
Ardmore Tourism Authority
Financial Statements
Year-End June 30, 2011

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ARDMORE TOURISM AUTHORITY
For the Year Ended June 30, 2011

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Independent Auditor's Report

To the Board of Trustees
Ardmore Tourism Authority

We have audited the accompanying financial statements of the governmental activities and each major fund, of Ardmore Tourism Authority (the Authority) a component unit of the City of Ardmore, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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 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 that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the Ardmore Tourism Authority prepare its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America..

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position- modified cash basis of the governmental activities and each major fund of Ardmore Tourism Authority as of June 30, 2011, and the respective changes in financial position- modified cash basis, thereof for the year then ended in conformity with the accounting basis described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2012, on our consideration of Ardmore Tourism 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 conjunction with this report in considering the results of our audit.

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma
April 17, 2012

ARDMORE TOURISM AUTHORITY

Government-Wide Statement of Assets, Liabilities and Net Assets – Modified Cash Basis and
Governmental Funds Statement of Assets, Liabilities and Fund Balances – Modified Cash Basis
June 30, 2011

	<u>General Fund</u>	<u>Adjustments (Note 8)</u>	<u>Statement of Net Assets</u>
<u>ASSETS</u>			
Current assets:			
Cash	\$ 215,375	\$ -	\$ 215,375
Land and construction in progress	-	1,760,612	1,760,612
Capital assets, net of accumulated depreciation	-	6,705,486	6,705,486
Total Assets	\$ 215,375	\$ 8,466,098	\$ 8,681,473
<u>LIABILITIES</u>			
Current liabilities:			
Rental Deposits	\$ 11,318	\$ -	\$ 11,318
Long-term liabilities			
Due within one year	-	90,999	90,999
Due after one year	-	1,067,249	1,067,249
Total liabilities	\$ 11,318	\$ 1,158,248	\$ 1,169,566
<u>FUND BALANCE/NET ASSETS</u>			
Fund balances:			
Unassigned	204,057	(204,057)	-
Total fund balances	204,057	(204,057)	
Total liabilities and fund balances	\$ 215,375		
Net assets:			
Invested in capital assets, net of related debt		7,307,851	7,307,851
Unrestricted		204,056	204,056
Total Net Assets		\$ 7,511,907	\$ 7,511,907

The accompanying notes are an integral part of the financial statements

ARDMORE TOURISM AUTHORITY
Government-Wide Statement of Revenues, Expenses and Changes
in Net Assets- Modified Cash Basis and
Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances – Modified Cash Basis
For the Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>General Fund</u>	<u>Adjustments (Note 8)</u>	<u>Statement of Activities</u>
Expenditures/expenses:			
Tourism	\$ 234,055	\$ (578)	\$ 233,477
Convention Center	457,830	242,050	699,880
Capital Outlay	852,443	(852,443)	-
Debt service			
Principal	98,916	(98,916)	-
Interest	<u>31,171</u>	<u>-</u>	<u>31,171</u>
Total Expenditures/Expenses	<u>1,674,415</u>	<u>(709,887)</u>	<u>964,528</u>
 Program Revenues			
Charges for Services	213,796	-	213,796
Operating Grants and Contributions	<u>689,346</u>	<u>-</u>	<u>689,346</u>
	<u>903,142</u>	<u>-</u>	<u>903,142</u>
Net program expense			<u>(61,386)</u>
 General Revenues:			
Investment income	309	-	309
Debt Proceeds	749,653	(749,653)	-
Miscellaneous	<u>71,464</u>	<u>-</u>	<u>71,464</u>
Total general revenues and transfers	<u>821,426</u>	<u>(749,653)</u>	<u>71,773</u>
 Excess of revenues and transfers in over expenditures and transfers out	50,153	(50,153)	
 Net Change in Net Assets		10,387	10,387
Fund Balance/Net Assets:			
Beginning of Year	<u>153,904</u>	<u>7,347,616</u>	<u>7,501,520</u>
 End of Year	<u>\$ 204,057</u>	<u>\$ 7,307,850</u>	<u>\$ 7,511,907</u>

The accompanying notes are an integral part of the financial statements

ARDMORE TOURISM AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2011

Note 1 - Summary of Significant Accounting Policies

The Ardmore Tourism Authority (Authority) is a trust created under an indenture dated November 21, 1994, as amended, pursuant to Title 60 of the Oklahoma Statutes, section 176, et seq., with the City of Ardmore, Oklahoma named as the beneficiary. The purpose of the Authority is to promote tourism within the City of Ardmore.

A board of trustees, consisting of eleven members, governs the Authority. One trustee shall be the Executive Director of the Ardmore Main Street Authority, one shall be the manager of the Hardy Murphy Trust Authority and nine members shall be appointed by the City of Ardmore to broadly represent the interests of hotel, motel and restaurant industries, the Chamber of Commerce and the Regional Park Authority.

The Authority is a component unit of City of Ardmore. Its financial statements are included in the City's financial report as a discretely presented unit. The Authority receives 70% of its program revenue from the City.

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 Tourism Authority has no component units.

Basis of Presentation Government-Wide and Fund Financial Statements

Government-Wide Financial Statements. The government-wide financial statements include the statement of assets, liabilities and net assets- modified cash basis and the statement of revenues, expenses and changes in net assets –modified cash basis to report information on all of the activities of the Authority.

ARDMORE TOURISM AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2011

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Presentation Government-Wide and Fund Financial Statements (continued)

The statement of assets, liabilities and net assets- modified cash basis reports both short and long-term assets and liabilities specifically including capital assets acquired by the Authority.

The statement of revenues, expenses and changes in net assets –modified cash basis demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include rents and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead *as general revenues*.

The government-wide financial statements of the Authority are prepared on a modified cash basis of accounting. Under this basis, cash receipts are recognized as revenue at the date of receipt and cash payments are recognized as expenses at the date of payment with the following modifications:

- Capital assets are recorded as assets when purchased and related depreciation is recorded.
- Long-term debt is recorded when incurred.

Government Funds Statements. The government funds statements include a statement of assets, liabilities and fund balance-modified cash basis and a statement of revenues, expenditures and changes in fund balance- modified cash basis. The only major fund is the general fund.

The government funds statements use the current financial resources measurement focus and the modified cash basis of accounting. Revenues are recognized when they are received. Expenditures are recorded when paid with the following modifications:

- Amounts collected as refundable deposits on leases are shown as liabilities.

Investments

The Authority's funds are generally invested in (1) direct obligations of the U. S. government, its agencies or instrumentalities to the payment of which the full faith and credit of the U. S. government is pledged, (2) collateralized or insured certificates of deposit and other evidences of deposits in banks, savings and loan associations, and credit unions secured by appropriate

ARDMORE TOURISM AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2011

Note 1 - Summary of Significant Accounting Policies (continued)

collateral and (3) money market funds regulated by the Securities and Exchange Commission consisting of authorized domestic securities in compliance with state law. The Authority does not have a formal policy for reducing concentration of credit risk.

Restricted Assets

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds spent first.

Capital Assets

Capital assets, which include property and equipment, are stated at cost. Donated capital assets are recorded at estimated fair market value at the date of donation. If an expenditure results in an asset having an estimated useful life which extends substantially beyond the year of acquisition and exceeds \$1,000, the cost of the expenditure is capitalized and depreciated or amortized over the estimated useful life of the asset utilizing the straight-line method.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are expensed in the current year. When capital assets are disposed, the cost and related accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

Buildings	40 years
Vehicles	5 years
Equipment	5-10 years

Government-Wide Financial Statements – When the Authority incurs an expense for which it may use either restricted or unrestricted net assets, it uses restricted net assets first unless unrestricted net assets will have to be returned because they were not used. Net assets on the Statement of Net Assets include the following:

Investment in Capital Assets, Net of Related Debt – The component of net assets that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

ARDMORE TOURISM AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2011

Note 1 - Summary of Significant Accounting Policies (continued)

Unrestricted – The difference between assets and liabilities that is not reported as restricted for any particular purpose.

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 that 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:

- 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. The Authority does not have any funds in this category as of June 30, 2011.
- Restricted: This 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 does not have any funds in this category as of June 30, 2011.
- 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, 2011.

ARDMORE TOURISM AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2011

Note 1 - Summary of Significant Accounting Policies (continued)

- Assigned: This classification includes amounts that are constrained 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, 2011.

- 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.

Budgets and Budgetary Accounting

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, budget comparison information is not included in the 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.

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 deposit for all amounts not covered by federal deposit insurance. Cash deposits of the Authority are fully insured.

ARDMORE TOURISM AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2011

Note 3 – Long-Term Debt

The Authority issued a promissory note with a bank to provide financing toward the construction of a convention center.

Long-term liability activity for the year ended June 30, 2011 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Note Payable	\$ 507,511	\$ 749,653	\$ 98,916	\$ 1,158,248	\$ 90,999
	<u>\$ 507,511</u>	<u>\$ 749,653</u>	<u>\$ 98,916</u>	<u>\$ 1,158,248</u>	<u>\$ 90,999</u>

Long-term liabilities at June 30, 2011, consisted of the following:

<u>Type of Indebtedness</u>	<u>Purpose (Financed costs of)</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Monthly Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at June 30, 2011</u>
Bank Note Payable	Convention Center	May, 2020	4.75%	\$10,841	3,000,000	\$ 1,158,248 <u>\$ 1,158,248</u>

Collateral – Real property mortgage and all tax revenues payable to the Authority from the City of Ardmore.

The debt matures as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 90,999	\$ 39,088
2013	94,236	35,852
2014	97,587	32,500
2015	101,058	29,029
2016	104,653	25,435
2017-2021	581,816	68,621
2022-2206	87,899	1,182
	<u>\$ 1,158,248</u>	<u>\$ 231,707</u>

ARDMORE TOURISM AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2011

Note 4 - Related Party Transactions

The president/chief operating officer of the Authority also serves as president of the Ardmore Chamber of Commerce (Chamber). In addition, at least one member of the Authority's board of trustees also serves on the Chamber's board of directors.

The Chamber is compensated in the amount of \$50,000 by the Authority pursuant to a management contract whereby the Chamber provides necessary personnel, supplies, and equipment to the Authority to carry on its business.

The Chamber also pays salaries and benefits for all employees of the Authority. During the year ending June 30, 2011, the Authority reimbursed the Chamber \$169,294 for payroll and related costs.

During the current year, a payment was made to Ardmore Electric, a board member owned business, in the amount of \$420.

Note 5 - Contingencies

The Authority is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Authority carries commercial insurance. There have been no significant reductions in coverage from the prior year.

Note 6 – Retirement Plan

All full time employees are eligible to contribute to a pretax IRA set up by the Chamber after one year of employment. The Chamber will match the employee contribution, up to a maximum of 3% of the employee's annual salary. The Chamber also contributes to an annuity for its president. The cost of retirement benefits for 2011 was \$3,712.

ARDMORE TOURISM AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2011

Note 7 – Capital Assets

Capital assets as of June 30, 2011, consists of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets, not being depreciated</i>				
Land	\$ 854,623	\$ -	\$ -	\$ 854,623
Construction in progress	62,695	843,294	-	905,989
Total capital assets, not being depreciated	<u>917,318</u>	<u>843,294</u>	<u>-</u>	<u>1,760,612</u>
<i>Capital assets, being depreciated</i>				
Buildings and Improvements	8,133,917	-	-	8,133,917
Equipment	523,184	11,362	-	534,546
Total capital assets, being depreciated	<u>8,657,101</u>	<u>11,362</u>	<u>-</u>	<u>8,668,463</u>
Less Accumulated Depreciation	<u>(1,719,294)</u>	<u>(243,683)</u>	<u>-</u>	<u>(1,962,977)</u>
Total capital assets, being depreciated, net	<u>6,937,807</u>	<u>-</u>	<u>-</u>	<u>6,705,486</u>
Governmental activities capital assets, net	<u>\$ 7,855,125</u>	<u>\$ 843,294</u>	<u>\$ -</u>	<u>\$ 8,466,098</u>

Depreciation expense was \$243,683 charged to the Authority's Convention Center activity.

Note 8 – Adjustments from Fund Financial Statements to Government-Wide Financial statements

The excess of revenues and transfers in over expenditures and transfers out in governmental fund statement of revenues, expenditures, and changes in fund balances differs from the change in net assets as reported in the government-wide statement of revenues, expenses and changes in net assets. The total difference is \$(39,766). The detail of this difference is as follows:

Capital outlay	\$ 854,654
Depreciation expense	(243,683)
Proceeds from issuance of long-term debt	(749,653)
Principal repayments	98,916
	<u>\$ (39,766)</u>

The fund balances in the governmental fund statement of assets, liabilities and fund balances differs from the net assets reported in the government-wide statement of assets, liabilities and net assets. The total difference is \$7,307,850. The detail of this difference is as follows:

ARDMORE TOURISM AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2011

Note 8 – Adjustments from Fund Financial Statements to Government-Wide Financial statements (continued)

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. \$ 8,466,098

Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds:

Notes payable	<u>(1,158,248)</u>
	<u>\$ 7,307,850</u>



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 Tourism Authority

We have audited the financial statements of Ardmore Tourism Authority, a component unit of the City of Ardmore as of and for the year ended June 30, 2011, which collectively comprise the Ardmore Tourism Authority's basic financial statements and have issued our report thereon dated April 17, 2012. Our report on the financial statements disclosed, that, as described in Note 1 to the financial statements, the Authority prepares its financial statements on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ardmore Tourism 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 Ardmore Tourism Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Ardmore Tourism 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

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material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ardmore Tourism 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*.

This report is intended solely for the information and use of management, funding agencies, trustees, others within the entity, and the Oklahoma State Auditor and Inspector and is not intended to be and should not be used by anyone other than these specified parties.

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma
April 17, 2012