

**Ardmore Main Street Authority**

**Financial Statements**

**Year-End June 30, 2016**

ARDMORE MAIN STREET AUTHORITY  
For the Year Ended June 30, 2016

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Ardmore Main Street Authority

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major of the Ardmore Main Street Authority, a component unit of the City of Ardmore, Oklahoma as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic 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 opinions 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 from 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 opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Ardmore Main Street Authority as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Management has omitted the management discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2017, on our consideration of the Ardmore Main Street 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 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 Ardmore Main Street Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Russell & William CPAs PC". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma  
February 23, 2017

**Ardmore Main Street Authority**  
**Government-Wide Statement of Net Position and**  
**Government Wide Funds Balance Sheet**  
June 30, 2016

<b>Assets</b>	General Fund	Adjustments (Note 6)	Statement of Net Position
Cash	257,298.73		257,298.73
Inventory	4,358.73		4,358.73
Capital Assets, Net of Accumulated Depreciation	-	977,783.34	977,783.34
<b>Total Assets</b>	<b>\$ 261,657.46</b>	<b>\$ 977,783.34</b>	<b>\$1,239,440.80</b>
 <b>Liabilities</b>			
Rental Deposits	600.00	-	600.00
Payroll Liabilities	1,305.60	-	1,305.60
<b>Total Liabilities</b>	<b>\$ 1,905.60</b>	<b>-</b>	<b>\$ 1,905.60</b>
 <b>Fund Balance/Net Position</b>			
Fund Balances:			
Nonspendable	4,358.73	(4,358.73)	-
Unassigned	255,393.13	(255,393.13)	-
<b>Total Fund Balances</b>	<b>259,751.86</b>	<b>(259,751.86)</b>	<b>-</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 261,657.46</b>		
 Net Position:			
Net Investment in Capital Assets		977,783.34	977,783.34
Unrestricted		259,751.86	259,751.86
<b>Total Net Position</b>		<b>\$1,237,535.20</b>	<b>\$1,237,535.20</b>

**Ardmore Main Street Authority**  
**Government-Wide Statement of Activities and**  
**Governmental Fund Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**

<b>Functions/Programs</b>	<u>General Fund</u>	<u>Adjustments (Note 6)</u>	<u>Statement of Activities</u>
<b>Expenditures/Expenses</b>			
Cultural and Recreational	207,860.93	50,131.15	257,992.08
Capital Outlay	<u>32,804.39</u>	<u>(32,804.39)</u>	<u>-</u>
<b>Total Expenditures/Expenses</b>	240,665.32	17,326.76	257,992.08
<b>Program Revenues</b>			
Charges for Services	127,524.91	-	127,524.91
Operating Grants and Contributions	106,894.67	-	106,894.67
Capital Grants and Contributions	<u>175,000.00</u>	<u>-</u>	<u>175,000.00</u>
<b>Total Program Revenues</b>	409,419.58	-	<u>409,419.58</u>
<b>Net Program Expense</b>			151,427.50
<b>General Revenues</b>			
Interest Income	<u>96.70</u>	<u>-</u>	<u>96.70</u>
<b>Total General Revenues</b>	96.70	-	96.70
<b>Excess of Revenues and Transfers In Over     Expenditures and Transfers Out</b>	168,850.96	(168,850.96)	
<b>Change in Net Position</b>		151,524.20	151,524.20
<b>Fund Balance/Net Position</b>			
<b>Beginning of the Year</b>	<u>90,900.90</u>	<u>995,110.10</u>	<u>1,086,011.00</u>
<b>End of the Year</b>	<u>\$ 259,751.86</u>	<u>\$ 977,783.34</u>	<u>\$1,237,535.20</u>

# ARDMORE MAIN STREET AUTHORITY

## Notes to Financial Statement

June 30, 2016

### **Note 1 – General Statement and Summary of Significant Accounting Policies**

#### **Organization**

The Ardmore Main Street Authority (“Authority”) is a trust created pursuant to a trust indenture under the Oklahoma Trust Act of Title 60, Oklahoma statutes. The City of Ardmore is the beneficiary of Ardmore Regional Park Trust Authority. The Authority is a component unit of the City of Ardmore. The Authority is governed by a separate board but is fiscally dependent upon the City of Ardmore for operating funds. The primary purpose of the trust is to promote economic growth and the well being of Ardmore, preserve and improve the historic value of its downtown area, create a quality business environment for both business and consumer, and create an ever expanding resource for the downtown area.

The Authority is a component unit of the City of Ardmore. Its financial statements are required to be presented in the City’s financial report as a discretely presented unit in order for the City’s presentation to be in conformance with GAAP.

The Authority’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAPP). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments. Government are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established is GAAP and used by the Authority are discussed below.

#### **Reporting Entity**

The Authority’s basic financial statements include the accounts of all the Authority’s operations. The criteria for including organizations as component units within the Authority’s reporting entity include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The Authority holds the corporate powers of the organization
- The Authority appoints a voting majority of the organization’s board
- The Authority is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the Authority
- There is fiscal dependency by the organization on the Authority

Based on the aforementioned criteria, the Ardmore Main Street Authority has no component units.

#### **Basis of Presentation Government-Wide and Fund Financial Statements**

##### *Governmental Financial Statements and Fund Type*

The Authority operates one fund, general fund, which is a governmental type of activity. Governmental funds are those through which the government functions of the Authority are financed. The measurement focus is upon determination of changes in net assets, rather than upon net income determination.

ARDMORE MAIN STREET AUTHORITY

Notes to Financial Statement

June 30, 2016

**Basis of Presentation Government-Wide and Fund Financial Statements—continued**

*Governmental Financial Statements and Fund Type – continued*

In the statement of net assets, the governmental activities are reported on a full accrual, economic resource basis which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Authority's net assets are reported in two parts – invested in capital assets and unrestricted net assets.

The statement of activities reports both the gross and net cost of each of the Authority's functions. The statement of activities reduces gross expenses (including depreciation) by related program revenues, grants, and contributions. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants.

The net costs, by function, are normally covered by general revenue (interest income, intergovernmental revenues).

The government-wide focus is more on the sustainability of the Authority as an entity and the change in the Authority's net assets resulting from current year's activities.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Authority considers amount to have been spent first out of committed funds, then assigned funds and finally unassigned funds as needed.

**Measurement Focus/Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to the timing of when revenues and expenditures are recognized in the accounts and reported in the financial statements.

Government fund types use a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures in the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due.

**Governmental Fund Financial Statements**

The Authority has adopted Governmental Accounting Standards Board Statement No, 54, *Fund Balance Reporting and governmental fund Type Definitions*, effective July 1, 2010, which redefined how fund balances of the governmental funds are presented in the financial statements, The governmental fund financial statements present fund balances based on classifications the comprise a hierarchy that is based primarily on the extent to which the Authority is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:



ARDMORE MAIN STREET AUTHORITY

Notes to Financial Statement

June 30, 2016

**Note 1 – General Statement and Summary of Significant Accounting Policies – continued**

**Governmental Fund Financial Statements – continued**

- **Nonspendable**: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- **Restricted**: The classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Authority has classified funds restricted by debt indentures as restricted.
- **Committed**: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Authority does not have any funds in this category as of June 30, 2016.
- **Assigned**: This classification includes amounts that are considered by the Authority's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the management through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The Authority does not have any funds in this category as of June 30, 2016.
- **Unassigned**: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The Authority would typically use restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

**Capital Assets**

Capital assets are primarily building, improvements and equipment. Capital assets are defined by the Authority as assets with an initial individual cost of more than \$100 (amount not rounded) and an estimated useful life which extends substantially beyond the year of acquisition. The cost of the expenditure is capitalized and depreciated or amortized over the estimated useful life of the asset utilizing the straight-line method. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

ARDMORE MAIN STREET AUTHORITY

Notes to Financial Statement

June 30, 2016

**Capital Assets – continued**

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation is computed using the straight line method over the estimated useful lives of five to seven years for equipment and 40 years for building.

**Budgetary Comparison Information**

Budgetary comparison information is required to be presented for the general fund if there is a legally adopted budget. The Authority is not legally required to adopt a budget for the general fund. Therefore, budgetary comparison information is not included in the Authority's financial statements.

**Use of Estimates**

The preparation of financial statements in conformity with the modified basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

**Inventories**

Inventories consist of bricks available for resale and recorded at cost using first in/first out (FIFO) method. Inventories are recorded as assets when purchased and charged to operations when sold. The nonspendable fund balance at the governmental fund level is equal to the amount of inventories at year-end to indicate the portion of the governmental fund balances that are nonspendable.

**Note 2 – Cash**

*Custodial Credit Risk.* Custodial credit risk for cash deposits is the risk that in the event of a bank failure, the Authority's deposits may not be returned or the Authority will not be able to recover collateral securities in the possession of an outside party. The Authority's policy requires collateral for demand deposits and certificates of deposits for all amounts not covered by federal deposit insurance. Custodial credit risk for deposits not formally addressed by bond indentures require that deposits be maintained by the trustee bank specified in the indenture. Cash deposits of the Authority are insured or collateralized by a pledging bank's agent in the Authority's name with securities consisting of U.S. government, state or municipal securities.

ARDMORE MAIN STREET AUTHORITY

Notes to Financial Statement

June 30, 2016

**Note 3 – Capital Assets**

Capital assets as of June 30, 2016, consist of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Land	211,174	-	-	211,174
Buildings & Improvements	1,240,253	32,804	-	1,273,057
Equipment	114,651	-	-	114,651
	<u>1,566,078</u>	<u>32,804</u>	<u>-</u>	<u>1,598,882</u>
Accumulated Depreciation	<u>(570,969)</u>	<u>(50,131)</u>	<u>-</u>	<u>(621,100)</u>
	<u>\$ 995,109</u>	<u>\$ (17,327)</u>	<u>-</u>	<u>\$ 977,782</u>

Depreciation expense of \$50,131 was charged to the Authority's culture and recreation activity.

**Note 4 - Contingencies**

The Authority is exposed to various risks of loss (torts, theft of, damage to, or destruction of assets, business interruptions, errors, and omissions, job-related illnesses or injuries to employees, and acts of God) and has established a risk management strategy that attempts to minimize losses and the carrying cost of insurance. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded coverage in the past three years.

**Note 5 – Subsequent Events**

Management has evaluated subsequent events through February 23, 2017, the date which the financial statements were available and issued.

**Note 6 – Adjustments from Fund Financial Statements to Government-Wide Financial Statements**

The fund balance in the governmental fund balance sheet differs from the net position reported in the government-wide statement of net position. The total difference is \$977,877. The difference is due to capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

ARDMORE MAIN STREET AUTHORITY

Notes to Financial Statement

June 30, 2016

The excess revenues over expenditures in the governmental fund statement of revenues, expenditures and changes in fund balance differs from the change in net position as reported in the government-wide statement of activities. The difference is \$17,327. The detail of the difference is as follows:

Governmental funds record capital outlay as an expenditure but the government-wide financial statements record capital outlay as an increase in capital assets. (32,804)

Depreciation is recorded in the government-wide financial statements as an expense but not recorded in the fund financial statements. 50,131  
\$ 17,327

## Russell & Williams CPA's, PC

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

To the Board of Trustees  
Ardmore Main Street Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Ardmore Main Street Authority, a component unit of the City of Ardmore, Oklahoma as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Ardmore Main Street Authority's basic financial statements, and have issued our report thereon dated February 23, 2017.

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

In planning and performing our audit of the financial statements, we considered Ardmore Main Street Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ardmore Main Street Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Ardmore Main Street Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Oklahoma City, Oklahoma  
February 23, 2017