
Ardmore Development Authority
Financial Statements
Year-End June 30, 2012

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ARDMORE DEVELOPMENT AUTHORITY
For the Year Ended June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Ardmore Development Authority

We have audited the accompanying financial statements of the governmental activities and each major fund, of Ardmore Development Authority (the Authority) a component unit of the City of Ardmore, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The Ardmore Development Authority prepare its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

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, 2012, and the respective changes in financial position- modified cash basis, thereof for the year then ended in conformity with the accounting basis described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2013 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,

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contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ardmore Development Authority's financial statements as a whole. The budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the financial statements. The budgetary comparison schedule is the responsibility of management and was derived from and relate 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.

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma
April 11, 2013

BASIC FINANCIAL STATEMENTS

ARDMORE DEVELOPMENT AUTHORITY
Government-Wide Statement of Assets, Liabilities and Net Assets – Modified Cash Basis and
Governmental Funds Statement of Assets, Liabilities and Fund Balances – Modified Cash Basis
June 30, 2012

	<u>General Fund</u>	<u>Adjustments (Note 8)</u>	<u>Statement of Net Assets</u>
<u>ASSETS</u>			
Current assets:			
Cash	\$ 2,547,435	-	\$ 2,547,435
Restricted cash	1,805,094	-	1,805,094
Land held for resale	1,127,027	-	1,127,027
Land and construction in progress	-	432,456	432,456
Capital assets, net of accumulated depreciation	<u>-</u>	<u>39,521,789</u>	<u>39,521,789</u>
Total Assets	<u>5,479,556</u>	<u>39,954,245</u>	<u>45,433,801</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	320	-	320
Long-term liabilities			
Due within one year	-	2,608,733	2,608,733
Due after one year	<u>-</u>	<u>8,996,882</u>	<u>8,996,882</u>
Total liabilities	<u>320</u>	<u>11,605,615</u>	<u>11,605,935</u>
<u>FUND BALANCE/NET ASSETS</u>			
Fund balances:			
Nonspendable	1,127,027	(1,127,027)	-
Restricted for Debt Service	1,805,094	(1,805,094)	-
Unassigned	<u>2,547,115</u>	<u>(2,547,115)</u>	-
Total fund balances	<u>5,479,236</u>	<u>(5,479,236)</u>	
Total liabilities and fund balances	<u>\$ 5,479,556</u>		
Net assets:			
Invested in capital assets, net of related debt		28,348,630	28,348,630
Restricted for:			
Debt service		1,805,094	1,805,094
Nonexpendable Land held for Resale		1,127,027	1,127,027
Unrestricted		<u>2,547,115</u>	<u>2,547,115</u>
Total Net Assets		<u>\$ 33,827,866</u>	<u>\$ 33,827,866</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 Assets- Modified Cash Basis and
Governmental Fund Statement of Revenues, Expenditures and
Changes in Fund Balances – Modified Cash Basis
For the Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>General Fund</u>	<u>Adjustments (Note 8)</u>	<u>Statement of Activities</u>
Expenditures/expenses:			
Economic development	\$ 1,898,104	\$ 1,418,746	\$ 3,316,850
Capital Outlay	369,665	(369,665)	-
Debt service			
Principal	1,895,013	(1,895,013)	-
Interest	686,705	-	686,705
Total Expenditures/Expenses	<u>4,849,487</u>	<u>(845,932)</u>	<u>4,003,555</u>
Program Revenues			
Charges for Services	1,924,170	-	1,924,170
Operating Grants and Contributions	<u>2,370,739</u>	<u>-</u>	<u>2,370,739</u>
	<u>4,294,909</u>	<u>-</u>	<u>4,294,909</u>
Net program expense			<u>291,354</u>
General Revenues:			
Investment income	12,795	-	12,795
Oil and Gas Royalties	632,357	-	632,357
Miscellaneous	136,079	-	136,079
Debt Proceeds	<u>112,864</u>	<u>-</u>	<u>112,864</u>
Total general revenues and transfers	<u>894,095</u>	<u>-</u>	<u>894,095</u>
Excess of revenues and transfers in over expenditures and transfers out	339,517	(339,517)	
Net Change in Net Assets		1,185,449	1,185,449
Fund Balance/Net Assets:			
Beginning of Year	<u>5,139,719</u>	<u>27,502,698</u>	<u>32,642,417</u>
End of Year	<u>\$ 5,479,236</u>	<u>\$ 28,348,630</u>	<u>\$ 33,827,866</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, 2012

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 and 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 Authority 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.

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

ARDMORE DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2012

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Presentation Government-Wide and Fund Financial Statements (continued)

The statement of assets, liabilities and net assets- 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 assets –modified cash basis demonstrates the degree to which the direct expenses of a given function or segment are 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.
- 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.

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

ARDMORE DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2012

Note 1 - Summary of Significant Accounting Policies (continued)

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 an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds spent first.

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

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 assets on the Statement of Net Assets include the following:

Investment in Capital Assets, Net of Related Debt – The component of net assets that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

ARDMORE DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2012

Note 1 - Summary of Significant Accounting Policies (continued)

Restricted for Debt Service – The component of net assets that report restricted funds held for debt service.

Restricted for Land held for Resale – The component of net assets 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 Authority has adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010, which redefined how fund balances of the governmental funds are presented in the 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.
- 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, 2012.

ARDMORE DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2012

Note 1 - Summary of Significant Accounting Policies (continued)

- 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, 2012.

- 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.

Note 2 - Cash

Custodial Credit Risk. Custodial credit risk for cash deposits is the risk that in the event of a bank failure, the Authority's deposits may not be returned or the Authority will not be able to recover collateral securities in the possession of an outside party. The Authority's policy requires collateral for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Custodial credit risk for deposits not formally addressed by bond indentures require that deposits be maintained by the trustee bank specified in the indenture. Cash deposits of the Authority are insured or collateralized by a pledging bank's agent in the Authority's name with securities consisting of U. S. government, state or municipal securities.

ARDMORE DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2012

Note 2 - Cash (continued)

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, 2012 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Tax apportionment bonds	\$ 4,735,000	\$ -	\$ 240,000	\$ 4,495,000	\$ 635,000
General obligation bonds	210,000	-	210,000	-	-
Notes payable	8,555,628	-	1,445,013	7,110,615	1,973,733
	<u>\$ 13,500,628</u>	<u>\$ -</u>	<u>\$ 1,895,013</u>	<u>\$ 11,605,615</u>	<u>\$ 2,608,733</u>

Long-term liabilities at June 30, 2012, 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, 2012</u>
Series 2005B Tax apportionment bonds	Water and sewer improvements TIF District	March, 2015	5.0% to 7.0%	Variable	2,925,000	\$ 785,000
Series 2005C Tax apportionment bonds	Hanger and Runway Improvement Ardmore Airpark and sewer improvements	November, 2022	5.0% to 5.75%	Variable	4,990,000	3,710,000
BancFirst Note payable	Michelin Distribution Center	October, 2018	Variable (4.875% current)	526,252	5,300,000	2,811,146
Oklahoma Industrial Finance Authority note	Facility Expansion	October, 2013	7.50%	197,412	1,986,644	1,058,794
Oklahoma Industrial Finance Authority note	Facility Expansion	October, 2013	7.50%	348,252	2,919,140	440,567

ARDMORE DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2012

Note 3 – Long-Term Debt (continued)

<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, 2012</u>
Landmark Bank Note payable	Imtec Expansion	March, 2021	7.50%	219,492	1,959,788	\$ 1,429,680
First Nation Bank & Trust Note Payable	Building improvements Ardmore Airpark	October, 2013	Variable (7.75% current)	44,633	500,000	47,374
First Nation Bank & Trust Note Payable	Building improvements	January, 2016	Variable (3.25% current)	66,084	500,659	137,045
Landmark Bank Note payable City of Ardmore	Acquisition of Infrastructure at Colvert Industrial Park	January, 2014 on Demand	5.25% none	34,896	360,000 600,000.00	281,114 600,000
Citizens Bank Bond Anticipation Note 2009	Improvements	August, 2011	4.07%	304,895	2,500,000.00	304,895
						<u>\$ 11,605,615</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 Citibank New York Prime Rate.

As of June 30, 2012, annual debt service requirements of governmental activities to maturity are as follows:

<u>Year ending June 30:</u>	<u>Tax apportionment bonds</u>		<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 635,000	\$ 389,907	\$ 1,973,733	\$ 367,883
2014	675,000	349,198	1,667,476	254,525
2015	280,000	173,456	589,994	200,405
2016	295,000	158,003	615,351	165,290
2017	315,000	141,019	652,990	128,410
2018 - 2022	1,855,000	405,501	1,604,250	171,731
2023 - 2027	440,000	12,650	6,820	460
Total	<u>\$ 4,495,000</u>	<u>\$ 1,629,734</u>	<u>\$ 7,110,615</u>	<u>\$ 1,288,704</u>

Note 4 - Related Party Transactions

The president/chief operating officer of the Authority also serves as president of the Ardmore Chamber of Commerce (Chamber) and the Ardmore Chamber of Commerce Foundation (Foundation). In addition, at least one member of the Authority's board of trustees also serves on the Chamber's board of directors.

The Chamber is compensated in the amount of \$205,000 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.

ARDMORE DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2012

Note 4 - Related Party Transactions (continued)

The Chamber also pays salaries and benefits for all employees of the Authority. During the year ending June 30, 2012, the Authority reimbursed the Chamber \$186,578 for payroll and related costs. In addition, the Authority reimbursed the Foundation \$25,000 for retirement expenses as approved by the board of directors.

The Authority leases an office building to the Chamber. The initial lease agreement extends through 2013, with two, twenty-year extensions to be exercised at the Chamber's option at an annual rental of \$12,000.

Note 5 – Capital Assets

Capital assets as of June 30, 2012, consist of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Land held for resale</i>	\$ 1,178,528	\$ -	\$ (51,500)	\$ 1,230,028
<i>Capital assets, not being depreciated</i>				
Land	\$ 432,456	\$ -	\$ -	\$ 432,456
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>432,456</u>	<u>-</u>	<u>-</u>	<u>432,456</u>
<i>Capital assets, being depreciated</i>				
Buildings and Improvements	\$ 18,072,913	\$ 84,967	\$ -	\$ 18,157,880
Land improvements	10,045,465	27,016	-	10,072,481
Equipment	892,680	168,194	-	1,060,874
Vehicles	344,569	34,900	-	379,469
Easements	127,900	-	-	127,900
Runway improvements	23,081,325	54,587	-	23,135,912
Total capital assets, being depreciated	<u>52,564,852</u>	<u>369,664</u>	<u>-</u>	<u>52,934,516</u>
Less Accumulated Depreciation	<u>\$ (11,993,981)</u>	<u>\$ (1,418,746)</u>	<u>\$ -</u>	<u>\$ (13,412,727)</u>
Total capital assets, being depreciated, net	<u>40,570,871</u>	<u>(1,049,082)</u>	<u>-</u>	<u>39,521,789</u>
Governmental activities capital assets, net	<u>\$ 41,003,327</u>	<u>\$ (1,049,082)</u>	<u>\$ -</u>	<u>\$ 39,954,245</u>

Depreciation expense of \$1,418,746 was charged to the Authority's economic development activity.

ARDMORE DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2012

Note 6 - 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.

An agreement exists with the City of Ardmore whereby the Authority agrees to administer a Community Development Block Grant to provide loans to companies to finance facility development and working capital. These loans are fully collateralized and the Authority bears no liability in the event of default on the obligations.

Note 7 – 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 land at June 30, 2012 is:

Buildings and Improvement	\$ 17,040,574
less accumulated depreciation	<u>(8,603,085)</u>
	<u>\$ 8,437,489</u>

Lease amounts on operating leases are adjusted annual using changes in the consumer price index. Future minimal rental income on noncancellable operating leases as of June 30, 2012 is as follows:

Year Ending June 30	
2013	\$ 329,296
2014	137,891
2015	51,391
2016	40,426
2017	40,426
2018-2022	40,286
2023-2027	50
Thereafter	1,250
	<u>\$ 641,016</u>

ARDMORE DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2012

Note 7 – Leases (continued)

The Authority also has a direct financing lease with future minimum lease payments receivable June 30, 2012 as follows:

Year Ending June 30	
2013	\$ 1,021,726
2014	974,677
2015	974,677
2016	974,677
2017	974,677
2018-2022	2,129,036
	<u>\$ 7,049,469</u>

Note 8 – 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 assets as reported in the government-wide statement of revenues, expenses and changes in net assets. The total difference is \$845,932. The detail of this difference is as follows:

Capital outlay	\$ 369,665
Depreciation expense	(1,418,746)
Principal repayments	1,895,013
	<u>\$ 845,932</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 assets. The total difference is \$28,348,630. 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.	\$ 39,954,245
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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:

Bonds and notes payable	(11,605,615)
	<u>\$ 28,348,630</u>

ARDMORE DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2012

Note 9 – 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 Chamber also contributes to an annuity for its president. The cost of retirement benefits for 2012 was \$26,554.

Note 10 – 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, 2012, there was 1 issue outstanding. The aggregate principal payable for this issue was \$286,595,321.

Note 11 – Subsequent Event

Subsequent to year end, management contracted with an auditing firm to perform a succession audit after a change in management. Contingencies maybe related to the ultimate outcome of succession audit work.

ARDMORE DEVELOPMENT AUTHORITY
Supplemental Schedule
Budgetary Comparison – General Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final		Positive (Negative)
REVENUES:				
TIF	\$ 800,000	\$ 800,000	\$ 878,776	\$ 78,776
Sales Tax	1,275,000	1,275,000	1,303,601	28,601
Facility rentals	1,911,828	1,911,828	1,908,333	(3,495)
Grant income	862,000	862,000	188,362	(673,638)
Oil and Gas Royalties	100,000	100,000	632,357	532,357
Contributions	1,293,000	1,293,000	-	(1,293,000)
Miscellaneous	51,600	51,600	264,780	213,180
Investment income	12,704	12,704	12,795	91
Total revenues	<u>6,306,132</u>	<u>6,306,132</u>	<u>5,189,004</u>	<u>(1,117,128)</u>
EXPENDITURES:				
Current:				
Economic development	2,163,800	2,163,800	1,898,104	265,696
Capital outlay	5,395,371	5,395,371	369,665	5,025,706
Debt service	2,450,723	2,450,723	2,581,718	(130,995)
Total expenditures	<u>10,009,894</u>	<u>10,009,894</u>	<u>4,849,487</u>	<u>5,160,407</u>
Excess revenues over (under) expenditures and other financing sources	(3,703,762)	(3,703,762)	339,517	4,043,279
Fund balance, beginning	<u>3,703,762</u>	<u>3,703,762</u>	<u>5,139,719</u>	<u>1,435,957</u>
Fund balance, end	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,479,236</u>	<u>\$ 5,479,236</u>



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 the financial statements of Ardmore Development Authority, a component unit of the City of Ardmore as of and for the year ended June 30, 2012, which collectively comprise the Ardmore Development Authority's basic financial statements and have issued our report thereon dated April 11, 2013. 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. 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.

Internal Control Over Financial Reporting

Management of Ardmore Development Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Ardmore Development Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ardmore Development Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Ardmore Development Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable

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possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ardmore Development Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Ardmore Development Authority, in a separate letter dated April 11, 2013.

This report is intended solely for the information and use of management, Board of Trustees, others within the entity, funding agencies, and bond holders and is not intended to be and should not be used by anyone other than these specified parties.

Rakhal Henderson Johnson, PLLC

Ardmore, Oklahoma
April 11, 2013