

ARDMORE DEVELOPMENT AUTHORITY
Financial Statements
Year-End June 30, 2022



ARDMORE DEVELOPMENT AUTHORITY
For the Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Ardmore Development Authority

Opinion

We have audited the accompanying modified cash basis financial statements of the Ardmore Development Authority (Authority), a component unit of the City of Ardmore, Oklahoma as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the Authority as of June 30, 2022, and the changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter—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 this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2024 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.

A handwritten signature in black ink that reads "Mary E. Johnson & Associates PLLC". The signature is written in a cursive, flowing style.

Norman, Oklahoma
February 20, 2024

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, 2022

	<u>General Fund</u>	<u>Adjustments (Note 10)</u>	<u>Statement of Governmental activities</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 4,615,960	-	\$ 4,615,960
Restricted cash and cash equivalents	9,208,086	-	9,208,086
Note Receivable	356,245	-	356,245
Land held for resale	813,562	-	813,562
Land and construction in progress	-	9,203,511	9,203,511
Capital assets, net of accumulated depreciation	-	38,059,917	38,059,917
	<u>14,993,853</u>	<u>47,263,428</u>	<u>62,257,281</u>
Total Assets	<u>14,993,853</u>	<u>47,263,428</u>	<u>62,257,281</u>
<u>LIABILITIES</u>			
Current liabilities:			
Long-term liabilities			
Due within one year	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCE/NET POSITION</u>			
Fund balances:			
Nonspendable	813,562	(813,562)	-
Restricted for Debt Service	9,208,086	(9,208,086)	-
Unassigned	4,972,205	(4,972,205)	-
Total fund balances	<u>14,993,853</u>	<u>(14,993,853)</u>	
Total liabilities and fund balances	<u>\$ 14,993,853</u>		
Net Position:			
Net Investment in Capital Assets		47,263,428	47,263,428
Restricted for:			
Capital Asset purchases		9,208,086	9,208,086
Nonexpendable Land held for Resale		813,562	813,562
Unrestricted		4,972,205	4,972,205
		<u>47,263,428</u>	<u>47,263,428</u>
Total Net Position		<u>\$ 62,257,281</u>	<u>\$ 62,257,281</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, 2022

<u>Functions/Programs</u>	<u>General Fund</u>	<u>Adjustments (Note 10)</u>	<u>Statement of Governmental Activities</u>
Expenditures/expenses:			
Economic development	\$ 2,179,831	\$ 1,691,227	\$ 3,871,058
Capital Outlay	3,303,650	(3,303,650)	-
Debt service			
Principal	44,066	(44,066)	-
Interest and other charges	288	-	288
Total Expenditures/Expenses	<u>5,527,835</u>	<u>(1,656,489)</u>	<u>3,871,346</u>
Program Revenues:			
Charges for Services	599,312	-	599,312
Operating Grants and Contributions	2,789,924	-	2,789,924
Capital Grants and Contributions	<u>1,663,900</u>	<u>-</u>	<u>1,663,900</u>
	<u>5,053,136</u>	<u>-</u>	<u>5,053,136</u>
Net program expense			<u>(482,110)</u>
Other Financing Sources/General Revenues:			
Investment income	58,020	-	58,020
Oil and Gas Royalties	1,996,744	-	1,996,744
Miscellaneous	584,254	-	584,254
Gain (loss) on Sale of Assets	<u>-</u>	<u>(118,733)</u>	<u>(118,733)</u>
Total Other Financing Sources	<u>2,639,018</u>	<u>(118,733)</u>	<u>2,520,285</u>
Excess of revenues and transfers in over expenditures and transfers out	2,164,319	(2,164,319)	
Net Change in Net Position		3,702,075	3,702,075
Fund Balance/Net Position:			
Beginning of Year	<u>12,829,534</u>	<u>45,725,672</u>	<u>58,555,206</u>
End of Year	<u>\$ 14,993,853</u>	<u>\$ 47,263,428</u>	<u>\$ 62,257,281</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, 2022

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 Ardmore City Commission.

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, 2022

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, 2022

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 evidence 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 \$9,208,086 of cash deposits and certificates of deposit that are restricted for capital projects. These funds 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, 2022

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 Capital Asset Purchases: The component of net position that report restricted funds held for capital asset purchases.
- 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, 2022

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, 2022.

- 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, 2022.

- Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Authority would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Budgets and Budgetary Accounting

Budgetary comparison information is required to be presented for the general fund if there is a legally adopted budget. The Authority is not legally required to adopt a budget for the general fund. Therefore, budget comparison information is not included in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with the modified basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

ARDMORE DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2022

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. Cash deposits of the Authority as of June 30, 2022 were fully insured.

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, 2022 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<u>Direct Borrowing</u>					
Notes payable	\$ 44,066	-	\$ 44,066	-	-
	<u>\$ 44,066</u>	<u>\$ -</u>	<u>\$ 44,066</u>	<u>\$ -</u>	<u>\$ -</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.

ARDMORE DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2022

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, 2022, the Authority reimbursed the Chamber \$278,691 for payroll and related costs.

The Authority leases an office building to the Chamber. The initial lease agreement extends through 2022, 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 contains an economic development incentive agreement to increase jobs in the area within five years. The note has a repayment term of 15 years beginning March (originally) and continuing 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. The incentive will "mirror" the State Quality Jobs program where the Authority will provide an incentive in the amount of 15% of the tenant's payroll expense increases for a term not to exceed 5 years.

The Economic Development Incentive allowed the Authority to adjust the Note based on the number of permanent jobs created at the Ardmore Facility. It was agreed that the metric used would mirror the Oklahoma Quality Jobs Program, which the tenant was also pursuing at that time. The company applied for this incentive in 2020, however, due to the pandemic, the process was significantly delayed. The Quality Jobs application to the State of Oklahoma was made in the Spring of 2021 and approved by the State in September 2021.

ARDMORE DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2022

Note 6 – Capital Assets

Capital assets as of June 30, 2022, consist of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets, not being depreciated</i>				
Land	\$ 3,240,113	\$ -		\$ 3,240,113
Construction in progress	2,979,299	2,984,099	-	5,963,398
Total capital assets, not being depreciated	<u>6,219,412</u>	<u>2,984,099</u>	<u>-</u>	<u>9,203,511</u>
<i>Capital assets, being depreciated</i>				
Buildings and Improvments	\$ 21,979,806	\$ 147,574	\$ (317,025)	\$ 21,810,355
Land improvements	10,777,907	155,053	-	10,932,960
Equipment	1,191,228	16,924	(197,497)	1,010,655
Vehicles	320,723	-	(20,645)	300,078
Easements	14,900	-	-	14,900
Runway improvements	25,784,792	-	-	25,784,792
Total capital assets, being depreciated	<u>60,069,356</u>	<u>319,551</u>	<u>(535,167)</u>	<u>59,853,740</u>
Less Accumulated Depreciation	<u>\$ (20,519,030)</u>	<u>\$ (1,691,227)</u>	<u>\$ 416,434</u>	<u>\$ (21,793,823)</u>
Total capital assets, being depreciated, net	<u>39,550,326</u>	<u>(1,371,676)</u>	<u>(118,733.00)</u>	<u>38,059,917</u>
Governmental activities capital assets, net	<u>\$ 45,769,738</u>	<u>\$ 1,612,423</u>	<u>\$ (118,733)</u>	<u>\$ 47,263,428</u>

Depreciation expense of \$1,691,227 was charged to the Authority's economic development activity.

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 \$813,562. The expense is recorded when the land is actually sold or consumed.

Note 8 – Commitments and 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.

ARDMORE DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2022

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, 2022 is:

Buildings and Improvement	\$ 16,060,548
less accumulated depreciation	<u>(7,362,400)</u>
	<u>\$ 8,698,148</u>

Lease amounts on operating leases are adjusted annually using changes in the consumer price index. Future minimum rental income on noncancellable operating leases as of June 30, 2022 is as follows:

Year Ending June 30	
2023	\$ 29,784
2024	13,734
2025	13,734
2026	13,734
Thereafter	<u>110,031</u>
	<u>\$ 181,017</u>

The Authority also has direct financing leases with future minimum lease payments receivable June 30, 2022 as follows:

Year Ending June 30	
2023	\$ 179,426
2024	29,904
2025	-
	<u>\$ 209,330</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.

ARDMORE DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2022

The total difference is (\$1,775,222). The detail of this difference is as follows:

Capital outlay	\$(3,303,650)
Disposal of Assets	(118,733)
Depreciation expense	1,691,227
Principal repayments	(44,066)
	\$(1,775,222)

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 \$47,263,428. 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.	\$ 47,263,428
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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	-
	\$ 47,263,428

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 2022 was \$10,484.

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, 2022, there was one issue outstanding. The aggregate principal payable for this issue was \$587,119,076.

Note 13 – Subsequent Events

The Authority has evaluated subsequent events, through the date of this report which is the date the financial statements were made available to be issued.

ARDMORE DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2022

October, 2022, the Authority obtained a loan with Oklahoma Aeronautics Commission for \$600,000 for construction of corporate hanger, 10 year loan with 1.8% interest.

The Authority was notified in October, 2023 that Michelin would be winding down operations in Ardmore by the end of 2025. This would impact 1400 Michelin employees and an undetermined number of contractors.



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, 2022, 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 February 20, 2024. 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.

Report on 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) as a basis for designing 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.

Report on 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 statements. 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.



Norman, Oklahoma
February 20, 2024