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January 16, 2018

To the Tourism Committee of the City of Muskogee
and the Board of Directors of Greater Muskogee Area Chamber of Commerce
310 W. Broadway,
Muskogee, Oklahoma 74401

We have audited the financial statements of Tourism Committee of the City of Muskogee for the year ended June 30, 2017, and have issued our report thereon dated January 16, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 1, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Tourism Committee of the City of Muskogee are described in Notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ending June 30, 2017. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the useful lives of assets is based on allowable useful lives of similar assets for tax purposes, with adjustment in length of life due to the fact the entity is exempt from taxation. We evaluated the key factors and assumptions used to develop the useful lives of assets and related depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 16, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues


We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the modified cash basis of accounting, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Tourism Committee of the City of Muskogee, the Board of Directors of the Greater Muskogee Area Chamber of Commerce and the City of Muskogee and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Kathy Hewitt CPA, LLP

1000 North Washington Street
Muskegon, Michigan 49762
Phone: 231.326.2000

FINANCIAL STATEMENTS

**TOURISM COMMITTEE OF THE CITY OF MUSKOGEE
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

City of Muskegon

STATE OF MICHIGAN DEPARTMENT OF TREASURY

REPORT OF THE STATE AUDITOR GENERAL

City of Muskegon

City of Muskegon

City of Muskegon

**Tourism Committee of the City of Muskogee
For the Years Ended June 30, 2017 and 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Tourism Committee of the City of Muskogee
and the Board of Directors of Greater Muskogee Area Chamber of Commerce

We have audited the accompanying financial statements of Tourism Committee of the City of Muskogee (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets— modified cash basis as of June 30, 2017 and 2016, and the related statements of support, revenue, and expenses— modified cash basis and changes in net assets — modified cash basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in the *Basis of Accounting* note; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Tourism Committee of the City of Muskogee as of June 30, 2017 and 2016, and its support, revenue, and expenses for the year then ended in accordance with the modified cash basis of accounting as described in the *Basis of Accounting* note.


Basis of Accounting

We draw attention to the *Basis of Accounting* note of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures on page 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Kathy Hewitt, CPA, LLP.



Muskogee, Oklahoma

January 16, 2018

Tourism Committee of the City of Muskogee
Statements of Assets, Liabilities and Net Assets
Modified Cash Basis
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 84,350	\$ 166,650
Due from Chamber	\$ 14,059	\$ 126
Loan Receivable	\$ -	\$ 14,078
<i>Total current assets</i>	\$ 98,409	\$ 180,854
FIXED ASSETS		
Property and equipment	\$ 63,830	\$ 98,373
Less Accumulated depreciation	\$ (26,896)	\$ (56,926)
<i>Total fixed assets</i>	\$ 36,934	\$ 41,447
<i>Total assets</i>	<u>\$ 135,343</u>	<u>\$ 222,301</u>
LIABILITIES		
<i>Total liabilities</i>	\$ -	\$ -
NET ASSETS		
Unrestricted	\$ 135,343	\$ 222,301
Temporarily restricted	\$ -	\$ -
Permanently restricted	\$ -	\$ -
<i>Total net assets</i>	<u>\$ 135,343</u>	<u>\$ 222,301</u>

The accompanying notes and accountant's report should be read in conjunction with these financial statements.

Tourism Committee of the City of Muskogee
Statements of Support, Revenue and Expenditures
Modified Cash Basis
For the Years Ended June 30, 2017 and 2016

<i>UNRESTRICTED NET ASSETS</i>	<u>2017</u>	<u>2016</u>
<i>SUPPORT AND REVENUE</i>		
Allocations from City of Muskogee		
Hotel, Motel Tax	\$ 566,958	\$ 690,000
Interest income	\$ 10	\$ 61
<i>Total Support and Revenue</i>	\$ 566,968	\$ 690,061
<i>EXPENDITURES</i>		
Schedule I	\$ 653,926	\$ 731,274
CHANGES IN NET ASSETS	\$ (86,958)	\$ (41,213)
NET ASSETS - Beginning of year	\$ 222,301	\$ 263,514
NET ASSETS - End of year	<u>\$ 135,343</u>	<u>\$ 222,301</u>

The accompanying notes and accountant's report should be read in conjunction with these financial statements.

TOURISM COMMITTEE OF THE CITY OF MUSKOGEE
Notes to Financial Statements
June 30, 2017 and 2016

NATURE OF THE ORGANIZATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Tourism Committee of the City of Muskogee (the "Organization") is a nonprofit organization to promote, foster and otherwise advertise the City of Muskogee as a tourist and convention destination. The Tourism Committee operates under contract from the City of Muskogee.

Basis of Accounting

The financial statements of the Organization have been prepared on the modified cash basis of accounting. This basis recognizes assets, liabilities, net assets, revenue and expenditures when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification 958 (FASB ASC 958)

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are required to be classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Society and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Society. Generally, the donors of these assets permit the non-profit entity to use all or part of the income earned on any related investments for general or specific purposes.

TOURISM COMMITTEE OF THE CITY OF MUSKOGEE
Notes to Financial Statements
June 30, 2017 and 2016

Fair Value Measurements

The Organization has adopted Statement of Financial Accounting Standards FASB ASC 820.10, *Fair Value Measurements* with respect to reporting financial assets and liabilities. This codified standard defines fair value measurement based on an exit price. An exit price is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date as opposed to an entry price which is the transaction price that would be paid to acquire an asset or received to assume a liability. In most instances these prices are different however they can be equal. The codified standard also establishes valuation techniques which include the following:

1. Market approach – prices derived from market transactions for identical or comparable assets or liabilities,
2. Income approach – conversion of future amounts such as cash flows or earnings to a single present amount based on current market expectations about those future amounts and/or,
3. Cost approach – the amount that would currently be required to replace the service capacity of an asset.

Finally, the codified standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels:

- | | |
|----------|--|
| Level 1: | Quoted prices in active markets for identical assets or liabilities. These include, but are not limited to, cash and cash equivalents, common and preferred stocks, and mutual funds; |
| Level 2: | Inputs that are derived principally from or corroborated by observable market data. These include but are not limited to government agency issues, corporate bonds and municipal securities; |
| Level 3: | Inputs that are unobservable and significant to the overall fair value measurement. These include but are not limited to non-public common stocks and personally held notes receivable. |

Financial assets and liabilities are carried at fair value on a recurring basis and therefore currently subject to the codified standard which include investments and beneficial interest in assets, if any, held by others. Fair value for these financial statements are stated at Level 1.

TOURISM COMMITTEE OF THE CITY OF MUSKOGEE
Notes to Financial Statements
June 30, 2017 and 2016

Use of estimates

The preparation of financial statements in conformity with another basis of accounting (OCBOA) used by the Organization requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all unrestricted cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. All funds received from the City of Muskogee representing revenues from the hotel/motel tax must be deposited and maintained in a separate account and must not be commingled with any other revenues of the Chamber.

Due from Chamber

The Organization received inventory pursuant to Cubic loan repayment. The Muskogee Area Chamber of Commerce owes the Organization for this inventory.

Inventory

Expendable items are recorded as expenses when purchased. Any supplies on hand at the end of the year ends were immaterial. Therefore, no inventories are reflected in the financial statements.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$1,000, lesser amounts are expensed.

Purchased property and equipment are capitalized at cost. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

Furniture and fixtures	3 – 10 years
Equipment	3 – 10 years

TOURISM COMMITTEE OF THE CITY OF MUSKOGEE
Notes to Financial Statements
June 30, 2017 and 2016

Following is a summary of property and equipment at June 30, 2017 and 2016.

2017

	<u>Beginning Of Year</u>	<u>Total Add & Depr</u>	<u>Total Disposals</u>	<u>End of Year</u>
Equipment	\$98,373	\$ 9,782	\$(44,325)	\$63,830
Less accumulated Depreciation	<u>(56,926)</u>	<u>(9,789)</u>	<u>39,819</u>	<u>(26,896)</u>
Net property and equipment	<u>\$41,447</u>	<u>\$ (7)</u>	<u>(4,506)</u>	<u>\$36,934</u>

2016

	<u>Beginning Of Year</u>	<u>Total Add & Depr</u>	<u>Total Disposals</u>	<u>End of Year</u>
Equipment	\$94,568	\$ 3,805	\$ -	\$98,373
Less accumulated Depreciation	<u>(47,248)</u>	<u>(9,678)</u>	<u>-</u>	<u>(56,926)</u>
Net property and equipment	<u>\$47,320</u>	<u>\$(5,873)</u>	<u>-</u>	<u>\$41,447</u>

Revenue

The Organization receives substantially all of its revenue from the City of Muskogee, Oklahoma as an allocation of its Hotel, Motel tax collections.

Income Taxes

The Tourism Committee of the City of Muskogee operates under contract from the City of Muskogee and therefore is exempt from federal income taxes. The Tourism Committee of the City of Muskogee did not conduct unrelated business activities. Therefore, the Tourism Committee of the City of Muskogee has made no provision for federal income taxes in the accompanying financial statements.

Functional Allocation of Expenses

The costs of providing the tourism program have been summarized on a functional basis in the statements of support, revenue and expenditures. Accordingly, all costs have been allocated to the tourism program.

TOURISM COMMITTEE OF THE CITY OF MUSKOGEE
Notes to Financial Statements
June 30, 2017 and 2016

Other Information

The Tourism Committee of the City of Muskogee reimbursed the Greater Muskogee Area Chamber of Commerce for expenditures and overhead as follows:

	<u>2017</u>	<u>2016</u>
Administration fee	\$41,400	\$41,400
Advertising	60	-
Branding	905	-
Computer software maintenance	4,620	3,000
Convention center	-	2,500
Employee health/medical benefits	10,593	11,314
Equipment	6,650	-
Equipment rental	10,508	9,456
Janitorial	400	-
Meetings	26	-
Professional development	233	-
Office rental	7,800	7,200
Office supplies	1,500	1,200
Parking	300	600
Payroll expenses	154,229	148,746
Postage	540	720
Special projects	2,500	-
Telecommunications	4,145	4,920
TAP kiosk insurance	150	-
Website maintenance	1,340	-
Utilities	<u>3,345</u>	<u>3,180</u>
Totals	<u>\$251,244</u>	<u>\$234,236</u>

Budget

The Tourism Committee of the City of Muskogee prepares its annual budget on the same basis of accounting (OCBOA) as the financial statements are presented. The budget is presented to the City of Muskogee, Oklahoma for approval and use in the Hotel, Motel tax allocations.

Subsequent Events

We have evaluated all events subsequent to the balance sheet date of June 30, 2017, through the financial statement issuance date of January 16, 2018, and determined there are no subsequent events requiring additional disclosure.

Tourism Committee of the City of Muskogee
Schedule I - Expenditures
Modified Cash Basis
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Accounting	\$ 5,050	\$ 4,600
Administration fee	\$ 41,400	\$ 41,400
Advertising	\$ 156,493	\$ 157,713
Annual organization	\$ 18,000	\$ 46,000
Bassmaster Open	\$ -	\$ 12,594
Branding	\$ 14,341	\$ 10,000
Contract labor	\$ 16,715	\$ 22,423
Convention center	\$ 3,500	\$ 6,500
Community support	\$ 31,000	\$ 25,700
Depreciation	\$ 9,789	\$ 9,678
Employee health/medical benefits	\$ 10,634	\$ 11,314
Employee retirement benefits	\$ 1,234	\$ -
Employee work comp ins	\$ 829	\$ -
Equipment rental	\$ 10,408	\$ 9,456
Equipment/software purchase	\$ 950	\$ -
Equipment repair and maintenance	\$ 5,579	\$ 3,383
Financial audit	\$ 4,000	\$ 4,000
Insurance-Building	\$ 150	\$ -
Janitor fees	\$ 400	\$ 1,100
Large special projects	\$ 38,000	\$ 94,500
Loss on transfer of assets to city	\$ 4,506	\$ -
Meetings	\$ 399	\$ 946
Memberships	\$ 5,647	\$ 6,417
Mileage	\$ 2,528	\$ 2,179
Miscellaneous	\$ -	\$ 139
Office supplies	\$ 2,087	\$ 1,994
Office rental	\$ 7,800	\$ 7,200
ORTD fulfillment program	\$ 2,871	\$ 3,042
Parking	\$ 300	\$ 600
Payroll expenses	\$ 152,090	\$ 148,746
Postage	\$ 540	\$ 974
Professional development	\$ 8,630	\$ 6,898
Small special projects	\$ 58,446	\$ 47,353
Telecommunications	\$ 5,773	\$ 7,100
Tourist Access Portal kiosks	\$ 10,718	\$ 8,171
Tourist center expenses	\$ 7,222	\$ 6,804
Trade shows	\$ 3,933	\$ 9,424
Utilities	\$ 3,345	\$ 3,180
Website maintenance	\$ 8,619	\$ 9,746
Total	<u>\$ 653,926</u>	<u>\$ 731,274</u>

The accompanying notes and accountant's report should be read in conjunction with these financial statements