW, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

No matters were reportable.