

HARDY MURPHY COLISEUM AUTHORITY  
(a component unit of the City of Ardmore, Oklahoma)

FINANCIAL STATEMENTS AND  
AUDITOR'S REPORT THEREON

June 30, 2016 and 2015

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## Independent Auditor's Report

To the Board of Trustees  
Hardy Murphy Coliseum Authority  
Ardmore, Oklahoma

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Hardy Murphy Coliseum Authority (a component unit of the City of Ardmore, Oklahoma) (the Authority), as of and for the years ended June 30, 2016 and 2015, 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 business-type activities of the Authority, as of June 30, 2016 and 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the years 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's 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 September 19, 2016, on our consideration of the 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 Authority's internal control over financial reporting and compliance.

*Russell + Williams CPA's, P.C.*

Oklahoma City, Oklahoma  
September 19, 2016

**Hardy Murphy Coliseum Authority**  
**(a component unit of the City of Ardmore, Oklahoma)**

**Statement of Net Position**

**June 30, 2016 and 2015**

	<b>FYE 2016</b>	<b>FYE 2015</b>
<b>ASSETS</b>		
Cash in bank - unrestricted	332,911.39	266,526.11
Cash in bank - restricted	942.06	6,447.00
Accounts Receivable	889.00	16,533.88
<b>TOTAL CURRENT ASSETS</b>	<b>334,742.45</b>	<b>289,506.99</b>
Net Capital Assets	1,992,476.71	2,167,604.27
<b>TOTAL ASSETS</b>	<b>\$ 2,327,219.16</b>	<b>\$ 2,457,111.26</b>
<b>LIABILITIES AND EQUITY</b>		
Accounts Payable	\$ 7,705.08	\$ 10,387.12
<b>Total Current Liabilities</b>	<b>7,705.08</b>	<b>10,387.12</b>
Capital Lease Payable	36,924.80	53,649.60
<b>TOTAL LIABILITIES</b>	<b>44,629.88</b>	<b>64,036.72</b>
<b>NET POSITION</b>		
Invested in Capital Assets, Net of Related Debt	1,955,551.91	2,113,954.67
Unrestricted	326,095.31	272,672.87
Restricted	942.06	6,447.00
<b>Total Net Position</b>	<b>2,282,589.28</b>	<b>2,393,074.54</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 2,327,219.16</b>	<b>\$ 2,457,111.26</b>

**Hardy Murphy Coliseum Authority**  
**(a component unit of the City of Ardmore, Oklahoma)**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Years Ended June 30, 2016 and 2015**

	<b>FYE 2016</b>	<b>FYE 2015</b>
<b>REVENUES</b>		
Charges for Services	297,309.93	330,280.99
Miscellaneous Revenues	195,585.25	208,632.65
<b>TOTAL REVENUES</b>	492,895.18	538,913.64
<b>EXPENSES</b>		
Salaries, Wages, and Taxes	280,676.95	267,811.37
Operating Supplies	180,788.89	195,098.69
Maintenance and Repairs	140,671.49	56,069.47
Telephone and Utilities	60,305.11	61,339.80
Professional Fees	14,529.81	15,938.12
Insurance - Workman's Compensation	14,737.75	12,838.63
Travel	2,628.44	2,083.40
Interest Expense	1,926.08	2,533.81
Depreciation	203,504.50	214,041.08
Miscellaenous Expense	2,577.53	4,639.80
<b>TOTAL EXPENSES</b>	902,346.55	832,394.17
<b>CHANGE IN NET ASSETS BEFORE NON-OPERATING ITEMS</b>	(409,451.37)	(293,480.53)
<b>NON-OPERATING ITEMS</b>		
Transfers from City of Ardmore	200,000.04	200,000.04
Hotel Tax	78,966.07	-
Grants	20,000.00	500.00
<b>TOTAL NON-OPERATING ITEMS</b>	298,966.11	200,500.04
<b>CHANGE IN NET POSITION</b>	(110,485.26)	(92,980.49)
<b>BEGINNING NET POSITION</b>	2,393,074.54	2,486,055.03
<b>ENDING NET POSITION</b>	\$ 2,282,589.28	\$ 2,393,074.54

The accompanying notes are an integral part of these financial statements

**Hardy Murphy Coliseum Authority**  
**(a component unit of the City of Ardmore, Oklahoma)**  
**Statement of Cash Flows**  
**For the Years Ended June 30, 2016 and 2015**

	<b>FYE 2016</b>	<b>FYE 2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received From Customers	508,540.06	525,936.14
Cash Paid to Suppliers	(441,535.92)	(369,421.98)
Cash Paid to Employees	(259,988.17)	(247,451.88)
<b>Net Cash Provided by Operatings</b>	(192,984.03)	(90,937.72)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Transfers From the City of Ardmore, Grants, & Hotel Tax	298,966.11	200,500.04
Purchase of Capital Assets	(28,376.94)	(69,775.00)
Disposal of Capital Assets	-	17,927.04
Proceeds From Capital Leases	-	24,633.30
Repayment of Capital Lease	(16,724.80)	(18,531.67)
<b>Net Cash Provided (Used) For Capital and Financing Activities</b>	253,864.37	154,753.71
<b>Net Increase (Decrease) in Cash</b>	60,880.34	63,815.99
<b>Cash at Beginning of Year</b>	272,973.11	209,157.12
<b>Cash at End of Year</b>	\$ 333,853.45	\$ 272,973.11
<i>Reconciliation of Change in Net Assets to Net Cash</i>		
<i>Provided (Used) by Operating Activities</i>		
Change in Net Assets before Non-Operating Items	(409,451.37)	(293,480.53)
Adjustment to Reconcile Change in Net Assets to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation Expense	203,504.50	214,041.08
Increase (Decrease) in Accounts Receivable	15,644.88	(12,977.50)
Increase (Decrease) in Accounts Payable	(2,738.27)	1,499.80
Increase (Decrease) in Payroll Taxes Payable	56.23	(20.57)
<b>Net Cash Provided by Operating Activities</b>	\$ (192,984.03)	\$ (90,937.72)
Cash in Bank - Unrestricted	332,911.39	266,526.11
Cash in Bank - Restricted	942.06	6,447.00
Total Cash	\$ 333,853.45	\$ 272,973.11

The accompanying notes are an integral part of these financial statements

HARDY MURPHY COLISEUM AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Entity

Hardy Murphy Coliseum Authority (HMCA) was created pursuant to a trust indenture dated January 21, 1985, as authorized by Title 60, Oklahoma Statutes 1984, Section 176-180.3, inclusive, and the Oklahoma Trust Act. HMCA accounts for the operations of the Hardy Murphy Coliseum. The City of Ardmore, Oklahoma is the beneficiary of the Trust. HMCA is a component unit of the City of Ardmore, Oklahoma and has been discreetly presented in the City of Ardmore June 30, 2016 and 2015 basic financial statements.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. HMCA financial statements are prepared on the accrual basis.

Cash Equivalents

Cash equivalents consist of restricted and unrestricted cash and investments maturing within three months.

Related Party Transactions

The City of Ardmore is the beneficiary of the HMCA Trust. During the years ending June 30, 2016 and 2015, the City of Ardmore, Oklahoma provided \$200,000 and \$200,000, respectively, in cash support.

Restricted Net Assets

HMCA maintains a separate bank account for donations earmarked for building and construction. The designated funds at June 30, 2016 and 2015 were \$942 and \$6,447, respectively.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Accounts Receivable

Accounts receivable are stated at their net realizable value.

### Risk Management and Litigation

The HMCA is exposed to various risks of losses related to torts, theft of, damage to and destruction of assets, errors and omission, injuries to employees, and natural disasters. The HMCA obtains insurance coverage through the City of Ardmore.

### Infrastructure

The authority has no assets that would be classified as infrastructure.

### NOTE 2 - DEPOSIT COLLATERAL

The accounts of the HMCA are required by state law to be secured by collateral pledged by the financial institution and/or FDIC deposit insurance. The HMCA is considered a separate entity from the City of Ardmore for FDIC deposit insurance.

In accordance with GASB No. 3, deposits are to be classified into the following three categories:

1. Insured or collateralized with securities held by the entity or by its agent or in the entity's name. (Referred to as category 1)
2. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name. (Referred to as category 2)
3. Uncollateralized, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or agent but not in the entity's name. (Referred to as category 3)

All of the HMCA cash accounts would be considered as category 1 with the exception of monies that are over the FDIC limit. As of June 30, 2016 the Authority had funds on deposit with a local bank that were not covered by FDIC or deposit collateral of \$-0-.

### NOTE 3 – CAPITAL LEASES

The Organization leases three tractors from Deere Credit, Inc. under a capital lease. The economic substance of the lease is that the Organization is financing the acquisition of the assets through the lease, and accordingly, it is recorded in the Organization's assets and liabilities. The lease agreement contains a bargain purchase option at the end of the lease term.

The following is a schedule by years of future minimum payments required under the lease together with their present value as of June 30, 2016:

2016/2017	\$ 18,651
2017/2018	8,173
2018/2019	5,426
2019/2020	5,426
Total Minimum Lease Payments	<u>37,676</u>
Less Amount Representing Interest	<u>751</u>
Present Value of Minimum Lease Payments	<u>\$ 36,924</u>

Amortization of assets held under capital leases is included with depreciation expense.

#### NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

Capital Asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Building and Improvements	5,250,942	18,757	-	5,269,699
Equipment	212,689	9,620	-	222,309
Total	5,463,631			5,492,008
Accumulated Depreciation	(3,296,026)	(203,505)	-	(3,499,531)
Net Assets	<u>\$ 2,167,605</u>			<u>\$ 1,992,477</u>

As of June 30, 2016 and 2015, the governmental and proprietary funds had no capitalized assets that were not being depreciated or had not been depreciated. Depreciation is computed using the straight line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded were not available. Depreciation of \$203,505 and \$214,041 was recorded for the year ending June 30, 2016 and 2015, respectively.

#### NOTE 5 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 19, 2016, which is the date the financial statements were issued.

## **Russell & Williams CPA's, P.C.**

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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  
Hardy Murphy Coliseum 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 accompanying modified cash basis financial statements of the business-type activities of Hardy Murphy Coliseum Authority (a component unit of the City of Ardmore, Oklahoma) (the Authority), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise Authority's basic financial statements, and have issued our report thereon dated September 19, 2016.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. 2016-1.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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.

*Russell + William CPA's, P.C.*

Oklahoma City, Oklahoma  
September 19, 2016

## **Schedule of Findings and Responses**

### **2016-1 Inadequate Accounting of Cash Transactions (Repeat Finding)**

**CONDITION:** Cash receipts and disbursements are not being accounted for properly. Potentially not all cash receipts for concessions are being deposited into the bank.

**CRITERIA:** All concession sales should be reconciled with the cash register total print out after each event.

**CAUSE OF CONDITION:** Improper controls dealing with the acceptance of cash receipts.

**EFFECT OF CONDITION:** The Authority is vulnerable theft and mismanagement of funds.

**RECOMMENDATION:** After each event a reconciliation should be prepared comparing the number of tabulated items sold to revenue received. If all concession items are being ran through an electronic cash register then at the end of each event the supervisor can determine the sales by printing the Z tape total on the register. The Z tape records the total transactions, such as sales by type and number of items. Once the Z tape has been printed it should be turned over to management along with all cash to be reconciled. Management can reconcile all sales recorded on the Z tape to the income in the drawer. All differences between receipts and the cash register tapes should be reconciled and a record kept of cash overages and shortages. This will insure that all concession monies are being deposited into the bank.

**MANAGEMENT RESPONSE:** The Authority has outsourced all concessions stand activity to a third-party. This issue has now been fully resolved.