



# McAlester City Council

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## NOTICE OF MEETING

### Special Meeting of the City Council Agenda

Tuesday, June 19, 2012 - 5:30 pm  
McAlester City Hall – Council Chambers  
28 E. Washington

Steve Harrison ..... Mayor  
Weldon Smith ..... Ward One  
Vacant..... Ward Two  
Travis Read..... Ward Three  
Robert Karr ..... Ward Four  
Buddy Garvin ..... Ward Five  
Sam Mason ..... Vice Mayor, Ward Six

Peter J. Stasiak ..... City Manager  
William J. Ervin ..... City Attorney  
Cora M. Middleton..... City Clerk

*This agenda has been posted at the McAlester City Hall, distributed to the appropriate news media, and posted on the City website: [www.cityofmcalester.com](http://www.cityofmcalester.com) within the required time frame.*

*The Mayor and City Council request that all cell phones and pagers be turned off or set to vibrate. Members of the audience are requested to step outside the Council Chambers to respond to a page or to conduct a phone conversation.*

*The McAlester City Hall is wheelchair accessible. Sign interpretation or other special assistance for disabled attendees must be requested 48 hours in advance by contacting the City Clerk's Office at 918.423.9300, Extension 4956.*

#### **CALL TO ORDER**

*Announce the presence of a Quorum.*

#### **ROLL CALL**

#### **SCHEDULED BUSINESS**

1. Consider, and act upon, an Ordinance adopting the budget of the City of McAlester, Oklahoma, for the fiscal year 2012-2013; providing for severability clause; and declaring an emergency.
2. Consider, and act upon, authorizing the mayor to sign an Engagement Letter with Cole & Reed, P.C. for audit services for the fiscal year ending June 30, 2012.

**ADJOURNMENT**

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**CERTIFICATION**

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*I certify that this Notice of Meeting was posted on this \_\_\_\_\_ day of \_\_\_\_\_ 2012 at \_\_\_\_\_ a.m./p.m. as required by law in accordance with Section 303 of the Oklahoma Statutes and that the appropriate news media was contacted. As a courtesy, this agenda is also posted on the City of McAlester website: [www.cityofmcalester.com](http://www.cityofmcalester.com).*

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**Cora M. Middleton, City Clerk**



# McAlester City Council

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## AGENDA REPORT

Meeting Date:	<u>June 19, 2012</u>	Item Number:	<u>1</u>
Department:	<u>Finance</u>	Account Code:	<u>                    </u>
Prepared By:	<u>Toni Ervin</u>	Budgeted Amount:	<u>                    </u>
Date Prepared:	<u>June 11, 2012</u>	Exhibits:	<u>1</u>

### Subject

Consider, and act upon, an Ordinance adopting the budget of the City of McAlester, Oklahoma, for the fiscal year 2012-2013; providing for severability clause; and declaring an emergency.

### Recommendation

Motion to approve an Ordinance adopting the budget for fiscal year 2012-2013 and declaring an emergency.

### Discussion

On June 12, 2012, the City Council held a public hearing to allow citizens the opportunity to express their opinion on the proposed annual operating budget for next fiscal year. The attached ordinance formally adopts the FY 2012-2013 Annual Operating Budget.

### Approved By

	<i>Initial</i>	<i>Date</i>
Department Head	<u>TE</u>	<u>06/11/12</u>
City Manager	<u>P. Stasiak</u>	<u>06/11/12</u>

ORDINANCE NO. \_\_\_\_\_

**AN ORDINANCE ADOPTING THE BUDGET OF THE CITY OF  
McALESTER, OKLAHOMA FOR THE FISCAL YEAR 2011-2012.**

**WHEREAS**, the City of McAlester, Oklahoma completed and placed on file with the City Clerk a proposed budget and estimate of the amount of moneys required to meet the public expenses, bond retirement and interest, reserve funds and expenses of the City for the fiscal year 2012-2013; and

**WHEREAS**, a notice was published that the City Council for the City would meet on June 12, 2012, at the hour of 6:00 p.m., in City Council Chambers at City Hall of the City of McAlester for the purpose of giving citizens within the limits of said city an opportunity to be heard in a public hearing upon said budget; and

**WHEREAS**, Article 5, Section 5.06 (1) of the City Charter requires that the budget to be adopted by ordinance; and

**WHEREAS**, this Ordinance is meant to adopt the budget for fiscal year 2012-2013 in ordinance form in accordance with the City Charter.

**BE IT ORDAINED BY THE COUNCIL OF THE CITY OF McALESTER,  
OKLAHOMA AS FOLLOWS:**

Section 1. The budget of the City of McAlester, Oklahoma for the fiscal year 2012-2013 is hereby adopted at the departmental level, which budget shows total resources available in the amount of **\$42,684,209** with **\$215,239** of that being budgeted in appropriated fund balance and **\$42,468,970** as current year revenues along with fund/departmental budgeted appropriations of **\$40,028,083** with **\$8,249,134** of that being transfers to other funds leaving a total in the amount of **\$31,778,949**.

Section 2. Budgeted resources, including any appropriated fund balance for each separate fund of the City of McAlester, for the fiscal year 2012-2013 are set forth in summary in the attached exhibit, and are hereby appropriated for expenditure at the departmental level during the fiscal year 2012-2013.

Section 3. The City Council does hereby authorize the City Manager to transfer any unexpended and unencumbered appropriations, at any time throughout FY 2012-2013, within a fund, subject to a dollar limitation of \$25,000 and notification to the City Council and the Audit and Finance Advisory Committee, in writing.

Section 4. The City Clerk is directed to transmit a copy of this budget ordinance hereby adopted to the State Auditor and Inspector's Office.

Section 5. Should any section, subsection, sentence, clause or phrase of this Ordinance be declared unconstitutional or invalid by a court of competent jurisdiction, it is expressly provided that any and all remaining portions of this Ordinance shall remain in full force and effect. The City of McAlester hereby declares that it would have passed this Ordinance, and each section, subsection, sentence, clause, or phrase thereof irrespective of the fact of any one or more sections, subsections, sentences, clauses or phrases be declared unconstitutional or invalid.

Section 6. That an emergency is hereby declared to exist, and for the preservation of the public peace, health and safety, by reason whereof it is necessary that all acts take effect immediately and be in full force and effect from, and after the passage and approval.

**PASSED and the EMERGENCY CLAUSE ruled on separately this 19th day of June, 2012.**

CITY OF McALESTER, OKLAHOMA,  
A Municipal Corporation

By: \_\_\_\_\_  
Steve Harrison, Mayor

ATTEST:

\_\_\_\_\_  
Cora Middleton, City Clerk

Approved as to form and legality this 19th day of June, 2012.

\_\_\_\_\_  
William J. Ervin, City Attorney



# McAlester City Council

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## AGENDA REPORT

Meeting Date: June 19, 2012 Item Number: 2  
Department: Finance  
Prepared By: Toni Ervin, CFO Account Code: \_\_\_\_\_  
Date Prepared: June 4, 2012 Budgeted Amount: \_\_\_\_\_  
Exhibits: 2

### Subject

Consider, and act upon, authorizing the mayor to sign an Engagement Letter with Cole & Reed, P.C. for audit services for the fiscal year ending June 30, 2012.

### Recommendation

Motion to authorize the Mayor to sign an Engagement Letter with Cole & Reed, P.C.

### Discussion

The City of McAlester went out for RFPs for Auditing Services for FY 2011-2012. Five proposals were received and one company declined.

The Audit & Finance Advisory Committee met on May 30, 2012, to review RFPs and make a recommendation to the City Council for Auditing Services for the City of McAlester FY 2011-2012. The committee ranked each proposal according to a set of predefined criteria including: 1) Hours to complete a thorough audit in a timely manner; 2) Total Bid Price; 3) City/Governmental Accounting Experience; 4) Personnel/Staffing and 5) References. After reviewing the proposals the Committee unanimously agreed to recommend that the City Council award the FY 2011-2012 City of McAlester Financial Independent Audit Services Contract to Cole and Reed, P.C.

#### Attachments:

1. Engagement Letter from Cole & Reed, P.C.
2. Letter to Mayor and City Council - Selection of Independent Auditor from Audit & Finance Advisory Committee.

### Approved By

	<i>Initial</i>	<i>Date</i>
Department Head		
City Manager	P. Stasiak	6/11/2011



June 5, 2012

City Council and  
Finance and Audit Committee  
City of McAlester  
McAlester, Oklahoma

This letter is to explain our understanding of the arrangements for the services we are to perform for the City of McAlester 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 McAlester'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.

If Federal awards received exceed \$500,000 in the year ended June 30, 2012, we will also perform the audit of the City of McAlester 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. Note that references to OMB Circular A-133 throughout this letter only apply if such requirements apply.

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.

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 finance and 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 finance and 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 (if applicable).

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 (if applicable).

A schedule of findings and questioned costs or schedule of reportable findings.

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

1. General Fund – 1
2. Special Revenue Funds – 6
3. Capital Projects Funds – 6
4. Debt Service Funds - 2
5. Enterprise Funds – 2
6. Internal Service Funds – 2

The component units whose financial statements you have told us are to be included as part of the City of McAlester's financial statements are:

Blended Component Units

McAlester Public Works Authority  
McAlester Airport Authority  
McAlester Municipal Improvement Authority

Discrete Component Units

McAlester Regional Health Center Authority  
McAlester Parking Authority

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 McAlester'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 and Audit 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 McAlester 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 Ms. Toni Ervin, Chief Financial Officer. 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 are based on 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. Our fee for the services described in this letter will be as follows:

- Audit of financial statements \$35,000
- OMB Circular A-133 audit requirements, **only if required:**
  - Per Major Program \$ 2,500

Note that the fees related to the OMB Circular A-133 audit requirements are only billed on an "if performed/if required" basis.

In the event we are requested or authorized by City of McAlester 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 McAlester, City of McAlester 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.

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 McAlester. Should that change, however, the services to be performed will be subject to a separate arrangement letter. Further, the City of McAlester agrees to the following with respect to any such non-audit services:

Ms. Toni Ervin will be accountable and responsible for overseeing any non-audit services provided by Cole & Reed P.C.

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

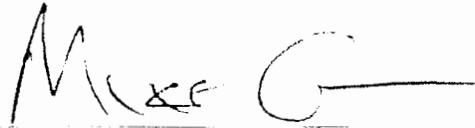
The City of McAlester will make any decisions that involve management functions related to any such non-audit services and accepts full responsibility for such decisions.

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

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 the enclosed copy, and return it to us. We appreciate your business.

Very truly yours,

A handwritten signature in black ink, appearing to read "Mike Gibson", written over a horizontal line.

Mike Gibson  
For The Firm  
Cole & Reed, P.C.

Confirmed on behalf of the addressee:

Signature

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](http://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.

Brady, Martz & Associates, PC.

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

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AICPA Peer Review Program  
Administered by the  
National Peer Review Committee

November 19, 2010

James Harley Denny, CPA  
Cole & Reed P C  
531 Couch Dr  
Oklahoma City, OK 73102

Dear Mr. Denny:

It is my pleasure to notify you that on November 17, 2010 the National Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is October 31, 2013. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Sincerely,



Robert Rohweder  
Chair—National PRC  
nprc@aicpa.org 919 402-4502

cc: Ronald Johnke, CPA

Firm Number: 10090252 Review Number: 309380



June 12, 2012

**TO:** McAlester City Council  
**FROM:** Audit & Finance Advisory Committee  
**SUBJECT:** Selection of Independent Auditor

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Mayor and Members of the Council:

The Audit & Finance Advisory Committee received six (6) bid proposals for the FY 2011/2012 City of McAlester Financial Independent Audit Services.

Firms that submitted bids were:

- Cole & Reed
- Hinkle & Co., PC
- Turner & Associates, PLC
- Eide Bailly LLP
- Finley & Cook
- Anne Marie Elfrink, CPA

The Committee has evaluated the proposals submitted by the six accounting firms. In evaluating these proposals, the Committee ranked each firm according to a set of predefined criteria including: 1) Hours to complete a thorough audit in a timely manner; 2) Total Bid Price; 3) City/Governmental Accounting Experience; 4) Personnel/Staffing and 5) References.

In evaluating the proposals the cost was not the only driving factor, while it is an important issue. the Committee did not want to sacrifice quality and scope based on all factors combined.

Based on the criteria, the Committee ranked Cole and Reed with the highest overall score.

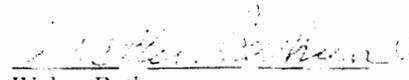
Page 2

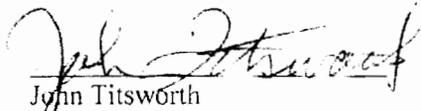
**Selection of Independent Auditor**

The Committee recommends that the Council award the 2011/2012 City of McAlester Financial Independent Audit Services Contract to Cole & Reed.

The Committee looks forward to working with all parties in this matter.

  
Steve Foster  
Citizen Member

  
Walter Bethune  
Citizen Member

  
John Titsworth  
Citizen Member