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***Ada Arts and Heritage Authority***

***Ada, Oklahoma***

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

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

***For the Year Ended June 30, 2011***

***SAUNDERS & ASSOCIATES, PLLC***

***Certified Public Accountants***

***630 East 17th Street***

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***Ada, Oklahoma 74820***

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ADA ARTS AND HERITAGE AUTHORITY  
Ada, Oklahoma

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

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# Saunders & Associates, PLLC

Certified Public Accountants

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P. O. Box 1406 \* Ada, Oklahoma 74820 \* (580) 332-8548 \* FAX: (580) 332-2272  
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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Ada Arts and Heritage Authority  
Ada, Oklahoma

We have audited the accompanying financial statements of the business-type activities of the Ada Arts and Heritage Authority, a component unit of the City of Ada, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Ada Arts and Heritage Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Ada Arts and Heritage Authority's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Ada Arts and Heritage Authority, a component unit of the City of Ada, Oklahoma, as of June 30, 2011, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2011 on our consideration of the Ada Arts and 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 5 and page 16, 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, which 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 supplemental 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.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ada Arts and Heritage Authority's financial statements as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory section and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Saunders & Associates, PLLC*  
SAUNDERS & ASSOCIATES, PLLC  
Certified Public Accountants

September 8, 2011

ADA ARTS AND HERITAGE AUTHORITY  
Ada, Oklahoma

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

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, 2011. 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 Assets and the Statement of Revenues, Expenses and Changes in Net Assets 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 Assets and the Statement of Revenues, Expenses and Changes in Net Assets**

Our analysis of the Authority as a whole follows. The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets 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 assets and changes in them. You can think of the Authority's net assets – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net assets are 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 \$10,820 from rentals, \$18,215 from the City of Ada. Total revenues and gains were \$33,685. Total expenses and losses were \$37,890. Budgeted operating expenses for the year totaled \$47,520 in relation to actual operating expenses of \$37,890.

ADA ARTS AND HERITAGE AUTHORITY  
Ada, Oklahoma

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

UNAUDITED

NET ASSETS

For the year ended June 30, 2011, net assets changed as reflected in the following table:

**Net Assets – Business-Type Activity**

	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>% Change</u>
Capital Assets	\$ 47,618	\$ 48,533	\$( 915)	-1.9%
Current and Other Assets	<u>136,442</u>	<u>139,980</u>	<u>( 3,538)</u>	<u>-2.5%</u>
Total Assets	<u>\$ 184,060</u>	<u>\$ 188,513</u>	<u>\$( 4,453)</u>	<u>-2.4%</u>
Other Liabilities	<u>\$ 1,840</u>	<u>\$ 2,087</u>	<u>\$( 247)</u>	<u>-11.8%</u>
Total Liabilities	<u>\$ 1,840</u>	<u>\$ 2,087</u>	<u>\$( 247)</u>	<u>-11.8%</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	\$ 47,618	\$ 48,533	\$( 915)	-1.9%
Unrestricted	<u>134,602</u>	<u>137,893</u>	<u>( 3,291)</u>	<u>-2.4%</u>
Total Net Assets	<u>\$ 182,220</u>	<u>\$ 186,426</u>	<u>\$( 4,206)</u>	<u>-2.3%</u>

CHANGES IN NET ASSETS

The following table provides a summary of the Authority's changes in net assets:

**Summary of Changes in Net Assets – Business-Type Activity**

	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>% Change</u>
Rental Revenue	\$ 10,820	\$ 13,430	\$( 2,610)	-19.4%
Operating Grant	18,215	21,300	( 3,085)	-14.5%
Donations	0	1,310	( 1,310)	-100.0%
Interest and Dividends	1,756	1,693	63	3.7%
Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>100.0%</u>
Total Revenues	<u>30,791</u>	<u>37,733</u>	<u>( 6,942)</u>	<u>-18.4%</u>
Operating Expenses	<u>37,890</u>	<u>39,697</u>	<u>( 1,807)</u>	<u>- 4.6%</u>
Total Expenses	<u>37,890</u>	<u>39,697</u>	<u>( 1,807)</u>	<u>- 4.6%</u>
Loss on Disposition of Property & Equipment	0	( 159,799)	159,799	100.0%
Increase (Decrease) in Fair Value of Investments	<u>2,894</u>	<u>3,334</u>	<u>( 440)</u>	<u>-13.2%</u>
Total Other Revenues (Expenses)	<u>2,894</u>	<u>( 156,465)</u>	<u>159,359</u>	<u>101.8%</u>
Change in Net Assets	<u>( 4,205)</u>	<u>( 158,409)</u>	<u>154,204</u>	<u>97.3%</u>
Beginning Net Assets	<u>186,425</u>	<u>344,835</u>	<u>(158,410)</u>	<u>-45.9%</u>
Ending Net Assets	<u>\$ 182,220</u>	<u>\$ 186,426</u>	<u>\$( 4,206)</u>	<u>-2.3%</u>

ADA ARTS AND HERITAGE AUTHORITY  
Ada, Oklahoma

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MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

UNAUDITED

CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets** – At the end of June 30, 2011, the Authority had \$47,618 invested in capital assets. (See footnote 3).

**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.

Sarah Hilton  
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 ASSETS

June 30, 2011

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	63,030
Certificates of Deposit		51,931
Prepaid Expenses		630
Total Current Assets		<u>115,591</u>

Capital Assets:

Property and Equipment, Net of Accumulated Depreciation		42,118
Art Collection		5,500
Total Capital Assets		<u>47,618</u>

Other Assets:

Investments		20,851
Total Other Assets		<u>20,851</u>

TOTAL ASSETS \$ 184,060

LIABILITIES

Current Liabilities:

Rental Deposits	\$	1,341
Accrued Taxes Payable		199
Accrued Employee Benefits		300
Total Current Liabilities		<u>1,840</u>

Total Liabilities 1,840

NET ASSETS

Invested in Capital Assets, Net of Related Debt		47,618
Unrestricted		134,602
Total Net Assets		<u>182,220</u>

TOTAL LIABILITIES AND NET ASSETS \$ 184,060

\* 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 NET ASSETS

For the Year Ended June 30, 2011

OPERATING REVENUES

Rental Revenues	\$ 10,820
Operating Grant - City of Ada	18,215
Total Operating Revenues	<u>29,035</u>

OPERATING EXPENSES

Accounting and Legal	5,515
Advertising	626
Cleaning and Laundry	1,195
Contract Labor	414
Depreciation and Amortization	915
Dues and Subscriptions	250
Food Expense	272
Insurance	1,875
Office Supplies	934
Operating Supplies	1,048
Decorations	247
Payroll Taxes	1,148
Postage	115
Repairs and Maintenance	1,417
Security	0
Telephone	1,458
Utilities	5,457
Wages	15,004
Total Operating Expenses	<u>37,890</u>

Operating Income (Loss) (8,855)

Non-Operating Revenues (Expenses)

Loss on Disposition of Property	0
Donations and Grants	0
Interest and Dividends	1,756
Net Increase (Decrease) in Fair Value of Investments	2,894
Total Non-Operating Revenues (Expenses)	<u>4,650</u>

Changes in Net Assets (4,205)  
Net Assets, Beginning of Year 186,425

NET ASSETS, END OF YEAR \$ 182,220

\* 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, 2011

<u>Cash Flows From Operating Activities</u>	
Cash Received From Rental Activities	\$ 10,562
Operating Grants Received	18,215
Cash Paid Employees and Contractors	(16,555)
Cash Paid to Suppliers for Goods and Services	(20,269)
Other Sources (Uses)	1,756
Net Cash Provided (Used) by Operating Activities	<u>(6,291)</u>
<u>Cash Flows From Investing Activities</u>	
Interest Applied to Certificates of Deposit	(723)
Net Cash Provided (Used) by Investing Activities	<u>(723)</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(7,014)
Cash and Cash Equivalents at Beginning of Year	<u>70,044</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 63,030</u>
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:	
Change in Net Assets	\$ (4,205)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Depreciation	915
Changes in Assets and Liabilities:	
(Increase) Decrease in Prepaid Expense	140
Increase (Decrease) in Accrued Taxes Payable	11
Increase (Decrease) in Rental Deposits	(258)
Unrealized Gain on Investment	<u>(2,894)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (6,291)</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)

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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 Townsite 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 assets, 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, 2011

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 fund equities. Unrealized and realized gains and losses are presented in the Statement of Revenues, Expenses and Changes in Net Assets.
- D. Budget – The Authority adopts a budget for expenditures annually, which is provided to the City of Ada in accordance with Oklahoma Statutes and 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. The Authority applies all GASB pronouncements as well as Financial Accounting Standard Board pronouncements issued on or before November 30, 1989, unless the latter conflict with or contradict GASB pronouncements.

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, 2011. 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 its 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.

ADA ARTS AND HERITAGE AUTHORITY  
Ada, Oklahoma

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 2: CASH AND INVESTMENTS, CONTINUED

Type of Deposits	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	Total Carrying <u>Value</u>
Demand Deposits	\$ 63,422	\$ 0	\$ 0	\$ 63,422
Certificates of Deposit**	<u>51,931</u>	<u>0</u>	<u>0</u>	<u>51,931</u>
	<u>\$ 115,353</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 115,353</u>

\*\* Certificates are considered restricted cash for purposes of the statement of cash flows, therefore are not included in cash and cash equivalents.

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 \$2,500 or more are capitalized. Donated assets are recorded at fair market value.

A summary of fixed assets follows:

	<u>06/30/10</u>	<u>Additions</u>	<u>Disposition</u>	<u>06/30/11</u>
Fixed Assets:				
Parking Lot	\$ 38,204	\$ 0	\$ 0	\$ 38,204
Furniture and Equipment	16,553	0	0	16,553
Donated Furniture and Equipment	17,000	0	0	17,000
Leasehold Improvements	<u>16,121</u>	<u>0</u>	<u>0</u>	<u>16,121</u>
Total Fixed Assets	<u>87,878</u>	<u>0</u>	<u>0</u>	<u>87,878</u>
Accumulated Depreciation and Amortization:				
Furniture and Equipment	( 13,146)	( 518)	0	( 13,664)
Donated Furniture and Equipment	( 17,000)	0	0	( 17,000)
Leasehold Improvements	<u>( 14,699)</u>	<u>( 397)</u>	<u>0</u>	<u>( 15,096)</u>
Total Accumulated Depreciation and Amortization	<u>( 44,845)</u>	<u>( 915)</u>	<u>0</u>	<u>( 45,760)</u>
Net Property and Equipment	<u>\$ 43,033</u>	<u>\$ ( 915)</u>	<u>\$ 0</u>	<u>\$ 42,118</u>

Depreciation expense was \$915 for the year.

ADA ARTS AND HERITAGE AUTHORITY  
Ada, Oklahoma

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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.

	<u>06/30/10</u>	<u>Additions</u>	<u>Disposition</u>	<u>06/30/11</u>
Art Collection	\$ <u>5,500</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>5,500</u>

NOTE 5: LONG-TERM INVESTMENTS

Long-term investments are recorded at the lower of cost or market at the time of acquisition and are comprised of the following:

	<u>Market Value</u>
Common Stock	\$ <u>20,851</u>

All common stock investments have been donated to the Authority and include 720 shares of Bristol Myers Squibb Company (BMY). Market value is based upon market information at June 30, 2011, see Note 7.

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:

<b>Type of Loss</b>	<b>Method Managed</b>	<b>Risk Retained</b>
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  
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NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 7: FAIR VALUE MEASUREMENT

Fair value of assets measured on a recurring basis at June 30, 2011 are as follows:

	<u>Fair Value</u>	<b>Fair Value Measurement At Reporting Date Using: Quoted Prices In Active Markets For Identical Assets (Level 1)</b>
June 30, 2011		
Long-Term Investments	\$ <u>20,851</u>	\$ <u>20,851</u>

Fair values for investments, (Level 1), are determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTE 8: SUBSEQUENT EVENTS

Date of Management Evaluation – Management has evaluated subsequent events through September 8, 2011, which is the date the financial statements were available to be issued.

# Saunders & Associates, PLLC

Certified Public Accountants

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P. O. Box 1406 \* Ada, Oklahoma 74820 \* (580) 332-8548 \* FAX: (580) 332-2272  
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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

Board of Trustees  
Ada Arts and Heritage Authority  
Ada, Oklahoma

We have audited the financial statements of the business-type activities of Ada Arts and Heritage Authority, a component unit of the City of Ada, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise Ada Arts and Heritage Authority's basic financial statements and have issued our report thereon dated September 8, 2011. 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 Ada Arts and 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 Ada Arts and Heritage Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ada Arts and 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.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 10-1 that we consider to be a significant deficiency in internal control over financial reporting. 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.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ada Arts and 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 results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

This report is intended solely for the information and use of management, the board of directors, others within the organization, grantor agencies, and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties.

*Saunders & Associates, PLLC*

SAUNDERS & ASSOCIATES, PLLC  
Certified Public Accountants

September 8, 2011

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, 2011

UNAUDITED

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b><u>EXPENDITURES</u></b>				
<b>Personnel Services:</b>				
Salaries	\$ 18,000	\$ 21,600	\$ 15,004	\$ (6,596)
Contract Labor	350	400	414	14
Payroll Taxes	1,300	1,300	1,148	(152)
Taxes - Other	20	20	0	(20)
Insurance - Liability	850	850	1,371	521
Insurance - Workers Comp.	500	500	504	4
<b>Materials and Supplies:</b>				
Laundry and Cleaning	2,200	2,000	1,195	(805)
Office Supplies	450	400	934	534
Operating Supplies	500	500	1,048	548
Postage	200	300	115	(185)
Food	1,000	1,000	272	(728)
Decorations	450	500	247	(253)
<b>Other Services and Charges:</b>				
Advertising and Promotion	700	900	626	(274)
Accounting and Legal	5,500	5,700	5,515	(185)
Bank Charges	75	75	0	(75)
Repairs and Maintenance	2,000	1,000	1,417	417
Equipment and Furniture	0	0	0	0
Telephone	2,000	1,900	1,458	(442)
Utilities	7,300	7,400	5,457	(1,943)
Dues and Subscriptions	375	375	250	(125)
Donations and Contributions	300	300	0	(300)
Security	500	500	0	(500)
Depreciation	0	0	915	915
<b>TOTAL EXPENDITURES</b>	<b><u>\$ 44,570</u></b>	<b><u>\$ 47,520</u></b>	<b><u>\$ 37,890</u></b>	<b><u>\$ (9,630)</u></b>

\* 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)

STATUS OF PRIOR AUDIT FINDINGS

June 30, 2011

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, 2011

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.

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

