

Ardmore Development Authority
Financial Statements
Year-End June 30, 2019



ARDMORE DEVELOPMENT AUTHORITY
For the Year Ended June 30, 2019

Table of Contents

Independent Auditor's Report	1
 <u>Basic Financial Statements:</u>	
Government-Wide Statement of Assets, Liabilities and Net Position – Modified Cash Basis and Governmental Funds Statement of Assets, Liabilities and Fund Balances – Modified Cash Basis	5
Government-Wide Statement of Revenues, Expenses and Changes in Net Position - Modified Cash Basis and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis	6
Notes to the Financial Statements	7
 <u>Supplemental Schedules:</u>	
Budgetary Comparison Schedule – General Fund	18
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and on Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Ardmore Development Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Ardmore Development Authority (the Authority) a component unit of the City of Ardmore, Oklahoma, as of and for the year ended June 30, 2019, 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 the modified cash basis of accounting described in Note 1; 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 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 Audit 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 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 opinions.

Opinions

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 Development Authority as of June 30, 2019, and the respective changes in financial position—modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 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 opinions are not modified with respect to that matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Budgetary Comparison Schedule – General Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Budgetary Comparison Schedule – General Fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other recorded used to prepared the basic financial statement or to the basic financial or to the basic 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 basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2020 on our consideration of Ardmore Development 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 solely 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 effectiveness of Ardmore

Development Authority's 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 Development Authority's internal control over financial reporting and compliance.

Mary C Johnson & Associates PLLC

Ardmore, Oklahoma
June 18, 2020

BASIC FINANCIAL STATEMENTS

ARDMORE DEVELOPMENT AUTHORITY
Government-Wide Statement of Assets, Liabilities and Net Position – Modified Cash Basis and
Governmental Funds Statement of Assets, Liabilities and Fund Balance – Modified Cash Basis
June 30, 2019

	<u>General Fund</u>	<u>Adjustments (Note 10)</u>	<u>Statement of Net Position</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 4,087,111	-	\$ 4,087,111
Restricted cash and cash equivalents	10,266,566	-	10,266,566
Note Receivable	356,245	-	356,245
Land held for resale	844,260	-	844,260
Land and construction in progress	-	2,813,597	2,813,597
Capital assets, net of accumulated depreciation	-	39,092,783	39,092,783
	<u>15,554,182</u>	<u>41,906,380</u>	<u>57,460,562</u>
Total Assets	<u>15,554,182</u>	<u>41,906,380</u>	<u>57,460,562</u>
<u>LIABILITIES</u>			
Long-term liabilities			
Due within one year	-	611,141	611,141
Due after one year	-	655,280	655,280
	<u>-</u>	<u>1,266,421</u>	<u>1,266,421</u>
Total liabilities	<u>-</u>	<u>1,266,421</u>	<u>1,266,421</u>
<u>FUND BALANCE/NET POSITION</u>			
Fund balances:			
Nonspendable	844,260	(844,260)	-
Restricted for Debt Service	10,266,566	(10,266,566)	-
Unassigned	4,443,356	(4,443,356)	-
Total fund balances	<u>15,554,182</u>	<u>(15,554,182)</u>	
Total liabilities and fund balances	<u>\$ 15,554,182</u>		
Net Position:			
Net Investment in Capital Assets		40,639,959	40,639,959
Restricted for:			
Debt Service		10,266,566	10,266,566
Nonexpendable Land held for Resale		844,260	844,260
Unrestricted		4,443,356	4,443,356
		<u>40,639,959</u>	<u>40,639,959</u>
Total Net Position		<u>\$ 56,194,141</u>	<u>\$ 56,194,141</u>

The accompanying notes are an integral part of the financial statements

ARDMORE DEVELOPMENT AUTHORITY
Government-Wide Statement of Revenues, Expenses and Changes
in Net Position- Modified Cash Basis and
Governmental Fund Statement of Revenues, Expenditures and
Changes in Fund Balances – Modified Cash Basis
For the Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>General Fund</u>	<u>Adjustments (Note 10)</u>	<u>Statement of Activities</u>
Expenditures/expenses:			
Economic development	\$ 1,904,852	\$ 1,451,027	\$ 3,355,879
Capital Outlay	2,838,243	(2,838,243)	-
Debt service			
Principal	749,260	(749,260)	-
Interest and other charges	49,711	-	49,711
Total Expenditures/Expenses	<u>5,542,066</u>	<u>(2,136,476)</u>	<u>3,405,590</u>
Program Revenues:			
Charges for Services	819,943	-	819,943
Operating Grants and Contributions	<u>2,358,080</u>	-	<u>2,358,080</u>
	<u>3,178,023</u>	-	<u>3,178,023</u>
Net program expense			<u>(227,567)</u>
Other Financing Sources/General Revenues:			
Investment income	175,343	-	175,343
Oil and Gas Royalties	1,898,738	-	1,898,738
Miscellaneous	323,809	-	323,809
Gain (loss) on Sale of Assets	<u>200</u>	-	<u>200</u>
Total Other Financing Sources	<u>2,398,090</u>	-	<u>2,398,090</u>
Excess of revenues and transfers in over expenditures and transfers out	34,047	(34,047)	
Net Change in Net Position		2,170,523	2,170,523
Fund Balance/Net Position:			
Beginning of Year	<u>15,520,135</u>	<u>38,503,483</u>	<u>54,023,618</u>
End of Year	<u>\$ 15,554,182</u>	<u>\$ 40,639,959</u>	<u>\$ 56,194,141</u>

The accompanying notes are an integral part of the financial statements

ARDMORE DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies

The Ardmore Development Authority (Authority) is a trust created under an indenture dated April 15, 1964, 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 provide funds for the costs of financing industrial development as authorized by the Industrial Development Statutes. The Authority is authorized to construct or acquire industrial parks and industrial plant buildings, including sites and other necessary property and appurtenances, and to acquire, construct, improve, operate, maintain, and provide improvement and services as necessary. It is also authorized to sell, lease, or otherwise dispose of, by suitable and appropriate contract, all or any part of an industrial plant site, industrial plant building, or other property owned by the Authority. The Authority manages three industrial parks and the Ardmore Airport.

A board of trustees consisting of nine members governs the Authority. The trustees are appointed by the city council of the City of Ardmore.

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.

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 City of Ardmore 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 Development Authority has no component units.

ARDMORE DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

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 position – modified cash basis and the statement of revenues, expenses and changes in net position – modified cash basis to report information on all of the activities of the Authority.

The statement of assets, liabilities and net position - 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 position –modified cash basis demonstrates the degree to which the direct expenses of a given function or segment is 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.
- Escrow accounts and grant amounts that have not met recognition rules are shown as liabilities
- Long-term debt is recorded when incurred.

Government Fund 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 individual funds include the general fund and the capital projects 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 shown as liabilities.
- Land purchased for investments shown as assets.
- Receivable resulting from the outflow of cash are shown as assets.

ARDMORE DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

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 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

Certain resources of bonds payable have been set aside for their repayment. These resources are classified as restricted assets because their use is limited by applicable bond covenants. When expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds spent first.

In addition, the Authority has \$9,737,808 of certificates of deposit that are restricted for capital projects. The funds for these certificates of deposit are the result of oil and gas royalties received by the Authority from leased land, and they are restricted per lease agreement with the City of Ardmore.

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 \$5,000, 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 and rail spur	40 years
Building improvements	20 years
Equipment	5-7 years

ARDMORE DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

Net Position/Fund Balance

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 Position on the Statement of statement of assets, liabilities and net position - modified cash basis includes the following:

- Net Investment in Capital Assets: The component of net position includes the Authority's capital assets (net of accumulated depreciation) reduced by outstanding balance of debt that is directly attributable to the acquisition, construction or improvement of these capital assets.
- Restricted for Debt Service: The component of net position that report restricted funds held for debt service
- Restricted for Land held for Resale: The component of net position that report the assets that are not in spendable form
- Unrestricted: The difference between assets and liabilities that is not reported as restricted for any particular purpose.

Governmental Fund 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.
- 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 has classified funds restricted by debt indentures as restricted.

ARDMORE DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

Net Position/Fund Balance (continued)

- 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, 2019.

- 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, 2019.

- 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

For public trusts, the Oklahoma Statutes require the submission of financial information to the beneficiary. The Authority is not legally required to adopt a budget for the general fund.

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.

ARDMORE DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 2 – Cash and Investments

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.

As of June 30, 2019, \$528,758 cash restricted for bonds consists of money market funds held at trustee banks. These funds are classified as investment for purposes of GASB Statement 40 Deposit and Investment Risk Disclosure requirements and therefore are not subject to custodial credit risk. For presentation on the statement of Net assets, these funds are classified as cash equivalents.

Concentration of Investment Credit Risk

Money market funds utilized by the Authority and its trustee banks for bond indentures are regulated by the Securities and Exchange Commission, consist of obligations of the U. S. Treasury and have a credit rating of AAAm/Aaa. Fair value of cash equivalents is equal to cost.

Note 3 – Long-Term Debt

The Authority issues tax apportionment bonds to provide funds for the acquisition, renovation or construction of major capital facilities for the benefit of the Authority, the City of Ardmore and other component units of the City of Ardmore. These bonds are serviced and solely secured by the incremental property tax revenue of defined districts within the City of Ardmore.

Long-term liability activity for the year ended June 30, 2019 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<u>Direct Placement</u>					
March 2016 Tax Increment Revenue Note	\$ 1,310,000	\$ -	\$ 430,000	\$ 880,000	\$ 445,000
<u>Direct Borrowing</u>					
Notes payable	705,681	-	319,260	386,421	166,141
	<u>\$ 2,015,681</u>	<u>\$ -</u>	<u>\$ 749,260</u>	<u>\$ 1,266,421</u>	<u>\$ 611,141</u>

ARDMORE DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 3 – Long-Term Debt (continued)

Long-term liabilities at June 30, 2019, consisted of the following:

<u>Type of Indebtedness</u>	<u>Purpose (Financed costs of)</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at June 30, 2019</u>
<u>Direct Placement</u>						
March 2016 Tax Increment Revenue Note	Hanger and Runway Improvement Ardmore Airpark and sewer improvements	March, 2021	2.04%	Variable	2,130,000	880,000
<u>Direct Borrowing</u>						
Bank Note payable	Imtec Expansion	March, 2021	2.50%	173,708	1,959,788	\$ 386,421
						<u>\$ 1,266,421</u>

Variable rate terms – Interest requirements for variable rate debt are calculated using the interest rate effective at the end of the reporting period. The interest rate is reset annually and is based on Citibank New York Prime Rate.

As of June 30, 2019, annual debt service requirements of governmental activities to maturity are as follows:

<u>Year ending June 30:</u>	<u>Direct Placement</u>		<u>Direct Borrowing</u>	
	<u>Tax Increment Revenue Note</u>		<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	445,000	31,416	166,141	7,567
2021	435,000	13,158	170,343	3,366
2022	-	-	49,937	145
Total	<u>\$ 880,000</u>	<u>\$ 44,574</u>	<u>\$ 386,421</u>	<u>\$ 11,078</u>

Note 4 - Related Party Transactions

The president/chief executive officer of the Authority also serves as the president of the Ardmore Chamber of Commerce (Chamber) Board and the Chamber of Commerce Foundation, Inc. (Foundation) Board of Directors. The Chamber provides support services to the Authority through a management contract.

The Chamber is compensated in the amount of \$120,000 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, 2019, the Authority reimbursed the Chamber \$254,877 for payroll and related costs.

ARDMORE DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 4 - Related Party Transactions (continued)

The Authority leases an office building to the Chamber. The initial lease agreement extends through 2019, with two, twenty-year extensions to be exercised at the Chamber's option at an annual rental of \$12,000.

Note 5 – Note Receivable

In January 2019, the Authority entered into a note receivable with a tenant at the Ardmore Industrial Park in the amount of \$356,245 for construction of an enclosed paint area at the Ardmore Industrial Park. This note is part of economic development incentive agreement to increase jobs in the area within five years. The note has a repayment term of 15 years beginning March 2019 with monthly payments through March 2034. Additional consideration for the loan is the tenant's agreement to create a minimum of four new full-time quality jobs within five years. As an incentive for creating new quality jobs in Ardmore, The Authority will pay the tenant a quality jobs incentive in the amount of 15% of the tenant's payroll expense increase for a term not to exceed 5 years. The incentive payments will be applied to the end of loan term.

Note 6 – Capital Assets

Capital assets as of June 30, 2019, consist of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets, not being depreciated</i>				
Land	\$ 2,813,597	\$ -	\$ -	\$ 2,813,597
Total capital assets, not being depreciated	<u>2,813,597</u>	<u>-</u>	<u>-</u>	<u>2,813,597</u>
<i>Capital assets, being depreciated</i>				
Buildings and Improvements	\$ 19,446,850	\$ 1,900,227	\$ -	\$ 21,347,077
Land improvements	9,154,027	484,148	-	9,638,175
Equipment	1,003,668		(5,634)	998,034
Vehicles	331,617	-	(10,899)	320,718
Easements	14,900		-	14,900
Runway improvements	23,603,204	453,869	-	24,057,073
Total capital assets, being depreciated	<u>53,554,267</u>	<u>2,838,243</u>	<u>(16,533)</u>	<u>56,375,977</u>
Less Accumulated Depreciation	<u>\$ (15,848,700)</u>	<u>\$ (1,451,027)</u>	<u>\$ 16,533</u>	<u>\$ (17,283,194)</u>
Total capital assets, being depreciated, net	<u>37,705,567</u>	<u>1,387,216</u>	<u>-</u>	<u>39,092,783</u>
Governmental activities capital assets, net	<u>\$ 40,519,164</u>	<u>\$ 1,387,216</u>	<u>\$ -</u>	<u>\$ 41,906,380</u>

Depreciation expense of \$1,451,027 was charged to the Authority's economic development activity.

ARDMORE DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 7 – Land Held for Resale

Land available for sale is valued at cost, using actual historical costs. The current value of land available for sale is \$844,260. The expense is recorded when the land is actual sold or consumed.

Note 8 - 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 9 – Leases

The Authority owns and leases buildings primarily warehouse, manufacturing and office space. The terms of the leases generally range from one to fifteen years with extensions of from one to twenty years. The carrying value of leased buildings and improvements at June 30, 2019 is:

Buildings and Improvement	\$ 16,165,526
less accumulated depreciation	<u>(5,933,385)</u>
	<u><u>\$ 10,232,141</u></u>

Lease amounts on operating leases are adjusted annual using changes in the consumer price index. Future minimum rental income on noncancellable operating leases as of June 30, 2019 is as follows:

Year Ending June 30	
<u>2020</u>	\$ 131,124
2021	8,238
2022	1,576
	<u><u>\$ 140,939</u></u>

ARDMORE DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 9 – Leases (continued)

The Authority also has direct financing leases with future minimum lease payments receivable June 30, 2019 as follows:

Year Ending June 30	
2020	\$ 415,721
2021	294,729
2022	173,736
2023	173,736
2024	28,964
	<u>\$ 1,086,887</u>

Note 10 – 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 position as reported in the government-wide statement of revenues, expenses and changes in net position.

The total difference is \$2,136,476. The detail of this difference is as follows:

Capital outlay	\$ 2,838,243
Depreciation expense	(1,451,027)
Principal repayments	749,260
	<u>\$ 2,136,476</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 position. The total difference is \$40,639,959. 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.	\$ 41,906,380
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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:	
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Bonds and notes payable	(1,266,421)
	<u>\$ 40,639,959</u>

ARDMORE DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 11 – 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 cost of retirement benefits for 2019 was \$8,260.

Note 12 – Conduit Debt Obligations

From time to time, the Authority has issued notes payable to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The notes are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Neither the Authority nor its beneficiary is obligated in any manner for repayment of the notes. Accordingly, the notes payable and related notes receivable are not reported as liabilities or assets in the accompanying financial statements. As of June 30, 2019, there was one issue outstanding. The aggregate principal payable for this issue was \$522,389,229.

Note 13 – Subsequent events

On March 11, 2020 the World Health Organization pronounced the coronavirus (COVID-19) outbreak a pandemic. Citizens and the economies of the United States and other countries have been significantly impacted by the pandemic. The duration and impact are unknown, but so far have been expansive. As of report date, the estimated effect cannot be determined.

Subsequent to year end, the Authority board approved the early pay off the March 2016 Tax Incremental Revenue Note. The final payment of \$880,000 was made in July 2019.

Additionally, the Authority entered into a contract subsequent to year end to sell 30 acres of land. The sale amount of approximately \$210,000 is scheduled to take place in the 4th quarter of 2020.

ARDMORE DEVELOPMENT AUTHORITY
Supplemental Schedule
Budgetary Comparison – General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variances
	Original	Final		Positive (Negative)
REVENUES:				
TIF	\$ 460,000	\$ 460,000	\$ 815,909	\$ 355,909
Sales Tax	800,000	800,000	1,542,171	742,171
Facility rentals	832,352	832,352	813,512	(18,840)
Oil and Gas Royalties	-	-	1,898,738	1,898,738
Miscellaneous	319,600	319,600	330,240	10,640
Investment income	12,750	12,750	175,343	162,593
Total revenues	<u>2,424,702</u>	<u>2,424,702</u>	<u>5,575,913</u>	<u>3,151,211</u>
EXPENDITURES:				
Current:				
Economic development	1,516,360	1,516,360	1,904,852	(388,492)
Capital outlay	-	-	2,838,243	(2,838,243)
Debt service	800,452	800,452	798,971	1,481
Total expenditures	<u>2,316,812</u>	<u>2,316,812</u>	<u>5,542,066</u>	<u>(3,225,254)</u>
OTHER FINANCING SOURCES:				
Gain (loss) on Sale of Assets	-	-	200	(200)
Excess revenues over (under) expenditures and other financing sources	107,890	107,890	34,047	(74,243)
Fund balance, beginning	<u>(107,890)</u>	<u>(107,890)</u>	<u>15,520,135</u>	<u>15,628,025</u>
Fund balance, end	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,554,182</u>	<u>\$ 15,553,782</u>



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 Development Authority

We have audited 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, the financial statements of Ardmore Development Authority, a component unit of the City of Ardmore, Oklahoma as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Ardmore Development Authority's basic financial statements and have issued our report thereon dated June 18, 2020. 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.

Internal Control Over Financial Reporting

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

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ardmore Development Authority's financial statements are free from 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*.

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.

Mary E Johnson & Associates PLLC

Ardmore, Oklahoma
June 18, 2020