

PITTSBURG COUNTY
REGIONAL EXPOSITION AUTHORITY
MCALESTER, OKLAHOMA
FINANCIAL STATEMENTS
JUNE 30, 2011

RALPH OSBORN
CERTIFIED PUBLIC ACCOUNTANT
500 SOUTH CHESTNUT
P.O. BOX 1015
BRISTOW, OKLAHOMA 74010-1015

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pittsburg County Regional Exposition Authority
McAlester, Oklahoma 74501

I have audited the accompanying financial statements of the business-type activities of Pittsburg County Regional Exposition Authority as of and for the year ended June 30, 2011, which collectively comprise Pittsburg County Regional Exposition Authority's basic financial statements. These financial statements are the responsibility of Pittsburg County Regional Exposition Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Pittsburg County Regional Exposition Authority as of June 30, 2011, and the respective changes in financial position and cash flows thereof for the year ended, in conformity with accounting principles generally accepted in the United States of America.

Pittsburg County Regional Exposition Authority has not presented Management Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statement.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 19 2011, on my consideration of Pittsburg County Regional Exposition Authority's internal control over financial reporting and my 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 my audit.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
December 19 2011

PITTSBURG COUNTY REGIONAL EXPOSITION AUTHORITY
MCALESTER, OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2011

ASSETS

Current assets

Cash and cash equivalents	\$ 8,744
Total current assets	<u>8,744</u>

Noncurrent assets

Capital assets

Land	190,712
Improvements	106,536
Equipment	87,667
Building	3,310,036
Furniture and fixtures	14,456
Less accumulated depreciation	<u>(1,327,661)</u>

Total noncurrent assets	<u>2,381,746</u>
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Total Assets	<u>2,390,490</u>
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NET ASSETS

Nonspendable fund balance

Invested in capital assets, net of related debt	2,381,746
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Unassigned fund balance	<u>8,744</u>
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Total net Assets	<u>\$ 2,390,490</u>
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Calculation of Invested in capital assets

Net book value	\$ 2,381,746
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Current and noncurrent Debt	<u>-</u>
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Invested in capital assets, net of related debt	<u>\$ 2,381,746</u>
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The Accompanying Notes are an Integral Part of this Statement.

PITTSBURG COUNTY REGIONAL EXPOSITION AUTHORITY
MCALESTER, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

OPERATING REVENUES:	
Rental income	\$ <u>1,750</u>
Total operating revenues	<u>1,750</u>
OPERATING EXPENSES:	
Professional fees	3,100
Utilities	8,127
Repairs & maintenance	2,676
Misc	74
Depreciation	<u>85,841</u>
Total operating expenses	<u>99,818</u>
Operating income (loss)	<u>(98,068)</u>
NONOPERATING REVENUES (EXPENSES):	
Interest income	<u>34</u>
Total nonoperating revenues (expenses)	<u>34</u>
Change in net assets	(98,034)
Total net assets, June 30, 2010	<u>2,488,524</u>
Total net assets, June 30, 2011	<u>\$2,390,490</u>

The Accompanying Notes are an Integral part of this Statement.

PITTSBURG COUNTY REGIONAL EXPOSITION AUTHORITY
MCALESTER, OKLAHOMA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:	
Received from rents and miscellaneous	\$ 1,750
Payments to suppliers for goods and services	<u>(13,977)</u>
Net Cash Flows from Operating Activities	<u>(12,227)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of fixed assets	<u>(9,200)</u>
Net Cash Flows used for Capital Activities	<u>(9,200)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	<u>34</u>
Net Cash Flows from Investing Activities	<u>34</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(21,393)
CASH AND CASH EQUIVALENTS, June 30, 2010	<u>30,137</u>
CASH AND CASH EQUIVALENTS, June 30, 2011	<u>\$ 8,744</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET	
CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income (loss)	\$ (98,068)
Noncash items included in change of net assets:	
Depreciation	<u>85,841</u>
Net cash used by operating activities	<u>\$ (12,227)</u>

The Accompanying Notes are an Integral Part of this Statement.

PITTSBURG COUNTY REGIONAL EXPOSITION AUTHORITY
MCALESTER, OKLAHOMA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Pittsburg County Regional Exposition Authority, a public trust, was created by a Declaration of Trust date June 22, 1993, under the provisions of Title 60, Oklahoma Statutes, Sections 176 to 180.4 inclusive, as amended and supplemented, the Oklahoma Trust Act and other applicable statutes and laws of the State of Oklahoma. The beneficiaries of the Trust are the County of Pittsburg, Oklahoma and the City of McAlester, Oklahoma.

The purpose of this trust is to acquire, construct, reconstruct, extend, improve, lease, purchase, install, equip, maintain, repair, enlarge, remodel, and operate any property, utilities, buildings, improvements, equipment and other facilities of every nature for use by the United States of America, the State of Oklahoma, municipalities, school districts, Vocational-Technical school districts, counties, or other political subdivisions of the State of Oklahoma.

The financial statements of Pittsburg County Regional Exposition Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

The accounting policies of the Authority conform to Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. The propriety fund applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails.

A. Reporting Entity:

In evaluating how to define Pittsburg County Regional Exposition Authority, for financial reporting purposes, management has considered if it is component unit of a primary government. Pittsburg County Regional Exposition Authority is considered a joint venture between the City of McAlester, Oklahoma and Pittsburg County, Oklahoma. There shall be nine (9) members of the Board of Trustees of the Authority. Five (5) members will be appointed by the person who then shall be the presiding officer of the governing body of the City of McAlester, but before such appointment shall become effective it also shall require the confirmation of a majority of the persons who then shall constitute the governing body of the City of McAlester. Four (4) of the members shall be appointed by the Board of County Commissioners of Pittsburg County. Each Trustee shall be appointed for a term of four (4) years. Such terms shall be so arranged and staggered that two (2) Trustees shall be appointed each year.

PITTSBURG COUNTY REGIONAL EXPOSITION AUTHORITY
MCALESTER, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

B. Basis of Accounting:

The financial statements of the Authority have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). Under the accrual method of accounting, revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Interest on revenue bonds, proceeds of which are used in financing the construction of certain assets, is capitalized during the construction period net of interest on the investment of unexpended bond proceeds. The Authority does not currently have any revenue bonds.

C. Estimates:

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

D. Property, Plant and Equipment:

Additions to Pittsburg County Regional Exposition Authority are recorded at cost, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and improvements are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation has been calculated on each class of depreciable property using the straight-line method, with one-half year's depreciation in the year of acquisition. Estimated useful lives are as follows:

Buildings	40 years
Equipment	5 years
Furniture & Fixtures	5 years

E. Cash:

Pittsburg County Regional Exposition Authority has a bank account for daily operations. The Authority conducts all of its banking and investment transactions with depository banks.

PITTSBURG COUNTY REGIONAL EXPOSITION AUTHORITY
MCALESTER, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

F. Investments:

Statutes authorize the Authority to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. In addition, the Authority can invest in direct debt securities of the United States unless an investment is expressly prohibited by law.

For purposes of the statement of cash flows, the Authority considers all highly liquid investments (excluding restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

G. Retained Earnings:

Unassigned retained earnings represent the net assets available for future operations or distribution. Reserved retained earnings represent the net assets that have been legally identified for specific purposes.

NOTE 2 - CASH AND INVESTMENTS

A. Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Authority will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Authority, and are held by counterparty or the counterparty's trust department but not in the name of the Authority. The Authority's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2011, all of the Authority's deposits and investments were either covered by federal deposit insurance or were fully collateralized.

B. Deposits

The Authority had deposits at financial institutions with a carrying amount of approximately \$8,744 at June 30, 2011. The bank balance of the deposits at June 30, 2011 was approximately \$8,744.

C. Credit Risk

Fixed-income securities are subject to credit risk. However, the Authority did not have fixed income securities at June 30, 2011.

PITTSBURG COUNTY REGIONAL EXPOSITION AUTHORITY
MCALESTER, OKLAHOMA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

D. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Directors monitor's the investment performance on an ongoing basis to limit the Authority's interest rate risk. As of June 30, 2011, the Authority's deposits consisted of demand deposits.

NOTE 3 - INSURANCE:

The City of McAlester will provide building and content insurance for the Authority.

NOTE 4 - CHANGES IN FIXED ASSETS:

	<u>2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>2011</u>
Land	\$ 190,712	\$ -	\$ -	\$ 190,712
Parking Lot	7,400	-	-	7,400
Land Development	99,136	-	-	99,136
Buildings & Improvements	3,310,036	-	-	3,310,036
Furniture & Fixtures	14,456	-	-	14,456
Equipment	<u>78,467</u>	<u>9,200</u>	<u>-</u>	<u>87,667</u>
Totals	3,700,207	9,200	-	3,709,407
Less: Accumulated Depreciation	<u>(1,241,820)</u>	<u>(85,841)</u>	<u>-</u>	<u>(1,327,661)</u>
Net Fixed Assets	<u>\$2,458,387</u>	<u>\$ (76,641)</u>	<u>\$ -</u>	<u>\$ 2,381,746</u>

NOTE 5 - WORKING CAPITAL:

The net working capital (current assets less current liabilities) of Pittsburg County Regional Exposition Authority was \$8,744 at June 30, 2011.

NOTE 6 - LEASE AGREEMENT

The beneficiaries of Pittsburg County Regional Exposition Authority entered into a lease agreement with the City of McAlester and the County of Pittsburg, Oklahoma dated February 20, 2001. The lease is for all buildings, contents, personal property, parking and other improvements attached to and adjacent to the exposition building. The term of the lease is for a period of thirty (30) years from the date of execution. The City of McAlester will provide building and content insurance and will also maintain the buildings, grounds, parking and all leased land.

The Authority and the Pittsburg County Cattlemen's Association entered into a lease agreement dated May 3, 2004. The lease is for the land encompassing the Rodeo Arena, PCCA building, and adjoining parking areas. The term of the lease is for a period of 99 years. The Pittsburg County Cattlemen's Association will provide property and liability insurance for the building and surrounding areas.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH "GOVERNMENT AUDITING STANDARDS"

To the Board of Trustees
Pittsburg County Regional Exposition Authority
McAlester, Oklahoma

I have audited the financial statements of the business-type activities of Pittsburg County Regional Exposition Authority as of and for the year ended June 30, 2011, and have issued my report thereon dated December 19 2011 which did not include Managements Discussion and Analysis. I conducted my 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 my audit, I considered Pittsburg County Regional Exposition Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pittsburg County Regional Exposition Authority's internal control over financial reporting. Accordingly, I do not express an opinion of the effectiveness of Pittsburg County Regional Exposition 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. I consider the lack of segregation of duties to be a significant deficiency in internal control over financial reporting.

My 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. However, I consider the significant deficiency described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pittsburg County Regional Exposition Authority's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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, Board of Trustee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
December 19 2011