

***Ada Arts & Heritage Authority***  
***(A Component Unit of the City of Ada, Oklahoma)***  
***Ada, Oklahoma***

***REPORT ON AUDIT OF FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION***

***For the Year Ended June 30, 2016***

***SAUNDERS & ASSOCIATES, PLLC***

***Certified Public Accountants***

***630 East 17<sup>th</sup> Street***

***P. O. Box 1406***

***Ada, Oklahoma 74820***

***(580) 332-8548***

***FAX: (580) 332-2272***

***Website: [www.saunderscpas.com](http://www.saunderscpas.com)***

ADA ARTS AND HERITAGE AUTHORITY  
Ada, Oklahoma

(A Component Unit of the City of Ada, Oklahoma)

BOARD OF TRUSTEES

Bruce Cowart, Chairman

Sally Pool

Rita Cloar

Janet Wilburn

ADA ARTS AND HERITAGE AUTHORITY  
Ada, Oklahoma

(A Component Unit of the City of Ada, Oklahoma)

TABLE OF CONTENTS

June 30, 2016

	<u>Page</u>
Independent Auditor's Report .....	1
Management's Discussion and Analysis .....	3
BASIC COMPONENT UNIT FINANCIAL STATEMENTS:	
Statement of Net Position.....	6
Statement of Revenues, Expenses and Changes in Fund Net Position.....	7
Statement of Cash Flows .....	8
Notes to Financial Statements .....	9
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards .....	15
SUPPLEMENTAL INFORMATION:	
Schedule of Expenditures – Budget and Actual.....	17
Status of Prior Audit Findings.....	18
Schedule of Findings and Responses .....	19
Management Letter .....	20

# *Saunders & Associates, PLLC*

*Certified Public Accountants*

---

630 East 17<sup>th</sup> Street \* P. O. Box 1406 \* Ada, Oklahoma 74820 \* (580) 332-8548 \* FAX: (580) 332-2272  
Website: [www.saunderscpas.com](http://www.saunderscpas.com)

---

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Ada Arts & Heritage Authority

We have audited the accompanying financial statements of the business-type activities of the Ada Arts & Heritage Authority (a component unit of the City of Ada, Oklahoma) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Ada Arts & Heritage Authority's basic component unit financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Ada Arts & Heritage Authority as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

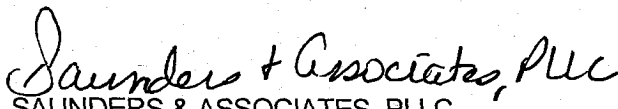
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Ada Arts & Heritage Authority's basic financial statements. The budget-to-actual comparison is presented for purposes of additional analysis and is not a required part of the basic financial statements. The budget-to-actual comparison has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2016 on our consideration of the Ada Arts & Heritage Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Ada Arts & Heritage Authority's internal control over financial reporting and compliance.

  
SAUNDERS & ASSOCIATES, PLLC  
Certified Public Accountants  
Ada, Oklahoma

August 30, 2016

ADA ARTS AND HERITAGE AUTHORITY  
Ada, Oklahoma

(A Component Unit of the City of Ada, Oklahoma)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

UNAUDITED

Our discussion and analysis of the Ada Arts and Heritage Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the Authority's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances.

**Reporting the Authority as a Whole**

**The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position**

Our analysis of the Authority as a whole follows. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position report information about the Authority as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net position and changes therein. You can think of the Authority's net position – the difference between assets, deferred outflows, liabilities and deferred inflows – as one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, to assess the overall health of the Authority. The Authority is considered to operate as a business type activity. It charges a fee to customers for the use of facilities as well as special events.

THE AUTHORITY AS A WHOLE

The Authority's primary revenue sources are from charges for the rental of the Ada Arts and Heritage Center and from an operating grant from the City of Ada. The Authority received \$10,641 from rentals and \$18,215 from the City of Ada. Total revenues and gains were \$41,522 and total expenses and losses were \$47,927 for a decrease in net position of \$(6,405).

ADA ARTS AND HERITAGE AUTHORITY  
Ada, Oklahoma

(A Component Unit of the City of Ada, Oklahoma)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

UNAUDITED

NET POSITION

For the year ended June 30, 2016, Net Position changed as reflected in the following table:

<b>Net Position – Business-Type Activity</b>				
	June 30, 2016	June 30, 2015	Change	% Change
Capital Assets	\$ 97,775	\$ 99,380	\$ ( 1,605)	-1.6%
Current and Other Assets	89,464	92,791	( 3,327)	-3.6%
Total Assets	187,239	192,171	( 4,932)	-2.6%
Total Deferred Outflows of Resources	0	0	0	0.0%
Liabilities	2,852	2,304	548	23.8%
Total Liabilities	2,852	2,304	548	23.8%
Total Deferred Inflows of Resources	1,655	1,250	405	32.4%
Net Position:				
Net Investment in Capital Assets	97,775	99,380	( 1,605)	-1.6%
Unrestricted	84,957	89,237	( 4,280)	-4.8%
Total Net Position	\$ 182,732	\$ 188,617	\$ ( 5,885)	-3.1%

CHANGES IN NET POSITION

The following table provides a summary of the Authority's change in Net Position:

<b>Summary of Changes in Net Position – Business-Type Activity</b>				
	June 30, 2016	June 30, 2015	Change	% Change
Rental Revenue	\$ 10,641	\$ 14,159	\$ ( 3,518)	-24.8%
Operating Grant	18,215	18,215	0	0.0%
Donations	5,709	10,246	( 4,537)	-44.3%
Interest and Dividends	1,159	1,136	23	2.0%
Total Revenues	35,724	43,756	( 8,032)	-18.4%
Operating Expenses	47,927	45,976	1,951	4.2%
Total Expenses	47,927	45,976	1,951	4.2%
Increase (Decrease) in Fair Value of Investments	5,798	20,898	( 15,100)	-72.3%
Total Other Revenues (Expenses)	5,798	20,898	( 15,100)	-72.3%
Change in Net Position	( 6,405)	18,678	( 25,083)	-134.3%
Prior Period Adjustment	520	0	520	100.0%
Beginning Net Position	188,617	169,939	18,678	11.0%
Ending Net Position	\$ 182,732	\$ 188,617	\$ ( 5,885)	-3.1%

ADA ARTS AND HERITAGE AUTHORITY  
Ada, Oklahoma

(A Component Unit of the City of Ada, Oklahoma)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

UNAUDITED

CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets** – At the end of June 30, 2016, the Authority had \$97,775 invested in capital assets. (See notes 3 & 4).

**Debt** – At year-end, the Authority had no outstanding debt.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Authority at 400 S. Rennie, Ada, Oklahoma.

Anita Robertson  
Executive Director



## BASIC COMPONENT UNIT FINANCIAL STATEMENTS

ADA ARTS AND HERITAGE AUTHORITY  
Ada, Oklahoma

(A Component Unit of the City of Ada, Oklahoma)

STATEMENT OF NET POSITION

June 30, 2016

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 26,314
Accounts Receivable	1,527
Total Current Assets	<u>27,841</u>

Capital Assets:

Property and Equipment, Net of Accumulated Depreciation	92,275
Art Collection	5,500
Total Capital Assets	<u>97,775</u>

Other Assets:

Investments	61,623
Total Other Assets	<u>61,623</u>

Total Assets	<u>187,239</u>
--------------	----------------

DEFERRED OUTFLOWS OF RESOURCES

0

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Expenses	272
Payroll Liabilities	1,105
Rental Deposits	725
Accrued Employee Benefits	750
Unearned Revenue	1,655
Total Current Liabilities	<u>4,507</u>

Total Liabilities	<u>4,507</u>
-------------------	--------------

DEFERRED INFLOWS OF RESOURCES

NET POSITION

Net Investment in Capital Assets	97,775
Unrestricted	<u>84,957</u>
Total Net Position	<u>\$ 182,732</u>

\* The accompanying notes are an integral part of the financial statements.

ADA ARTS AND HERITAGE AUTHORITY  
Ada, Oklahoma

(A Component Unit of the City of Ada, Oklahoma)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

For the Year Ended June 30, 2016

OPERATING REVENUES

Rental Revenues	\$ 10,641
Operating Grant - City of Ada	18,215
Total Operating Revenues	<u>28,856</u>

OPERATING EXPENSES

Accounting and Legal	6,143
Advertising	90
Cleaning and Laundry	3,615
Contract Labor	567
Depreciation and Amortization	2,560
Dues and Subscriptions	294
Insurance	1,024
Office Supplies	1,453
Operating Supplies	3,657
Payroll Taxes	1,437
Postage	98
Repairs and Maintenance	1,697
Telephone	1,257
Training	10
Utilities	4,900
Wages	19,125
Total Operating Expenses	<u>47,927</u>

Operating Income (Loss)	<u>(19,071)</u>
-------------------------	-----------------

Non-Operating Revenues (Expenses)

Donations	5,709
Interest and Dividends	1,159
Net Increase (Decrease) in Fair Value of Investments	5,798
Total Non-Operating Revenues (Expenses)	<u>12,666</u>

Changes in Net Position	(6,405)
Net Position, Beginning of Year	<u>189,137</u>

NET POSITION, END OF YEAR	<u>\$ 182,732</u>
---------------------------	-------------------

\* The accompanying notes are an integral part of the financial statements.

ADA ARTS AND HERITAGE AUTHORITY  
Ada, Oklahoma

(A Component Unit of the City of Ada, Oklahoma)

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2016

Cash Flows From Operating Activities

Cash Received From Rental Activities	\$ 10,855
Operating Grants Received	18,215
Cash Paid Employees and Contractors	(21,129)
Cash Paid to Suppliers for Goods and Services	(23,431)
Other Receipts (Payments)	0
Net Cash Provided (Used) by Operating Activities	<u>(15,490)</u>

Cash Flows From Investing Activities

Cash Paid for Capital Assets	(955)
Interest and Dividends	1,159
Other Receipts (Payments)	5,709
Net Cash Provided (Used) by Investing Activities	<u>5,913</u>

Cash Flows From Non-Capital Financing Activities

Net Cash Provided (Used) by Non-Capital Financing Activities

Cash Flows From Capital and Related Financing Activities

Net Cash Provided (Used) by Capital and Related Financing Activities

Net Increase (Decrease) in Cash and Cash Equivalents (9,577)

Cash and Cash Equivalents at Beginning of Year 35,891

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 26,314

Reconciliation of Change in Net Position to Net Cash Provided by Operating Activities:

Operating Income (Loss)	\$ (19,071)
Adjustments to Reconcile Change in Net Position to Net Cash	
Provided (Used) by Operating Activities:	
Depreciation	2,560

Changes in Assets and Liabilities:

(Increase) Decrease in Prepaid Expense	0
(Increase) Decrease in Accounts Receivable	(452)
Increase (Decrease) in Accounts Payable and Accrued Expenses	(807)
Increase (Decrease) in Unearned Revenue	405
Increase (Decrease) in Payroll Liabilities	1,625
Increase (Decrease) in Accrued Employee Benefits	375
Increase (Decrease) in Rental Deposits	<u>(125)</u>

Net Cash Provided (Used) by Operating Activities \$ (15,490)

\* The accompanying notes are an integral part of the financial statements.

ADA ARTS AND HERITAGE AUTHORITY  
Ada, Oklahoma

(A Component Unit of the City of Ada, Oklahoma)

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The Ada Arts and Heritage Authority is a public trust created and existing under the laws of Oklahoma, generally, but not exclusively, Section 176 and 180, inclusive of Title 60, Oklahoma Statutes 1981, and the Oklahoma Public Trust Act, as an agency of the State of Oklahoma and a regularly constituted authority of the City of Ada on August 2, 1982 for the use and benefit of the City of Ada, Oklahoma. The trust has as its purpose to furnish and supply, in the aforesaid municipality and in territory in reasonable proximity thereto, cultural, artistic, educational, historical, public meeting and utility services and facilities for all purposes that are authorized and proper functions of the City of Ada. The Authority is empowered to demand and collect charges for said services and facilities to hold, maintain and administer leasehold rights in and to properties of the City of Ada. It is also empowered to obtain funds for these purposes and in so doing to incur indebtedness either unsecured or secured and to extend all funds in payment of the aforesaid costs and indebtedness.

In order to fulfill these functions, the Authority has leased from the City of Ada, the north 100 feet of Lots 1 and 8 of Block 121, original Town site to the City of Ada, Oklahoma, together with any and all improvements to the aforesaid property.

In addition, the City of Ada has entered into a contract agreement with the Authority to provide normal maintenance along with water, sewer and garbage service for the Ada Arts and Heritage Center.

The following is a summary of the more significant policies:

- A. Financial statements are presented in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The financial statements are prepared using full accrual accounting. Revenues are recognized when earned and expenses are recognized when incurred. The Authority's services are classified as a business-type activity.

The following fund type is used by the Authority:

Proprietary Fund – The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary fund of the Authority:

**Enterprise Funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of that net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

ADA ARTS AND HERITAGE AUTHORITY  
Ada, Oklahoma

(A Component Unit of the City of Ada, Oklahoma)

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- B. Cash and Cash Equivalents – For purposes of the statement of cash flows, the Ada Arts and Heritage Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.
- C. Investments are recorded at cost or fair market value on the date of donation. Investments, other than certificates of deposit, are presented at fair market value. The unrealized gains and losses are presented as a component of non-operating revenues and expenses. Unrealized and realized gains and losses are presented in the Statement of Revenues, Expenses Fund and Changes in Net Position.
- D. Budget – The Authority adopts a budget for expenditures annually, which is provided to the City of Ada in accordance with the Authority's contract with the City of Ada.
- E. Depreciation is provided for assets used in the operation of the Authority. It is computed on the straight-line basis over lives ranging from 5 to 40 years. Salvage values have been provided on selected items.
- F. Use of Estimates – The preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.
- G. Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has no items that qualified for reporting in this category.

In addition to liabilities, that statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

- H. Operating Revenues and Expense – Operating revenues and expenses consist of charges for services and the costs of providing those services, including depreciation. All other revenues and expenses are reported as non-operating. Rental Revenues are reported net of \$1,380 of refunds and allowances.

ADA ARTS AND HERITAGE AUTHORITY  
Ada, Oklahoma

(A Component Unit of the City of Ada, Oklahoma)

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

I. Proprietary Fund Net Position – Proprietary fund net position is divided into three components:

- Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted net position – consist of assets that are restricted by the Authority's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors as applicable.
- Unrestricted – all other net position is reported in this category.

J. Use of Restricted Resources – When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Authority's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

NOTE 2: CASH AND INVESTMENTS

Deposits – The Authority's determination regarding the classification of cash and cash equivalents is discussed in Note 1. The table presented below is designed to disclose the level of custody credit risk assumed by the Authority based upon how its deposits were insured or secured with collateral at June 30, 2016. The categories of credit risk are defined as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the entity or by its agent in it's name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 – Uninsured and uncollateralized.

Type of Deposits	Category 1	Category 2	Category 3	Bank Balance Total
Demand Deposits	\$ 27,583	\$ 0	\$ 0	\$ 27,583

ADA ARTS AND HERITAGE AUTHORITY  
Ada, Oklahoma

(A Component Unit of the City of Ada, Oklahoma)

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 3: FIXED ASSETS**

Fixed assets consist of purchased and donated items which are used in the operation of the Ada Arts and Heritage Authority. Assets with a cost of \$500 or more are capitalized. Donated assets are recorded at fair market value.

A summary of fixed assets follows:

	Balance 06/30/15	Additions	Disposition	Balance 06/30/16
Fixed Assets:				
Parking Lot	\$ 38,204	\$ 0	\$ 0	\$ 38,204
Furniture and Equipment	21,764	0	0	21,764
Donated Furniture and Equipment	17,000	0	0	17,000
Leasehold Improvements	<u>67,799</u>	<u>955</u>	<u>0</u>	<u>68,754</u>
Total Fixed Assets	<u>144,767</u>	<u>955</u>	<u>0</u>	<u>145,722</u>
Accumulated Depreciation and Amortization:				
Furniture and Equipment	( 16,072)	( 1,228)	0	( 17,300)
Donated Furniture and Equipment	( 17,000)	0	0	( 17,000)
Leasehold Improvements	<u>( 17,815)</u>	<u>( 1,332)</u>	<u>0</u>	<u>( 19,147)</u>
Total Accumulated Depreciation and Amortization	<u>( 50,887)</u>	<u>( 2,560)</u>	<u>0</u>	<u>( 53,447)</u>
Net Property and Equipment	<u>\$ 93,880</u>	<u>\$ ( 1,605)</u>	<u>\$ 0</u>	<u>\$ 92,275</u>

Depreciation expense was \$2,560 for the year.

**NOTE 4: ART COLLECTION**

The items in the art collection are primarily acquired by gift or donation. These items are valued at their respective fair market values at the date of acquisition. Depreciation has not been provided for these items.

	06/30/15	Additions	Disposition	06/30/16
Art Collection	<u>\$ 5,500</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,500</u>



ADA ARTS AND HERITAGE AUTHORITY  
Ada, Oklahoma

(A Component Unit of the City of Ada, Oklahoma)

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 5: LONG-TERM INVESTMENTS**

Long-term investments are recorded at market value and are comprised of the following:

	Market Value
Common Stock	<u>\$ 61,623</u>

All common stock investments have been donated to the Authority and include 720 shares of Bristol Myers Squibb Company (BMY) and 72 shares of Zimmer Holdings (ZBH). Market value is based upon market information at June 30, 2016, see Note 7. The increase in the market value of \$5,798 from the previous year is reported as unrealized gain in the statement of revenues, expenses and changes in fund net position. Additionally, dividends of \$1,159 were paid on the stock and also reported as non-operating revenues.

**NOTE 6: RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority manages these various risks of loss as follows:

Type of Loss	Method Managed	Risk Retained
a. Employee Fidelity	Purchased insurance with American States Insurance Company	\$ 500/ incident
b. General Liability	Purchased insurance with American States Insurance Company	Fully Insured
c. Injuries to employees (Worker's Compensation)	Purchased insurance with Comp Source of Oklahoma	Fully Insured
d. Physical property loss and natural disasters	Insured through the City of Ada, Oklahoma	Fully Insured

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

ADA ARTS AND HERITAGE AUTHORITY  
Ada, Oklahoma

(A Component Unit of the City of Ada, Oklahoma)

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 7: FAIR VALUE MEASUREMENT

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted process for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted process for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Authority's assets at fair value as of June 30, 2016:

	Assets at Fair Value as of June 30, 2016			
	Level 1	Level 2	Level 3	Total
Common Stock	\$ 61,623	\$ 0	\$ 0	\$ 61,623
Total Assets at Fair Value	\$ 61,623	\$ 0	\$ 0	\$ 61,623

NOTE 8: SUBSEQUENT EVENTS

Management has evaluated subsequent events through \*Date.22\*, which is the date the financial statements were available to be issued.

# *Saunders & Associates, PLLC*

## *Certified Public Accountants*

---

630 East 17<sup>th</sup> Street \* P. O. Box 1406 \* Ada, Oklahoma 74820 \* (580) 332-8548 \* FAX: (580) 332-2272  
Website: [www.saunderscpas.com](http://www.saunderscpas.com)

### INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees  
Ada Arts & Heritage Authority

We have audited the financial statements of the business-type activities of the Ada Arts & Heritage Authority (a component unit of the City of Ada, Oklahoma) as of and for the year ended June 30, 2016, which collectively comprise Ada Arts & Heritage Authority's basic financial statements and have issued our report thereon dated August 30, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America.

#### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Ada Arts & Heritage Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ada Arts & Heritage Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ada Arts & Heritage Authority's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 10-1, *Segregation of Duties*, that we consider to be significant deficiencies.

We noted certain other matters involving the internal control over financial reporting that we have reported to management of Ada Arts & Heritage Authority in a separate letter dated August 30, 2016.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Ada Arts & Heritage Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Ada Arts & Heritage Authority's Response to the Findings**

Ada Arts & Heritage Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Ada Arts & Heritage Authority's response and, accordingly, we express no opinion on it.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance with applicable provisions of laws, regulations, contracts, and grant agreements and the results of our testing, and to provide an opinion on the Ada Arts & Heritage Authority's compliance but not to provide an opinion on the effectiveness of the Ada Arts & Heritage Authority's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Ada Arts & Heritage Authority's compliance and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.



SAUNDERS & ASSOCIATES, PLLC  
Certified Public Accountants

August 30, 2016

## SUPPLEMENTAL INFORMATION

ADA ARTS AND HERITAGE AUTHORITY  
Ada, Oklahoma

(A Component Unit of the City of Ada, Oklahoma)

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

For the Year Ended June 30, 2016

UNAUDITED

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>EXPENDITURES</b>				
Personnel Services:				
Salaries	\$ 18,000	\$ 18,000	\$ 19,125	\$ 1,125
Contract Labor	800	800	567	(233)
Payroll Taxes	1,500	1,500	1,437	(63)
Insurance	950	950	1,024	74
Materials and Supplies:				
Laundry and Cleaning	2,200	2,200	3,615	1,415
Office Supplies	500	500	1,453	953
Operating Supplies	500	500	259	(241)
Postage	210	210	98	(112)
Food	300	300	501	201
Decorations	200	200	2,897	2,697
Other Services and Charges:				
Advertising and Promotion	300	300	90	(210)
Accounting and Legal	5,600	5,600	6,143	543
Repairs and Maintenance	1,500	1,500	1,697	197
Telephone	1,350	1,350	1,257	(93)
Training	0	0	10	10
Utilities	6,500	6,500	4,900	(1,600)
Dues and Subscriptions	300	300	294	(6)
Security	275	275	0	(275)
Depreciation	1,000	1,000	2,560	1,560
Furniture and Equipment	400	400	955	555
<b>TOTAL EXPENDITURES</b>	<b>\$ 42,385</b>	<b>\$ 42,385</b>	<b>\$ 48,882</b>	<b>\$ 6,497</b>

ADA ARTS AND HERITAGE AUTHORITY  
Ada, Oklahoma

(A Component Unit of the City of Ada, Oklahoma)

STATUS OF PRIOR AUDIT FINDINGS

June 30, 2016

10-1 SEGREGATION OF DUTIES

Condition: Due to the limited number of personnel involved in the day-to-day operations, most of those aspects of internal accounting control which rely upon an adequate segregation of duties, are for all practical purposes, missing within the organization. However, we recognize that the organization's administration is not large enough to make the employment of additional persons, for the purpose of segregating duties, practical from a cost-benefit standpoint.

Current Status: See current audit finding 10-1.

ADA ARTS AND HERITAGE AUTHORITY  
Ada, Oklahoma

(A Component Unit of the City of Ada, Oklahoma)

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2016

10-1 SEGREGATION OF DUTIES

Criteria: Effective internal controls rely upon proper segregation of duties to detect and prevent possible fraudulent activities.

Condition: Due to the limited number of personnel involved in the day-to-day operations, most of those aspects of internal accounting control which rely upon an adequate segregation of duties, are for all practical purposes, missing within the organization. However, we recognize that the organization's administration is not large enough to make the employment of additional persons, for the purpose of segregating duties, practical from a cost-benefit standpoint.

Cause/Effect: Fraudulent activities could go undetected.

Recommendation: SAUNDERS & ASSOCIATES, PLLC recommends increased oversight by the Board of Trustees over all financial activities.

Response: The Board will increase oversight of financial activities.



*Memorandum of Suggestions on Accounting  
Procedures and System of Internal Controls*

***Ada Arts & Heritage Authority***  
***(A Component Unit of the City of Ada, Oklahoma)***  
*Ada, Oklahoma*

*For the Year Ended June 30, 2016*

*Contact Person*  
*G. B. Saunders*

*August 30, 2016*

***SAUNDERS & ASSOCIATES, PLLC***  
***Certified Public Accountants***  
***630 East 17<sup>th</sup> Street***  
***P. O. Box 1406***  
***Ada, Oklahoma 74820***  
***(580) 332-8548***  
***FAX: (580) 332-2272***  
***Website: [www.saunderscpas.com](http://www.saunderscpas.com)***

# *Saunders & Associates, PLLC*

## *Certified Public Accountants*

---

630 East 17<sup>th</sup> Street \* P. O. Box 1406 \* Ada, Oklahoma 74820 \* (580) 332-8548 \* FAX: (580) 332-2272  
Website: [www.saunderscpas.com](http://www.saunderscpas.com)

To the Board of Trustees  
Ada Arts & Heritage Authority

The accompanying Management Letter includes suggestions for improvement of accounting procedures and internal accounting controls that came to our attention as a result of our examination of the financial statements of the Ada Arts & Heritage Authority, Ada, Oklahoma, (a component unit of the City of Ada, Oklahoma) for the year ended June 30, 2016. The matters discussed herein were considered by us during our examination and do not modify the opinion expressed in our auditor's report dated August 30, 2016 on such financial statements.

In accordance with auditing standards generally accepted in the United States of America, we made a review of Ada Arts & Heritage Authority's (a component unit of the City of Ada, Oklahoma) system of internal accounting controls for the purpose of providing a basis for reliance thereon, in determining the nature, timing and extent of substantive testing of the June 30, 2016 financial statements. While certain matters that came to our attention during the review are presented in the accompanying Management Letter for the consideration of the Trustees, our review did not encompass all control procedures and techniques and was not designed for the purpose of making detailed recommendations.

The accompanying Management Letter also includes comments and suggestions with respect to other financial and administrative matters that came to our attention during the course of our examination. These matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving accounting control and other financial and administrative practices and procedures.

This Management Letter is intended solely for the benefit of management and the Board of Trustees, and is not to be used for any other purpose.

We wish to express our appreciation for the courtesies and cooperation extended to our representatives during the course of their work. We would be pleased to discuss these suggestions and comments in greater detail or otherwise assist in their implementation.

Sincerely,



SAUNDERS & ASSOCIATES, PLLC  
Certified Public Accountants  
Ada, Oklahoma

August 30, 2016

ADA ARTS & HERITAGE AUTHORITY  
Ada, Oklahoma

(A Component Unit of the City of Ada, Oklahoma)

MANAGEMENT LETTER

June 30, 2016

1. INTERNAL CONTROLS RELATED TO CASH DISBURSEMENTS

It is the policy of the organization to require two signatures on all non-payroll, non-recurring checks written for an amount greater than \$500.

During our examination and testing of controls over cash disbursements, we noted instances where the Organization's check signing procedures were not followed. We identified instances where non-payroll, non-recurring checks for amounts greater than \$500 were issued without the required second signature.

When strictly followed, this policy provides for strong control over the cash disbursements process and is a critical component of the overall internal control structure within the Organization. We recommend the policies instituted by the organization requiring two signatures on checks greater than \$500 be followed.