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**Ardmore Main Street Authority**  
Financial Statements  
Year-End June 30, 2014

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ARDMORE MAIN STREET AUTHORITY  
For the Year Ended June 30, 2014

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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 fund, of Ardmore Main Street Authority (the Authority) a component unit of the City of Ardmore, Oklahoma, as of and for the year ended June 30, 2014, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not

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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 opinion.

### **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 Ardmore Main Street Authority as of June 30, 2014, and the respective changes in financial position for the year ended in conformity with the accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Management has omitted the management's discussion and analysis 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, and 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 December 16, 2014 on our consideration of 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ardmore Main Street Authority's internal control over financial reporting and compliance.

*Rakhal Henderson Johnson, PLLC*

Ardmore, Oklahoma  
December 16, 2014

## **BASIC FINANCIAL STATEMENTS**

**ARDMORE MAIN STREET AUTHORITY**  
**Government-Wide Statement of Net Position and**  
**Governmental Funds Balance Sheet**  
**June 30, 2014**

	<u>General Fund</u>	<u>Adjustments (Note 6)</u>	<u>Statement of Net Position</u>
<b><u>ASSETS</u></b>			
Current Assets:			
Cash	\$ 155,068	\$ -	\$ 155,068
Accounts receivable	46,065	-	46,065
Inventory	2,859	-	2,859
Land	-	127,524	127,524
Construction in Progress	-	14,505	14,505
Capital Assets, Net of Accumulated Depreciation	<u>-</u>	<u>1,062,307</u>	<u>1,062,307</u>
 Total Assets	 <u>\$ 203,992</u>	 <u>\$ 1,204,336</u>	 <u>\$ 1,408,328</u>
 <b><u>LIABILITIES</u></b>			
Current Liabilities:			
Accounts Payable	\$ 25,458	\$ -	\$ 25,458
Rental Deposits Held	5,100	-	5,100
Payroll Liabilities	<u>1,523</u>	<u>-</u>	<u>1,523</u>
 Total Liabilities	 <u>\$ 32,081</u>	 <u>\$ -</u>	 <u>\$ 32,081</u>
 <b><u>FUND BALANCE/NET POSITION</u></b>			
Fund Balances:			
Nonspendable	\$ 2,859	\$ (2,859)	\$ -
Restricted			
Taste of Ardmore-Entertainment	8,746	(8,746)	-
Cultural Facilities Plan	36,000	(36,000)	-
Unassigned	<u>124,306</u>	<u>(124,306)</u>	<u>-</u>
Total Fund Balances	<u>171,911</u>	<u>(171,911)</u>	<u>-</u>
 Total Liabilities and Fund Balances	 <u>\$ 203,992</u>		
Net Position:			
Net Investments in Capital Assets		1,204,336	1,204,336
Restricted			
Taste of Ardmore-Entertainment		8,746	8,746
Cultural Facilities Plan		36,000	36,000
Unrestricted		<u>127,165</u>	<u>127,165</u>
 Total Net Position		 <u>\$ 1,376,247</u>	 <u>\$ 1,376,247</u>

The accompanying notes are an integral part of the financial statements

**ARDMORE MAIN STREET AUTHORITY**  
**Government-Wide Statement of Activities and**  
**Governmental Fund Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**For the Year Ended June 30, 2014**

<u>Functions/Programs</u>	<u>General Fund</u>	<u>Adjustments (Note 6)</u>	<u>Statement of Activities</u>
Expenditures/expenses:			
Cultural and Recreational	\$ 301,976	\$ 88,847	\$ 390,823
Capital Outlay	<u>93,498</u>	<u>(93,498)</u>	<u>-</u>
Total Expenditures/Expenses	<u>395,474</u>	<u>(4,651)</u>	<u>390,823</u>
Program Revenues			
Charges for Services	32,326	-	32,326
Operating Grants and Contributions	327,396	-	327,396
Capital Grants and Contributions	<u>76,135</u>	<u>-</u>	<u>76,135</u>
	<u>435,857</u>	<u>-</u>	<u>435,857</u>
Net program expense			<u>45,034</u>
General Revenues:			
Interest income	143	-	143
Miscellaneous	<u>7,822</u>	<u>-</u>	<u>7,822</u>
Total general revenues	<u>7,965</u>	<u>-</u>	<u>7,965</u>
Excess of revenues and transfers in over expenditures and transfers out	48,348	(48,348)	
Net Change in Net Position		52,999	52,999
Fund Balance/Net Position:			
Beginning of Year	<u>123,563</u>	<u>1,199,685</u>	<u>1,323,248</u>
End of Year	<u>\$ 171,911</u>	<u>\$ 1,204,336</u>	<u>\$ 1,376,247</u>

The accompanying notes are an integral part of the financial statements

ARDMORE MAIN STREET AUTHORITY  
Notes to Financial Statements  
June 30, 2014

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

**Organization**

The Ardmore Main Street Authority (“Authority”) is a trust created April 17, 1989 pursuant to a trust indenture under the Oklahoma Trust Act of Title 60, Oklahoma statutes. The City of Ardmore, Oklahoma is the beneficiary of Ardmore Main Street Authority. The Authority is a component unit of the City of Ardmore, Oklahoma. The Authority is governed by a separate board but is fiscally dependent upon the City of Ardmore, Oklahoma 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’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments. The more significant accounting policies established in GAAP and used by the Authority are discussed below.

**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 governmental functions of the Authority are financed. The measurement focus is upon determination of changes in net position, rather than upon net income determination.

In the statement of net position, 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 position is reported in two parts:

Net Investment in Capital Assets – the component of net position 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.

Restricted for Taste of Ardmore: Entertainment – the component of net position that report the assets restricted for use for entertainment expenses related to the Taste of Ardmore event. This amount is restricted by the sponsor.



ARDMORE MAIN STREET AUTHORITY  
Notes to Financial Statements  
June 30, 2014

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

Restricted for Cultural Study -- the component on net position that report the assets restricted for the use related to cultural study of main street area. This amount is restricted by the contributor.

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

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 position resulting from current year's activities.

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

The governmental fund financial statements present fund balances based on classification 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 classification used in the governmental fund financial statements are as follows:

**Nonspendable**—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The Authority has classified inventories as being nonspendable as these items are not expected to be converted to cash within the next year.

**Restricted**—Amounts that can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors, sponsors, contributors or creditors. The Authority classified the remainder portion of a taste of Ardmore sponsorship, which was for entertainment costs specified by the sponsor. Also they have classified the remainder portion of the funds received from a contributor for the cultural study of the main street area.

ARDMORE MAIN STREET AUTHORITY  
Notes to Financial Statements  
June 30, 2014

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

**Committed**—Amounts that can be used only for specific purposes determined by a formal action by Authority resolution. Commitments may be modified or rescinded only through resolution approved by the Authority board. The Authority does not have any funds in this category as of June 30, 2014.

**Assigned**—Amounts that are designated by Management for a specific purpose with authorization of the Authority board. The Authority does not have any funds in this category as of June 30, 2014.

**Unassigned**—All amounts not included in other spendable classifications.

**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.

**Capital Assets**

Capital assets are primarily buildings, improvements and equipment. Capital assets are defined by the Authority as assets with an initial individual cost of more than \$500 (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.

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.

ARDMORE MAIN STREET AUTHORITY  
Notes to Financial Statements  
June 30, 2014

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

**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.

**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 certificate of deposit and other evidences of deposits in banks, savings and loans associations, and credit unions secured by appropriate 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.

**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.

**In-Kind Donations**

In-kind donations include contributions of noncash items such as services, materials and supplies. In-kind donations that can be used internally or sold are measured at fair value. During the year, the Authority received \$7,542 in donated supplies, materials and services that were used in carrying out their programs. The revenue related to these in-kind donations has been recorded in the financial statement as Program operating contributions and the expenses have been recorded as Cultural and Recreational Expenditures/expenses on the Government-Wide Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. The Authority received \$14,505 of services that were used towards the development of the depot park. The revenue related to these in-kind donations has been recorded in the financial statements as program capital grants and contributions on the Government-Wide Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances. The expenditures related to the \$14,505 in-kind services were recorded as Cultural and Recreational Expenditures on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance, and as Construction in Progress on the Government Wide Statement of Net Position.

ARDMORE MAIN STREET AUTHORITY  
Notes to Financial Statements  
June 30, 2014

**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. 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.

**Note 3 – Capital Assets**

Capital assets as of June 30, 2014, consists of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets, not being depreciated</i>				
Land	\$ 127,524	\$ -	\$ -	\$ 127,524
Construction in progress	-	14,505	-	14,505
Total capital assets, not being depreciated	<u>127,524</u>	<u>14,505</u>	<u>-</u>	<u>142,029</u>
<i>Capital assets, being depreciated</i>				
Buildings and Improvements	2,125,089	35,668	-	2,160,757
Equipment	176,878	43,325	-	220,203
Total capital assets, being depreciated	<u>2,301,967</u>	<u>78,993</u>	<u>-</u>	<u>2,380,960</u>
Less Accumulated Depreciation	<u>(1,229,805)</u>	<u>(88,848)</u>	<u>-</u>	<u>(1,318,653)</u>
Total capital assets, being depreciated, net	<u>1,072,162</u>	<u>(9,855)</u>	<u>-</u>	<u>1,062,307</u>
Governmental activities capital assets, net	<u>\$ 1,199,686</u>	<u>\$ 4,650</u>	<u>\$ -</u>	<u>\$ 1,204,336</u>

Depreciation expense of \$88,847 was charged to the Authority's cultural and recreational activity.

**Note 4 – Commitment and Contingencies**

As of June 30, 2014, the Authority had a cultural facilities plan in process. The remaining commitment on this project was approximately \$56,000 plus direct expenses for travel, accommodations and survey publicity. The remaining commitment will be financed with the \$36,000 of restricted fund balance/net position as of June 30, 2014, plus additional contributions \$20,000 from outside sources and \$5,000 from the Authority's operating account.

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.

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Notes to Financial Statements  
June 30, 2014

**Note 5 – Accounts Receivable**

Receivables as of June 30, 2014 for the Authority, are as follows:

Due from other Governments:	\$	45,000
Other receivables:		1,065
		46,065
	\$	46,065

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

The excess of revenues over expenditures in governmental fund statement of revenues, expenditures and changes in fund balances differs from the change in net position as reported in the government-wide statement of activities. The total difference is \$4,650. The detail of this difference is as follows:

Governmental funds report capital outlay as expenditures. In the statement of activities, the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense

Capital Outlay	\$	93,498
Depreciation Expense		(88,848)
		4,650
	\$	4,650

The fund balances in the governmental fund balance sheet differs from the net position reported in the government-wide statement of net position. The total difference is \$1,204,336. The detail of this difference is as follows:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	\$	1,204,336
		1,204,336
	\$	1,204,336

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Notes to Financial Statements  
June 30, 2014

**Note 7 – Restricted Net Assets**

The Authority has cash, account receivables and accounts payables which are restricted for the following purposes:

Cash:

Restricted for Taste of Ardmore -- Entertainment	8,746
Total Restricted Cash:	<u>\$ 8,746</u>

Accounts Receivable:

Restricted for Cultural Facilities Plan	\$ 45,000
Total Restricted Accounts Receivable:	<u>\$ 45,000</u>

Accounts Payable:

Restricted for Cultural Facilities Plan	\$ 9,000
	<u>\$ 9,000</u>

Restricted Net Assets: Taste of Ardmore -- Entertainment:	\$ 8,746
Restricted Net Assets: Cultural Facilities Plan:	\$ 36,000



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 the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of Ardmore Main Street Authority, a component unit of the City of Ardmore as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Ardmore Main Street Authority's basic financial statements and have issued our report thereon dated December 16, 2014.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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

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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 we consider to be less severe than a material weakness, yet important enough to merit attention to those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses, to be material weaknesses. 2014-1, 2014-2, 2014-3, 2014-4, 2014-6 and 2014-7.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Ardmore Main Street 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2014-4 and 2014-5.

### **Ardmore Main Street Authority's Response to Findings**

Ardmore Main Street Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Ardmore Main Street Authority's responses were not subjected to the auditing procedures applied in an audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control 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.

*Rahhal Henderson Johnson, PLLC*

Ardmore, Oklahoma  
December 16, 2014



ARDMORE MAIN STREET AUTHORITY  
Schedule of Findings and Responses  
June 30, 2014

**2014-1 Segregation of duties**

**Condition** – Receipt sequences are not being monitored and reconciled to deposits.

**Criteria** – The concept of control activities within the COSO Integrated Framework indicates that control policies and procedures ensure management’s directives to mitigate risk.

**Cause** – The Authority has a small staff which limits the ability to adequately segregate duties- Same individual has the ability to invoice, collect money, prepare deposits, and post the deposits.

**Effect** – Receipts are not monitored and reconciled to deposits.

**Recommendation** – We recommend the following:

1. Receipt sequences should be monitored and reconciled to deposits on a monthly basis.

**Views of Responsible Officials** – Recommendations will be taken into consideration and new procedures will be implemented.

**2014-2 Purchase Documentation**

**Condition** – Purchases were identified which did not have supporting documentation. Payments directly to vendor creditors were noted. Documentation for food costs at events was not sufficient. Evidence of receipt of items was not available for all purchases.

**Criteria** – The concept of control activities within the COSO Integrated Framework indicates that control policies and procedures ensure management’s directives to mitigate risk.

**Cause** – The Authority does not currently have a procedure manual or policy in place to instruct staff on the ways to consistently apply rules, requirements, and methods on record keeping.

**Effect** – Inadequate purchasing documentation. 1 of 25 purchases lacked proper supporting documentation.

**Recommendation** – We recommend the following:

1. The Authority should develop a procedures manual to provide guidance on processes to be followed, documentation required, reconciliation process etc for all Authority financial transaction. This will allow for more consistency from year to year as new staff and volunteers are involved.

ARDMORE MAIN STREET AUTHORITY  
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2. Expenditures related to food costs for fundraising/promotion events, should be based on a cost per meal basis times number of meals served, instead of receipts of items purchased for event.
3. Receipt of Goods/services policy needs to be implemented to ensure that goods/services have been received by the Authority.

**Views of Responsible Officials** – The Authority will develop a procedure manual to implement and apply controls and procedures.

### 2014-3 Year End Closing Procedures

**Condition** – The Authority does not have a fixed asset policy or procedures in place to determine accounts receivable and accounts payable at year end.

**Criteria** – Effective internal control over financial reporting includes the identification and analysis of the risk of material misstatements in the financial statements. Management of the Authority is responsible for designing a system to manage the risks over preparation of the financial statements. The responsibility for the financial statements remains with management even when the preparation of the financial statements is transferred to a service provider.

**Cause** – The Authority does not have a procedure in place to recognize fixed assets consistently or a process for disposal of assets. The Authority also does not have procedure in place to evaluate if the Authority has accounts receivable and accounts payable at year end.

**Effect** –Material adjustment related to fixed assets, receivables and payables at year end were necessary. Risk of misappropriation of assets.

**Recommendation** – Management should continue to review its year-end procedures to determine if financial information is complete.

**Views of Responsible Officials** – The Authority will develop a procedure to implement and apply controls and procedures for year-end close and financial reporting.

### 2014-4 Deposit Compliance

**Condition** – Cash receipts are not being deposited within one business day.

**Criteria** – Title 63 Section 517.3 of Oklahoma state statues require the treasurer of every public entity shall deposit daily not later than the immediately next banking day, all funds, in either state or county depositories within Oklahoma.

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**Cause** – The Authority does not currently have a procedure manual or policy in place to instruct staff on the ways to consistently apply rules and requirements.

**Effect** – 1 of 25 receipts transactions were not deposited within one business day as required by state law.

**Recommendation** – We recommend the Authority to develop a procedures manual to provide guidance on processes to be followed, documentation to complete, reconciliations, etc. for all Authority financial transaction. This will allow for more consistency from year to year as new staff and volunteers are involved.

**Views of Responsible Officials** – The Authority will develop a procedure manual to implement and apply controls and procedures.

**2014-5 Conflict of Interest**

**Condition** – The Authority does not have a conflict of interest policy to ensure compliance.

**Criteria** – Title 60, Section 178.8: “a conflict of interest shall be deemed to exist in any contractual relationship in which such trustee or member of his immediate family is an officer, partner, principal stockholder, shall directly or indirectly buy or sell goods or services to, or otherwise contract with such trust.”

**Cause** – The Authority does not have a written conflict of interest policy nor do they require annual representation from their board members related to conflict of interest.

**Effect** – Expenses could have occurred between a trustee owned business that would not be compliant with state law.

**Recommendation** – We recommend that the Authority establish a written policy that complies with state statutes related to conflict of interest, and require each board member to make annual disclosure of related parties.

**Views of Responsible Officials** – The current procedure is to not purchase from board members. The Authority is in the process of writing a conflict of interest policy.

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**2014-6 Fundraiser/Promotion Events**

**Condition** –No reconciliation is being completed between some event documents/listings and the amounts recorded on the general ledger. No reconciliations are being completed on the day of events for products/tickets sold at the events.

**Criteria** – Event documents/listings should be reconciled timely with the general ledger to ensure all activity has been properly captured on the general ledger. Reconciliations should be completed for products/tickets sold at the events to ensure all money being collected is being deposited.

**Cause** – The Authority does not have a policy and procedure manual for the operations of fundraiser and promotion events.

**Effect** – Risk of fraud and misappropriation of assets.

**Recommendation** – We recommend that the Authority establish a written policy that establishes specific procedures to be completed for sale of goods/products/tickets at fundraiser/promotion events. Policy and Procedures also need to be implemented to reconcile Fundraiser/Promotion event documentation/listings to the general ledger timely.

**Views of Responsible Officials** – The Authority has already implemented ticket reconciliation process with one event and will work towards having reconciliations complete for other events of products sold. The Authority is also adapting the schedule/listings to be able to reconcile with the general ledger.

**2014-7 General Journal Entries**

**Condition** – Changes to account coding is not being completed by journal entry.

**Criteria** – The concept of control activities within the COSO Integrated Framework indicates that control policies and procedures ensure management’s directives to mitigate risk.

**Cause** – The Authority does not have a policy and procedure manual for journal entries.

**Effect** – Risk that errors or omission could occur and not be detected in a timely manner.

**Recommendation** – We recommend the following:

1. Any reclassification or change of coding be completed by a Journal Entry instead of changing the original transaction.
2. Journal Entries made need to be printed and supporting documentation needs to be attached to entry.

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3. Journal Entries and supporting documentation need to be reviewed and initialed by Board Treasurer on a monthly basis.

**Views of Responsible Officials** –All adjustments to coding will be completed with Journal Entries, documentation attached and reviewed by board treasurer on monthly basis.