

Report to the City Council

**The City of Norman,
Oklahoma**

June 30, 2012



COLE+REED

Report to the City Council

**The City of Norman,
Oklahoma**

June 30, 2012



COLE + REED P.C.
CERTIFIED PUBLIC ACCOUNTANTS

City Council
The City of Norman, Oklahoma
Oklahoma City, Oklahoma

We are pleased to present this report related to our audit of the financial statements and compliance of the City of Norman, Oklahoma for the year ended June 30, 2012. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the City of Norman's financial and compliance reporting process.

This report is intended solely for the information and use of the City Council and management of the City of Norman and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to be of service to the City Council and the management of the City of Norman.

Cole & Reed P.C.

Oklahoma City, Oklahoma
November 28, 2012

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Required Communications

Statement on Auditing Standards No. 114 requires the auditor to communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications.

Area	Comments
Auditors' Responsibility Under Professional Standards	Our responsibility under auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States, has been described to you in our arrangement letter dated May 1, 2012.
Accounting Practices	Adoption of, or Change in, Accounting Policies Management and the City Council have the ultimate responsibility for the appropriateness of the accounting policies used by the City of Norman. As a governmental entity, the City of Norman is required to follow the standards of the Governmental Accounting Standards Board. No new accounting policies were adopted by the City of Norman in the current fiscal year. Significant or Unusual Transactions We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. Alternative Treatments Discussed with Management We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.

Area	Comments
Management's Judgments and Accounting Estimates	<p>Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us that they used all the relevant facts available to them at the time to make the best judgments about accounting estimates and we considered this information in the scope of our audit.</p> <p>Estimates significant to the financial statements include such items as the liability for incurred claims, liability self-insurance reserves, the liability for accrued compensated absences, and the allowances for depreciation. The City Council may wish to monitor throughout the year the process used to compute and record these accounting estimates.</p>
Audit Adjustments	<p>There were no audit adjustments made to the original trial balance presented to us to begin our audit.</p>
Uncorrected Misstatements	<p>Uncorrected misstatements are summarized in the attached "Summary of Uncorrected Misstatements".</p>
Disagreements with Management	<p>We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.</p>
Accounting Policies and Alternative Treatments	<p>Management and the City Council have the ultimate responsibility for the appropriateness of the accounting policies used by the City of Norman. As a governmental entity, the City of Norman is required to follow the standards of the Governmental Accounting Standards Board. No new accounting policies were adopted by the City of Norman in the current fiscal year.</p>

Area	Comments
Consultations with Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Major Issues Discussed with Management Prior to Retention	No major issues were discussed with management prior to our retention to perform the aforementioned audit.
Significant Issues Discussed with Management	No significant issues arising from the audit were the subject of correspondence with management.
Difficulties Encountered in Performing the Audit	We did not encounter any difficulties in dealing with management relating to the performance of the audit.
Other Information in Documents Containing Audited Financial Statements	<p>With regard to the electronic dissemination of the audited financial statements, electronic sites are a means to distribute information; therefore, we have no obligation to read or consider the information contained in these sites.</p> <p>In connection with the City of Norman's comprehensive annual report we did not perform any procedures or corroborate other information included in the annual report. However, we read the annual report and considered whether the information or the manner in which it was presented was materially inconsistent with information or the manner of presentation of the financial statements. Based on our reading, we concluded that the information did not require revision.</p>
Communicating Significant Deficiencies and Material Weaknesses	We did not identify any matters which we consider to be a material weakness or significant deficiency as defined by professional standards during our audit of the financial statements.
Certain Written Communications Between Management and Our Firm	Copies of certain written communications between our firm and the management of the City of Norman are attached as Exhibit A.

City of Norman
Summary of Uncorrected Misstatements
Year Ended June 30, 2012

Opinion Unit: Governmental Activities

<u>Description</u>	<u>Debit/(Credit)</u>				
	<u>Assets</u>	<u>Liabilities</u>	<u>Fund Balance</u>	<u>Revenue</u>	<u>Expenses</u>
To increase accrual for incurred expenses yet to be paid.	\$ -	\$ (140,581)	\$ -	\$ -	\$ 140,581
To properly state year end payroll accrual.	-	(196,669)	-	-	196,669
To properly state year end accrued vacation.	-	(71,331)	-	-	71,331
To properly state year end sick leave.	-	(18,761)	-	-	18,761
To reduce accrual for claims and judgments payable as of year end.	-	543,868	-	-	(543,868)
To adjust outstanding accounts receivable as of year end.	471,140	-	-	(471,140)	-
Net Effect at June 30, 2012	<u>\$ 471,140</u>	<u>\$ 116,526</u>	<u>\$ -</u>	<u>\$ (471,140)</u>	<u>\$ (116,526)</u>

Opinion Unit: General Fund

<u>Description</u>	<u>Debit/(Credit)</u>				
	<u>Assets</u>	<u>Liabilities</u>	<u>Fund Balance</u>	<u>Revenue</u>	<u>Expenses</u>
To increase accrual for incurred expenses yet to be paid.	\$ -	\$ (113,749)	\$ -	\$ -	\$ 113,749
To properly state year end payroll accrual.	-	(196,669)	-	-	196,669
To properly state year end accrued vacation.	-	(71,331)	-	-	71,331
To properly state year end sick leave.	-	(18,761)	-	-	18,761
Net Effect at June 30, 2012	<u>\$ -</u>	<u>\$ (400,510)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 400,510</u>

Opinion Unit: Public Safety Sales Tax

<u>Description</u>	<u>Debit/(Credit)</u>				
	<u>Assets</u>	<u>Liabilities</u>	<u>Fund Balance</u>	<u>Revenue</u>	<u>Expenses</u>
To increase accrual for incurred expenses yet to be paid.	\$ -	\$ (6,940)	\$ -	\$ -	\$ 6,940
Net Effect at June 30, 2012	<u>\$ -</u>	<u>\$ (6,940)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,940</u>

City of Norman
Summary of Uncorrected Misstatements
Year Ended June 30, 2012

Opinion Unit: Capital Projects

<u>Description</u>	<u>Debit/(Credit)</u>				
	<u>Assets</u>	<u>Liabilities</u>	<u>Fund Balance</u>	<u>Revenue</u>	<u>Expenses</u>
To reduce accrual for incurred expenses yet to be paid.	\$ -	\$ 20,669	\$ -	\$ -	\$ (20,669)
Net Effect at June 30, 2012	<u>\$ -</u>	<u>\$ 20,669</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (20,669)</u>

Opinion Unit: Other Governmental Funds

<u>Description</u>	<u>Debit/(Credit)</u>				
	<u>Assets</u>	<u>Liabilities</u>	<u>Fund Balance</u>	<u>Revenue</u>	<u>Expenses</u>
To increase accrual for incurred expenses yet to be paid.	\$ -	\$ (40,561)	\$ -	\$ -	\$ 40,561
To reduce accrual for claims and judgments payable as of year end.	-	543,868	-	-	(543,868)
Net Effect at June 30, 2012	<u>\$ -</u>	<u>\$ 503,307</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (503,307)</u>

Opinion Unit: Business Type

<u>Description</u>	<u>Debit/(Credit)</u>				
	<u>Assets</u>	<u>Liabilities</u>	<u>Fund Balance</u>	<u>Revenue</u>	<u>Expenses</u>
To increase accrual for incurred expenses yet to be paid.	\$ -	\$ (469,163)	\$ -	\$ -	\$ 469,163
To properly state year end payroll accrual.	-	(15,149)	-	-	15,149
Net Effect at June 30, 2012	<u>\$ -</u>	<u>\$ (484,312)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 484,312</u>

Opinion Unit:

<u>Debit/(Credit)</u>					
Norman Municipal Authority					
<u>Description</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Fund Balance</u>	<u>Revenue</u>	<u>Expenses</u>
To increase accrual for incurred expenses yet to be paid.	-	(138,717)	-	-	138,717
To properly state year end payroll accrual.	-	(15,149)	-	-	15,149
Net Effect at June 30, 2012	<u>\$ -</u>	<u>\$ (153,866)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,866</u>

Opinion Unit:

<u>Debit/(Credit)</u>					
Norman Utilities Authority					
<u>Description</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Fund Balance</u>	<u>Revenue</u>	<u>Expenses</u>
To increase accrual for incurred expenses yet to be paid.	-	(330,446)	-	-	330,446
Net Effect at June 30, 2012	<u>\$ -</u>	<u>\$ (330,446)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 330,446</u>

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Exhibit A

Certain Written Communications Between Management and Our Firm



The City of NORMAN

201 West Gray, Bldg. C • P.O. Box 370
Norman, Oklahoma 73069 • 73070

OFFICE OF THE FINANCE DIRECTOR
Phone 405-366-5413
FAX: 405-366-5417

November 28, 2012

Cole & Reed, P.C.
531 Couch Drive, Suite 200
Oklahoma City, Oklahoma 73102

In connection with your audit of the basic financial statements of the City of Norman (the "City") as of June 30, 2012, we confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in financial position, and cash flows in conformity with accounting principles generally accepted in the United States of America.

We confirm to the best of our knowledge and belief, as of November 28, 2012, the date of your independent auditors' report, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. We have identified for you all organizations that are a part of this reporting entity or with which we have a relationship, as these organizations are defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, that are:
 - a. Component units. There are no component units.
 - b. Other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are no such organizations.
 - c. Jointly governed organizations in which we participated. There are no such organizations.
3. We are responsible for compliance with laws and regulations applicable to the City, including adopting, approving, and amending budgets.
4. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts including legal and contractual provisions for reporting specific activities in separate funds.
5. We have identified for you all of our funds, governmental functions and identifiable business-type activities.
6. We have properly classified all funds and activities.
7. We have properly determined and reported the major governmental and enterprise funds based on the required quantitative criteria.

8. We have made available to you:
 - a. All financial records and related data of all funds and activities , including those of all special funds, programs, departments, projects, activities, etc., in existence at any time during the period covered by your audit.
 - b. All minutes of the meetings of the governing board and committees of board members or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - c. All communications from grantors, lenders, other funding sources or regulatory agencies concerning noncompliance with:
 - 1) Statutory, regulatory or contractual provisions or requirements.
 - 2) Financial reporting practices that could have a material effect on the financial statements.
9. We have no knowledge of fraud or suspected fraud affecting the entity involving:
 - a. Management or employees who have significant roles in the internal control.
 - b. Others where the fraud could have a material effect on the financial statements.
10. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
11. We have no knowledge of any allegations of fraud or suspected fraud affecting the City received in communications from employees, former employees, analysts, regulators, short sellers, or others.
12. We have informed you of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the entity's ability to record, process, summarize and report financial data.
13. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
14. We know of no violations of state or Federal statutory or regulatory provisions, grant or other contractual provisions, or of provisions of local ordinances, except for those which have been communicated to you or which are disclosed in the financial statements and/or your reports.
15. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
16. The following, if applicable, have been properly recorded and/or disclosed in the financial statements, as applicable:
 - a. Related party transactions such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, as defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, all of which have been recorded in accordance with the economic substance of the transaction and appropriately classified and reported.

- b. Guarantees, whether written or oral, under which the Government is contingently liable.
 - c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
 - d. Line of credit or similar arrangements.
 - e. Agreements to repurchase assets previously sold.
 - f. Security agreements in effect under the Uniform Commercial Code.
 - g. Any other liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
 - h. The fair value of investments.
 - i. Amounts of contractual obligations for construction and purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.
 - j. Any liabilities which are subordinated in any way to any other actual or possible liabilities.
 - k. Debt issue repurchase options or agreements, or sinking fund debt repurchase ordinance requirements.
 - l. Debt issue provisions.
 - m. All leases and material amounts of rental obligations under long-term leases.
 - n. All significant estimates and material concentrations known to management which are required to be disclosed in accordance with the AICPA's Statement of Position 94-6, *Disclosure of Certain Significant Risks and Uncertainties*. Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year.
 - o. Authorized but unissued bonds and/or notes.
 - p. Risk financing activities.
 - q. Derivative financial instruments.
 - r. Special and extraordinary items.
 - s. Deposits and investment securities category of custodial credit risk.
 - t. Arbitrage rebate liabilities.
 - u. Impairment of capital assets. The method of measuring the impairment is appropriate.
 - w. Net positions and fund balance classifications.
17. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made.

- a. To reduce receivables to their estimated net collectable amounts.
- b. To reduce obsolete, damaged, or excess inventories to their estimated net realizable values.
- c. To reduce investments, intangibles, and other assets which have permanently declined in value to their realizable values.
- d. For risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through June 30, 2012 and/or for expected retroactive insurance premium adjustments applicable to periods through June 30, 2012.
- e. For pension obligations, post-retirement benefits other than pensions and deferred compensation agreements attributable to employee services rendered through June 30, 2012.
- f. For any material loss to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.
- g. For any material loss to be sustained as a result of purchase commitments.
- h. For environmental clean up obligations.

18. There are no:

- a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.

For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

- b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.
- c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5 and/or GASB Statement No. 10.

19. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with the Financial Accounting Standards Board Accounting Standards Codification and/or GASB Statement No. 10, except as made known to you and otherwise disclosed.

20. We have no direct or indirect, legal or moral, obligation for any debt of any organization, public or private that is not disclosed in the financial statement.

21. We have satisfactory title to all owned assets.

22. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

23. Net positions (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
24. Capital assets, including infrastructure assets, are properly capitalized, reported, and depreciated.
25. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
26. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
27. We are responsible for and have reviewed and approved the proposed adjustments to the trial balances identified during the audit, and will post all adjustments accordingly as applicable. We have reviewed, approved, and are responsible for overseeing the preparation and completion of the basic financial statements and related notes.
28. We agree with the findings of specialists in evaluating the supplemental retirement annuity, self-insured medical claim liability, and other post-employment benefits and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
29. With respect to supplementary information presented in relation to the financial statements as a whole:
 - a. We acknowledge our responsibility for the presentation of such information.
 - b. We believe such information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. Underlying significant assumptions or interpretations regarding the measurement or presentation of such information are disclosed in the financial statements.
 - e. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
30. With respect to the required supplementary information presented as required by the Governmental Accounting Standards Board to supplement the basic financial statements:
 - a. We acknowledge our responsibility for the presentation of such required supplementary information.
 - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by accounting principles generally accepted in the United States of America.

- c. The methods of measurement or presentation have not changed from those used in the prior period.
- d. Underlying significant assumptions or interpretations regarding the measurement or presentation of such information are disclosed in the financial statements.

In connection with your audit, conducted in accordance with *Government Auditing Standards*, we confirm:

- 31. We are responsible for:
 - a. Compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the City.
 - b. Establishing and maintaining effective internal control over financial reporting.
- 32. We have identified and disclosed to you:
 - a. All laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determinations of financial statement amounts or other financial data significant to audit objectives.
 - b. Violations (and possible violations) of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for disclosure in the auditor repository or noncompliance.
- 33. We have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that has been reported.
- 34. We have a process to track the status of audit findings and recommendations.
- 35. We have identified for you previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective action taken to address significant findings and recommendations.
- 36. We have provided you with our views on your reported findings, conclusions, and recommendations, as well as our planned corrective actions for the report.
- 37. We have reviewed, approved, and take full responsibility for the financial statements and related notes and acknowledge the auditor's role in the preparation of this information.

The City's single audit report has been issued under separate cover. In connection with your audit of federal awards conducted in accordance with OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, we confirm:

- 38. We are responsible for complying, and have complied, with the requirements of Circular A-133.
- 39. We have prepared the schedule of expenditures of federal awards in accordance with Circular A-133 and have included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property, cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
- 40. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that

provides reasonable assurance that the City is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on our federal programs.

41. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of the City's federal programs and have complied, in all material respects, with those requirements.
42. We have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
43. We believe that we have complied with the direct and material compliance requirements.
44. We have provided you with our interpretations of any compliance requirements that have varying interpretations.
45. We have made available all contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies or pass-through entities related to federal programs.
46. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including those resulting from other audits or program reviews.
47. We have charged costs to federal awards in accordance with applicable cost principles.
48. We have made available to you all documentation related to the compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
49. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
50. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
51. We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of Circular A-133.
52. We have issued management decisions on a timely basis after our receipt of subrecipients' auditor's reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements, and we have ensured that subrecipients have taken the appropriate and timely corrective action on findings.
53. We have considered the results of subrecipient audits and have made any necessary adjustments to the books and records of the City.
54. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by Circular A-133.
55. We have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

56. We have disclosed all contracts or other agreements with service organizations.
57. We have disclosed to you all communications from service organizations relating to noncompliance at those organizations.
58. We have disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by your report.
59. We have disclosed to you the finding received and related corrective actions taken from previous audits, attestation engagements, and internal or external monitoring that directly related to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of your report.
60. We are responsible for taking corrective action on audit findings of the compliance audit.
61. We have disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies (including material weaknesses), have occurred subsequent of the date as of which compliance is audited.

We are responsible for determining that significant events or transactions that have occurred since the balance sheet date and through November 28, 2012, have been recognized or disclosed in the financial statements. No events or transactions other than those disclosed in the financial statements have occurred subsequent to the balance sheet date and through November 28, 2012 that would require recognition or disclosure in the financial statements. We further represent that as of November 28, 2012, the financial statements were complete in a form and format that complied with accounting principles generally accepted in the United States of America, and all approvals necessary for issuance of the financial statements had been obtained.

During the course of your audit, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

We believe that the effects of the uncorrected misstatements aggregated by you and summarized below are immaterial, both individually and in the aggregate to the basic financial statements. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Opinion Unit: Governmental Activities

<u>Description</u>	<u>Debit/(Credit)</u>				
	<u>Assets</u>	<u>Liabilities</u>	<u>Fund Balance</u>	<u>Revenue</u>	<u>Expenses</u>
To increase accrual for incurred expenses yet to be paid.	\$ -	\$ (140,581)	\$ -	\$ -	\$ 140,581
To properly state year end payroll accrual.	-	(196,669)	-	-	196,669
To properly state year end accrued vacation.	-	(71,331)	-	-	71,331
To properly state year end sick leave.	-	(18,761)	-	-	18,761
To reduce accrual for claims and judgments payable as of year end.	-	543,868	-	-	(543,868)
To adjust outstanding accounts receivable as of year end.	471,140	-	-	(471,140)	-
Net Effect at June 30, 2012	<u>\$ 471,140</u>	<u>\$ 116,526</u>	<u>\$ -</u>	<u>\$ (471,140)</u>	<u>\$ (116,526)</u>

Opinion Unit: General Fund

<u>Description</u>	<u>Debit/(Credit)</u>				
	<u>Assets</u>	<u>Liabilities</u>	<u>Fund Balance</u>	<u>Revenue</u>	<u>Expenses</u>
To increase accrual for incurred expenses yet to be paid.	\$ -	\$ (113,749)	\$ -	\$ -	\$ 113,749
To properly state year end payroll accrual.	-	(196,669)	-	-	196,669
To properly state year end accrued vacation.	-	(71,331)	-	-	71,331
To properly state year end sick leave.	-	(18,761)	-	-	18,761
Net Effect at June 30, 2012	<u>\$ -</u>	<u>\$ (400,510)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 400,510</u>

Opinion Unit: Public Safety Sales Tax

<u>Description</u>	<u>Debit/(Credit)</u>				
	<u>Assets</u>	<u>Liabilities</u>	<u>Fund Balance</u>	<u>Revenue</u>	<u>Expenses</u>
To increase accrual for incurred expenses yet to be paid.	\$ -	\$ (6,940)	\$ -	\$ -	\$ 6,940
Net Effect at June 30, 2012	<u>\$ -</u>	<u>\$ (6,940)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,940</u>

Opinion Unit: Capital Projects

<u>Description</u>	<u>Debit/(Credit)</u>				
	<u>Assets</u>	<u>Liabilities</u>	<u>Fund Balance</u>	<u>Revenue</u>	<u>Expenses</u>
To reduce accrual for incurred expenses yet to be paid.	\$ -	\$ 20,669	\$ -	\$ -	\$ (20,669)
Net Effect at June 30, 2012	<u>\$ -</u>	<u>\$ 20,669</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (20,669)</u>

Opinion Unit: Other Governmental Funds**Description**

	Debit/(Credit)				
	Assets	Liabilities	Fund Balance	Revenue	Expenses
To increase accrual for incurred expenses yet to be paid.	\$ -	\$ (40,561)	\$ -	\$ -	\$ 40,561
To reduce accrual for claims and judgments payable as of year end.	-	543,868	-	-	(543,868)
Net Effect at June 30, 2012	<u>\$ -</u>	<u>\$ 503,307</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (503,307)</u>

Opinion Unit: Business Type**Description**

	Debit/(Credit)				
	Assets	Liabilities	Fund Balance	Revenue	Expenses
To increase accrual for incurred expenses yet to be paid.	\$ -	\$ (469,163)	\$ -	\$ -	\$ 469,163
To properly state year end payroll accrual.	-	(15,149)	-	-	15,149
Net Effect at June 30, 2012	<u>\$ -</u>	<u>\$ (484,312)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 484,312</u>

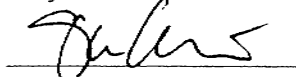
Opinion Unit:**Norman Municipal Authority****Description**

	Debit/(Credit)				
	Assets	Liabilities	Fund Balance	Revenue	Expenses
To increase accrual for incurred expenses yet to be paid.	-	(138,717)	-	-	138,717
To properly state year end payroll accrual.	-	(15,149)	-	-	15,149
Net Effect at June 30, 2012	<u>\$ -</u>	<u>\$ (153,866)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,866</u>

Opinion Unit:**Norman Utilities Authority****Description**

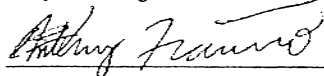
	Debit/(Credit)				
	Assets	Liabilities	Fund Balance	Revenue	Expenses
To increase accrual for incurred expenses yet to be paid.	-	(330,446)	-	-	330,446
Net Effect at June 30, 2012	<u>\$ -</u>	<u>\$ (330,446)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 330,446</u>

City of Norman




Steven Lewis

City Manager



Anthony Francisco

Director of Finance



Clint Mercer

Chief Accountant



May 1, 2012

Finance Committee of the City Council
City of Norman
Norman, Oklahoma

This letter is to explain our understanding of the arrangements for the services we are to perform for the City of Norman for the year ending June 30, 2012. We ask that you either confirm or amend this understanding.

Audit Services

We will perform an audit of the City of Norman's governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information as of and for the year ended June 30, 2012 which collectively comprise the basic financial statements. We understand that these financial statements will be prepared in accordance with accounting principles generally accepted in the United States of America. The objective of an audit of financial statements is to express an opinion on those statements.

We are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the audit committee are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

We will also perform the audit of the City of Norman as of June 30, 2012 so as to satisfy the audit requirements imposed by the Single Audit Act and the U.S. Office of Management and Budget (OMB) Circular No. A-133.

We will conduct the audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States and the provisions of the Single Audit Act, OMB Circular A-133 and OMB's Compliance Supplement. Those standards, circulars, supplements or guides require that we plan and perform the audit to obtain reasonable rather than absolute, assurance about whether the financial statements are free of material misstatement whether caused by error or fraud. Accordingly, a material misstatement may remain undetected. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. The determination of abuse is subjective; therefore, Government Auditing Standards do not expect us to provide reasonable assurance of detecting abuse.

531 Couch Drive
Oklahoma City
73102-2251

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FAX 405.235.0042
WEB www.coleandreed.com

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An audit of financial statements includes obtaining an understanding of the entity and its environment, including its internal control, sufficient to assess the risks of material misstatement of the financial statements, and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, we will communicate to management and the audit committee any significant deficiencies or material weaknesses that we become aware of during the course of the audit.

We will also communicate to the audit committee (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements, (b) any illegal acts, violations of provisions of contracts or grant agreements, and abuse that come to our attention (unless they are clearly inconsequential), (c) should any arise, any disagreements with management and other serious difficulties encountered in performing the audit, and (d) various matters related to the entity's accounting policies and financial statements.

In addition to our report on the City's financial statements, we will also issue the following reports or types of reports:

A report on the fairness of the presentation of the City's schedule of expenditures of federal awards for the year ending June 30, 2012.

Reports on internal control related to the financial statements and major programs. These reports will describe the scope of testing of internal control and the results of our tests of internal controls.

Reports on compliance with laws, regulations, and the provision of contracts or grant agreements. We will report on any noncompliance which could have a material effect on the financial statements and any noncompliance which could have a direct and material effect on each major program.

A schedule of findings and questioned costs.

The funds that you have told us are maintained by the City of Norman and that are to be included as part of our audit are as follows:

1. General Fund – 1
2. Special Revenue Funds – 10
3. Debt Service Funds - 1
4. Capital Projects Funds – 1
5. Enterprise Funds – 4
6. Internal Service Funds – 1 (new in FY 2012)
7. Pension Trust Funds – 2
8. Agency Funds -1

The City of Norman has no discrete component units that are required to be included in the City's CAFR, and the Blended Component Units that are included in the CAFR are the Norman Municipal Authority and the Norman Utilities Authority.

The City is a recipient of Federal programs funded by various Federal agencies, including, but not limited to:

- U.S. Department of HUD
- U.S. Department of Energy
- U.S. Department of Transportation
- U.S. Environmental Protection Agency

You will provide us with a preliminary schedule of expenditures of federal awards, covering Federal expenditures for the period from July 1, 2011 through April 30, 2012, by June 1, 2012. We will make our preliminary determination of major programs from this schedule. A final schedule of expenditures of federal awards will be provided to us by September 15, 2012.

Our report(s) on internal control will include any significant deficiencies and material weaknesses in controls of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with requirements of the standards and circulars identified above. Our report(s) on compliance will address material errors, fraud, abuse, violations of compliance requirements, and other responsibilities imposed by state and federal statutes and regulations and assumed by contracts; and any state or federal grant, entitlement of loan program questioned costs of which we become aware, consistent with requirements of the standards and circulars identified above.

City of Norman's Responsibilities

Management is responsible for the financial statements, including the selection and application of accounting policies, adjusting the financial statements to correct material misstatements, and for making all financial records and related information available to us. Management is responsible for providing us with a written management representation letter confirming certain representations made during the course of our audit of the financial statements and affirming to us that it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and to the opinion units of the financial statements.

Management is responsible for establishing and maintaining effective internal control over financial reporting and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge.

Management is responsible for identifying and ensuring that the entity complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the entity involving management, employees who have significant roles in internal control, and others where the fraud could have a material effect on the financial statements. Management is also responsible for informing us of its knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.

Management is also responsible for (a) making us aware of significant vendor relationships where the vendor is responsible for program compliance, (b) following up and taking corrective action on audit findings, including the preparation of a summary schedule of prior audit findings, and a corrective action plan, and (c) report distribution including submitting the reporting package(s).

The Finance Committee is responsible for informing us of its views about the risks of fraud within the entity, and its knowledge of any fraud or suspected fraud affecting the entity.

The City agrees that it will not associate us with any public or private securities offering without first obtaining our consent. Therefore, the City agrees to contact us before it includes our reports or otherwise makes reference to us, in any public or private securities offering. We may conclude that we are not otherwise associated with the proposed offering and that our association with the proposed offering is not necessary, providing the City agrees to clearly indicate that we are not associated with the contents of the official statement. The City agrees that the following disclosure will be prominently displayed in the official statement:

Cole & Reed, P.C., our independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Cole & Reed, P.C. also has not performed any procedures relating to this official statement.

Our association with an official statement is a matter for which separate arrangements will be necessary. The City agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing, and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when the City seeks such consent, we will be under no obligation to grant such consent or approval.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client. Accordingly, the City of Norman agrees it will compensate Cole & Reed, P.C. for any additional costs incurred as a result of the employment of a partner or professional employee of Cole & Reed, P.C.

During the course of our engagement, we may accumulate records containing data which should be reflected in your books and records. You will determine that all such data, if necessary, will be so reflected. Accordingly, you will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by organization personnel, including the preparation of schedules and analyses of accounts, will be discussed and coordinated with Mr. Clint Mercer, Chief Accountant. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

Other Terms of our Engagement

Our fees for the audit and accounting services described above are based upon the time required by the individuals assigned to the engagement, plus direct expenses. Interim billings will be submitted as work progresses and as expenses are incurred.

Billings are due upon submission. Our professional fees will not exceed \$94,000 for the year ended June 30, 2012 for the financial and compliance audit. Our fee for the services described in this letter will not exceed the amounts aforementioned, including direct expenses, unless the scope of the engagement is changed, the assistance which the City of Norman has agreed to furnish is not provided, or unexpected conditions are encountered, in which case we will discuss the situation with you before proceeding. Other factors that could cause an adjustment to the professional fees would be the addition of new Federal programs that are "Type A" programs as defined by OMB Circular A-133, new funds not previously communicated to us, changes in laws and regulations, accounting principles, auditing standards, and other matters that increase the amount of work required to complete the audit. All other provisions of this letter will survive any fee adjustment.

In the event we are requested or authorized by City of Norman or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for City of Norman, City of Norman will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

The working papers for this engagement are the property of Cole & Reed, P.C. However, you acknowledge and grant your assent that representatives of the cognizant or oversight agency or their designee, other government audit staffs, and the U.S. Government Accountability Office shall have access to the audit working papers upon their request; and that we shall maintain the working papers for a period of at least three years after the date of the report, or for a longer period if we are requested to do so by the cognizant or oversight agency. Access to requested working papers will be provided under the supervision of Cole & Reed, P.C. audit personnel and at a location designated by our Firm.

You have informed us that you intend to prepare a comprehensive annual financial report (CAFR) and submit it for evaluation by the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial. Our participation in the preparation of the CAFR is to consist of reading the Introductory and Statistical sections and provide you with any comments that we may have.

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose confidential client information to them. We enter into confidentiality agreements with all third-party service providers and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others.

If circumstances arise relating to the condition of your records, the availability of appropriate audit evidence, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, or misappropriation of assets which in our professional judgment prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawal from the engagement.

The two overarching principles of the independence standards of the "Government Auditing Standards" issued by the Comptroller General of the United States provide that management is responsible for the substantive outcomes of the works, and therefore, has a responsibility and is able to make any informed judgment on the results of the services described above. We currently do not anticipate providing any non-audit services to the City of Norman. Should that change, however, the services to be performed will be subject to a separate arrangement letter. Further, the City of Norman agrees to the following with respect to any such non-audit services:

Mr. Clint Mercer will be accountable and responsible for overseeing any non-audit services provided by Cole & Reed P.C.

The City of Norman will establish and monitor the performance of any such non-audit services to ensure that they meet management's objectives.

The City of Norman will make any decisions that involve management functions related to any such non-audit services and accepts full responsibility for such decisions.

The City of Norman will evaluate the adequacy of services performed and any findings that result.

We will complete the audit and issue our opinions on the financial statements and compliance with Federal programs no later than November 28, 2012. In connection with this, the accompanying "audit calendar" provides the timeline for both Cole & Reed and the City to follow in order to meet this commitment.

In accordance with *Government Auditing Standards*, a copy of our most recent peer review report is enclosed, for your information.

If this letter defines the arrangements as you understand them, please sign in the space provided below and return it to us. We appreciate your business.

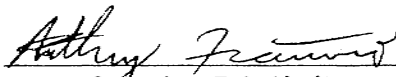
Very truly yours,

Mike Gibson

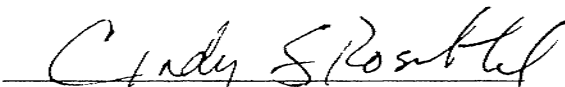
Digitally signed by Mike Gibson
DN: cn=Mike Gibson, o=Cole & Reed, ou,
email=mgibson@coleandreed.com, c=US
Date: 2012.05.04 17:53:44 -05'00'

Mike Gibson
Cole & Reed, P.C.

Confirmed on behalf of the addressee:


Signed on Behalf of Management

Finance Director
Title


Signed on Behalf of City Council
(Finance Committee Chair)

Mayor
Title



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

SYSTEM REVIEW REPORT

August 11, 2010

To the Shareholders of
Cole & Reed, P.C.
and the National Peer Review Committee.

We have reviewed the system of quality control for the accounting and auditing practice of Cole & Reed, P.C. (the firm) applicable to the non-SEC issuers in effect for the year ended April 30, 2010. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Cole & Reed, P.C. applicable to non-SEC issuers in effect for the year ended April 30, 2010, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies) or fail. Cole & Reed, P.C. has received a peer review rating of pass.

A handwritten signature in cursive script that reads "Brady Martz".

Brady, Martz & Associates, P.C.

BRADY, MARTZ & ASSOCIATES, P.C.
401 Demers Avenue Suite 300 P.O. Box 14296
Grand Forks, ND 58208-4296 (701) 775-4685 Fax (701) 795-7498

OTHER OFFICES: Minot and Bismarck, ND
Thief River Falls, MN

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COLE+REED PC.
CERTIFIED PUBLIC ACCOUNTANTS

May 1, 2012

Finance Committee and City Council
City of Norman
Norman, Oklahoma

This letter is intended to communicate certain matters related to the planned scope and timing of our audit of City of Norman's financial statements and compliance as of and for the year ended June 30, 2012.

Communication

Effective two-way communication between our Firm and the members of the audit committee is important to understanding matters related to the audit and in developing a constructive working relationship.

Your insights may assist us in understanding the City of Norman and its environment, in identifying appropriate sources of audit evidence, and in providing information about specific transactions or events. We will discuss with you your oversight of the effectiveness of internal control and any areas where you request additional procedures to be undertaken. We expect that you will timely communicate with us any matters you consider relevant to the audit. Such matters might include strategic decisions that may significantly affect the nature, timing, and extent of audit procedures, your suspicion or detection of fraud, or any concerns you may have about the integrity or competence of senior management.

We will timely communicate to you any fraud involving senior management and other fraud that causes a material misstatement of the financial statements, illegal acts, instances of noncompliance, or abuse that come to our attention (unless they are clearly inconsequential), and disagreements with management and other serious difficulties encountered in performing the audit. We also will communicate to you and to management any significant deficiencies or material weaknesses in internal control that become known to us during the course of the audit. Other matters arising from the audit that are, in our professional judgment, significant and relevant to you in your oversight of the financial reporting process will be communicated to you in writing after the audit.

Independence

Our independence policies and procedures are designed to provide reasonable assurance that our firm and its personnel comply with applicable professional independence standards. Our policies address financial interests, business and family relationships, and non-audit services that may be thought to bear on independence.

For example, without our permission no partner or professional employee of Cole & Reed is permitted to own any direct financial interest or a material indirect financial interest in a client or any affiliates of a client. Also, if an immediate family member or close relative of a partner or professional employee is employed by a client in a key position, the incident must be reported and resolved in accordance with Firm policy. In addition, our policies restrict certain non-audit services that may be provided by Cole & Reed and require audit clients to accept certain responsibilities in connection with the provision of permitted non-attest services.

Audit Planning Process

Our audit approach places a strong emphasis on obtaining an understanding of how your entity functions. This enables us to identify key audit components and tailor our procedures to the unique aspects of your entity. The development of a specific audit plan will begin by meeting with you and with management to obtain an understanding of business objectives, strategies, risks, and performance.

We will obtain an understanding of internal control over financial reporting and compliance with laws, regulations, and provisions of contracts and grant agreements to assess the impact of internal control on determining the nature, timing, and extent of audit procedures, and we will establish an overall materiality limit for audit purposes. We will conduct formal discussions among engagement team members to consider how and where your financial statements might be susceptible to material misstatement due to fraud or error or to instances of noncompliance.

We will use this knowledge and understanding, together with other factors, to first assess the risk that errors or fraud may cause a material misstatement at the financial statement level. The assessment of the risks of material misstatement at the financial statement level provides us with parameters within which to design the audit procedures for specific account balances and classes of transactions. Our risk assessment process at the account-balance or class-of-transactions level consists of:

- An assessment of inherent risk (the susceptibility of an assertion relating to an account balance or class of transactions to a material misstatement, assuming there are no related controls); and
- An evaluation of the design effectiveness of internal control over financial reporting and our assessment of control risk (the risk that a material misstatement could occur in an assertion and not be prevented or detected on a timely basis by the City of Norman's internal control).

Similar assessments will also be made relative to compliance with laws, regulations, and provisions of contracts and grant agreements.

We will then determine the nature, timing and extent of tests of controls and substantive procedures necessary given the risks identified and the controls as we understand them.

The Concept of Materiality in Planning and Executing the Audit

In planning the audit, the materiality limit is viewed as the maximum aggregate amount of misstatements, which if detected and not corrected, would cause us to modify our opinion on the financial statements. The materiality limit is an allowance not only for misstatements that will be detected and not corrected but also for misstatements that may not be detected by the audit.

Our assessment of materiality throughout the audit will be based on both quantitative and qualitative considerations. Because of the interaction of quantitative and qualitative considerations, misstatements of a relatively small amount could have a material effect on the current financial statements as well as financial statements of future periods. At the end of the audit, we will inform you of all individual unrecorded misstatements aggregated by us in connection with our evaluation of our audit test results.

Internal Control and Compliance

Our audit of the financial statements will include obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Our review and understanding of the entity's internal control is not undertaken for the purpose of expressing an opinion on the effectiveness of internal control.

We will issue reports on internal control related to the financial statements and major programs. These reports describe the scope of testing of internal control and the results of our tests of internal controls. Our reports on internal control will include any significant deficiencies and material weaknesses in the system, of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with the requirements of the Government Auditing Standards issued by the Comptroller General of the United States, the Single Audit Act, and the U.S. Office of Management and Budget, (OMB) Circular No. A-133.

We will issue reports on compliance with laws, regulations, and the provisions of contracts or grant agreements. We will report on any noncompliance which could have a material effect on the financial statements and any noncompliance which could have a direct and material effect on each major program. Our reports on compliance will address material errors, fraud, abuse, violations of compliance requirements, and other responsibilities imposed by state and federal statutes and regulations and assumed contracts; and any state or federal grant, entitlement or loan program questioned costs of which we become aware, consistent with the requirements of the standards and circular identified above.

Timing of the Audit

The timing of the audit will occur in accordance with the timeline described in the proposed audit calendar following the signature page. We expect to issue the final audit reports no later than November 28, 2012 and to meet with the City Council at its December 18, 2012 meeting.

Management's adherence to its closing schedule and timely completion of information used by us in performance of the audit is essential to meeting this schedule and completing our audit on a timely basis.

Closing

This letter is intended solely for the information and use of the members of the City Council and Finance Committee, and management, of the City of Norman and is not intended to be and should not be used by anyone other than the specified parties.

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to be of service to the City of Norman.

Very truly yours,

Mike Gibson

Digitally signed by Mike Gibson
DN: cn=Mike Gibson, o=Cole & Reed, ou,
email=mjgibson@coleandreed.com, c=US
Date: 2012.05.07 14:01:09 -05'00'

Cole & Reed

Mike Gibson, Partner

CITY OF NORMAN, OKLAHOMA

June 30, 2012

PROPOSED AUDIT CALENDAR

April/May

Cole & Reed to meet with Finance Committee of the City Council to discuss scope and planned timing of the audit

June/July –

By June 1, 2012, the City will provide Cole & Reed the following:

- Preliminary schedule of expenditures of Federal awards, with CFDA numbers, and includes expenditures through April 30, 2012
- Fund Trial Balances as of and year-to-date period ended April 30, 2012
- Capital asset additions and deletions through April 30, 2012

By June 15, 2012, we will provide you with the listing of confirmations that will be needed

Internal control testing and tests of compliance with Federal programs will be performed in June / July and completed by end of July (except for some follow up that may be required)

The Year End PBC Listing will be provided to you no later than July 31.

Year-End Audit Fieldwork

City of Norman will provide us with the final Schedule of Expenditures of Federal Awards by September 15, 2012

Year End trial balances and a preliminary CAFR will be provided to us by September 30, 2012

Fieldwork will start no later than October 8, 2012

Audit Wrap-Up

Following is the proposed calendar for the audit wrap-up:

- *City Attorney to provide response to audit inquiry letters – November 21, 2012*
- *Meet with Director of Finance and City Manager to discuss draft of CAFR – November 16, 2012*
- *Meet with Finance Committee of City Council to discuss final "draft" – November 19, 2012*
- *Issue opinions on CAFR and Single Audit – November 28, 2012*
- *Meeting with City Council – December 18, 2012*

COLE+REED

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