

Tahlequah Regional Development Authority

Audited Financial Statements

For the Year Ended June 30, 2024

Northeastern Oklahoma Accounting, PLLC

Tahlequah, Oklahoma

Tahlequah Regional Development Authority
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June 30, 2024

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NORTHEASTERN OKLAHOMA ACCOUNTING
109 E. DELAWARE ★ TAHLEQUAH OKLAHOMA 74464

INDEPENDENT AUDITOR'S REPORT

August 13, 2024

Board of Trustees
Tahlequah Regional Development Authority

Opinion

We have audited the accompanying financial statements of the Tahlequah Regional Development Authority as of and for the year ended June 30, 2024, and the related notes to the 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 financial position of Tahlequah Regional Development Authority, as of and of the year ended June 30, 2024, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standard generally accepted in the United States of America. 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.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 and currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility 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 opinions. Reasonable assurance is a high level of assurance but it 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 judgement 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 judgement, 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.

Required Supplementary Information

Management has omitted Management's Discussion & Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Reporting Required by Governmental Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 13, 2024, on our consideration of the 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 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 the 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 Tahlequah Regional Development Authority's internal control over financial reporting and compliance.

Northeastern Oklahoma Accounting, PLLC

Tahlequah, Oklahoma

August 13, 2024



NORTHEASTERN OKLAHOMA ACCOUNTING
109 E. DELAWARE ★ TAHLEQUAH OKLAHOMA 74464

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

August 13, 2024

Board of Directors
Tahlequah Regional Development Authority

We have audited, in accordance with the 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 the business-type activities of Tahlequah Regional Development Authority, as of and for the year ended June 30, 2024, and related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated August 13, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 non-compliance 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 other purposes.

Northeastern Oklahoma Accounting, PLLC
Tahlequah, Oklahoma
August 13, 2024

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Financial Statements

Tahlequah Regional Development Authority
Statement of Net Position
June 30, 2024

ASSETS

CURRENT ASSETS

Cash & Cash Equivalents	\$ 928,388	
Accounts Receivable	8,500	
Other Receivables	226,920	
Prepaid Expenses	-	
Total Current Assets		\$ 1,163,808

PROPERTY AND EQUIPMENT

Land	\$ 147,817	
Buildings	1,512,445	
Infrastructure Improvements	301,017	
Less Accumulated Depreciation	(1,079,425)	
Total Fixed Assets		\$ 881,854

OTHER ASSETS

Land Available for Sale	\$ 1,805,217	\$ 1,805,217
Total Assets		\$ 3,850,879

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts Payable	\$ 254,476	
Note Payable-Current Portion	\$ 26,537	
Deferred Revenue	1,700	
Total Current Liabilities		\$ 282,713

LONG-TERM DEBT, NET

Total Liabilities	\$ 1,475,801	\$ 1,475,801
		1,758,514

NET POSITION

Invested in Capital Assets, Net of Related Debt	\$ 1,184,733	
Unrestricted Net Position	907,632	
Total Net Position		2,092,365
Total Liabilities and Net Position		\$ 3,850,879

The accompanying notes and auditors report are an integral part of these financial statements.

Tahlequah Regional Development Authority
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2024

Revenues:	
Rent	\$ 117,900
Job Incentive Program Income	\$ 176,000
Other Income	8,500
Total Operating Income	302,400
Expenditures:	
Legal and Accounting Fees	9,318
Professional Fees	1,959
Site Maintenance	138,451
Depreciation	24,970
Advertising	2,072
Utilities	335
Insurance	1,069
Shared Services & Interlocal Agreements	89,201
Travel	40,000
Dues & Memberships	1,245
Recruitment and Development	-
Bad Debt	-
Other Expenses	20,352
Total Operating Expenses	328,971
Operating Income (Loss)	(26,571)
Non-Operating Income (Expense):	
Interest Revenue	19,586
Gain on Sale of Land	90,717
Interest Expense	(22,888)
Total Non-Operating Income (Expense)	87,415
Net Income or (Loss)	\$ 60,844
Net Position, Beginning of Year	2,031,521
Net Position, End of Year	\$ 2,092,365

The accompanying notes and auditors report are an integral part of these financial statements.

Tahlequah Regional Development Authority
Statement of Cash Flows
For the Year Ended June 30, 2024

Cash Flows from Operating Activities	
Cash received from Customers	\$ 293,900
Cash paid to Employees & Contractors	(11,277)
Cash paid to Suppliers	(264,967)
Net Cash Provided by Operations	\$ 17,656
Cash Flows from Financing Activities	
Proceeds from Long-Term Debt	1,504,451
Payment of Interest on Long-Term Debt	(22,888)
Payment of Principal on Long-Term Debt	(2,115)
Net Cash Used in Capital and Related Financing Activities	1,479,448
Cash Flows from Non Financing Activities	
Interest Revenue	19,586
Purchase of Property	(1,106,604)
Sale of Property	96,013
	(991,004)
Net Increase in Cash and Cash Equivalents	506,100
Beginning Cash and Cash Equivalents	422,288
Ending Cash and Cash Equivalents	928,388
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities	
Operating Income (Loss)	(26,571)
Adjustment to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Depreciation	24,970
Increase in Accounts Receivable	(235,420)
Decrease in Prepaid Expenses	9,858
Increase in Accounts Payable	251,244
Decrease in Deferred Revenue	(6,425)
Increase in Notes Payable	-
Net Cash Provided by Operating Activities	\$ 17,656

The accompanying notes and auditors report are an integral part of these financial statements.

Notes to Financial Statements

Tahlequah Regional Development Authority
Notes to Financial Statements
June 30, 2024

Note 1: Description of Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity

The Tahlequah Regional Development Authority (the Authority), formerly Tahlequah Industrial Authority, is a public trust created on September 8, 1981, under the provisions of Title 60, Oklahoma Statutes, the Oklahoma Trust Act, and other applicable laws and statutes of the State of Oklahoma. The City of Tahlequah, Oklahoma, is the beneficiary, and will receive all residual trust funds and assets upon termination of the trust.

The general purposes of the Authority are to assist the Beneficiary, the State of Oklahoma, its governmental agencies, and the private entities, agencies and citizens in making the most efficient use of all of their economic resources and powers in accordance with the needs and benefits of the Beneficiary in order to:

- Lessen the burdens on government and to stimulate economic growth and development
- Inventory the services, facilities and resources of the entire Beneficiary City
- Promote, stimulate, encourage and finance the growth and development of the agriculture, commerce and industry of the Beneficiary City as a whole, all in order to achieve maximum utilization of the Beneficiary's human, economic and natural resources and tourist attractions
- Foster and promote an industrial climate and the payroll of the Beneficiary City, to otherwise promote its general economic welfare, prosperity, and to finance any and all programs, facilities or resources promoting or intending to promote any of the foregoing.

The Authority is considered a component unit of the City of Tahlequah, and its financial information is included in the General Purpose Financial Statements of the City of Tahlequah each year.

The Board of Trustees are citizens and residents of the Beneficiary appointed by the Mayor and confirmed by a majority vote of the City Council of the City of Tahlequah. All Trustees must reside within the Cherokee County.

Proprietary Fund Accounting

The Authority uses the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis. The governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Accounting Standards

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the

Tahlequah Regional Development Authority
Notes to Financial Statements
June 30, 2024

United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk Management

The Authority is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets, business interruption; errors and omissions, employee injuries and illnesses, and natural disasters. To cover exposure of these risks, the Authority is listed as an additional named plan member on the City of Tahlequah's municipal liability protection plan. The Authority does not carry insurance separately under its own name. Settled claims have not exceeded this commercial coverage in any of the two preceding years.

Cash Equivalents

The Authority considers all liquid investments which have original maturities of three months or less to be cash equivalents.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight line method. The range of such useful lives are as follows:

Land Improvements	25 years
Equipment/Signs	10 years
Buildings	50 years

Income Taxes

The Authority is exempt from federal income taxes under Section 115 of the Internal Revenue Code as a political subdivision of the State of Oklahoma and is exempt from state income taxes under a similar provision of Oklahoma State Statutes.

Note 2: Cash and Investments

The Authority operated two commercial checking accounts at Local Bank. Each checking account pays a variable rate of interest. Interest earned on the account is automatically credited to the account at the end of the month. In addition, the Authority held a 3 month Certificate of Deposit at Armstrong Bank bearing an annual interest rate of 5.37%. As of June 30, 2024, total cash and cash equivalents was \$928,388.

Deposits

The Authority's cash deposits as of June 30, 2024, are categorized to give an indication of the level of risk assumed by the Authority at year end as follows:

Deposit Categories of Credit Risk

- A. Insured through FDIC Insurance in the Authority's name.
- B. Collateralized with securities held by the pledging financial institution's trust department or agent

Tahlequah Regional Development Authority
Notes to Financial Statements
June 30, 2024

in the Authority's name.
C. Uncollateralized.

	Category			Bank	Carrying	Market
	(A)	(B)	(C)	Balance	Amount	Value
Local Bank	\$ 250,000	\$ 167,124	\$ -	\$ 417,124	\$ 417,124	\$ 417,124
Armstrong Bank	\$ 250,000	\$ 261,264	\$ -	\$ 511,264	\$ 511,264	\$ 511,264
TOTAL	\$ 500,000	\$ 428,388	\$ -	\$ 928,388	\$ 928,388	\$ 928,388

Note 3: Fixed Assets

The Authority had property, plant and equipment as of June 30, 2024, as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Land	\$ 153,112	\$ -	\$ 5,295	\$ 147,817
Buildings	\$ 1,512,445	\$ -	\$ -	\$ 1,512,445
Land Improvements	\$ 301,017	\$ -	\$ -	\$ 301,017
Total	\$ 1,966,574	\$ -	\$ 5,295	\$ 1,961,279
Accumulated Depreciation	\$ 1,054,455	\$ 24,970	\$ -	\$ 1,079,425
Net Book Value	\$ 912,119	\$ (24,970)	\$ 5,295	\$ 881,854

In accordance with the Depreciation of Fixed Assets Policy adopted by the Authority, buildings are being depreciated over a 50 year life span. The parking, paving, asphalt and infrastructure are being depreciated over 25 years. The addition of equipment and signs will be depreciated over 10 years.

Note 4: Industrial Park

The Authority owns and operates an industrial park west of the City of Tahlequah with entrances on Highway 51 and West Allen Road. The following entities are located there:

Northeastern Oklahoma Public Facilities Authority- On February 6, 1995, an agreement was made between the Authority and NOPFA to transfer 3.7 acres of land into NOPFA's name. NOPFA was to construct a warehouse facility on the property deeded to them within three years. The transfer by deed was to take place upon finalization of the park plat. The deed was signed on November 15, 2000, and filed on December 7, 2000, and contains a revisionary clause that should the property cease to be used for NOPFA warehouse facility purposes in the future that the land shall revert to the grantor.

Indian Capitol Vo-Tech School - On February 6, 1995, a deed was signed from the Authority to the Vo-Tech School deeding them approximately 50 acres of land situated in the Industrial Park. The deed specified that construction of a school was to begin within 10 years and has a reversion clause specifying that if the property should cease to be used for Vo-Tech purposes in the future, the land shall revert to the grantor. The Vo-Tech facility has been constructed and has been placed in use.

*Tahlequah Regional Development Authority
Notes to Financial Statements
June 30, 2024*

State Department of Central Services - (On behalf of the Oklahoma State Bureau of Investigation) On April 24, 1997, a lease agreement was made for a 4.7 acre site. The lease term is for 99 years beginning January 30, 1997, and ending January 30, 2096. The rental of \$5.00 per year or a total of \$495.00 for the entire term was paid on the date of the lease agreement. A building housing the OSBI local division has been built on the site.

Everise. On October 17, 2018, a lease agreement was signed between Everise (formerly C3/Customer Contact Channels, Inc.) and the Tahlequah Regional Development Authority with lease payments of \$6,875 due monthly. The initial lease period is November 2018 through February 2023. An early buyout option was presented and accepted by both parties effective June 30, 2024.

Consolidated Communications - The Authority entered into a commercial lease on 12/01/2013 with Consolidated Communications, an Oklahoma limited liability Company 100% owned by Rural Broadband Services to lease five (5) Acres south of the -OSBI Building located at 1995 Airport Parkway, Tahlequah, OK 74464. The lease requires that the tenant pay to the Authority annual installments of \$0.00 in years 1-2; \$18,000 in years 3-5; \$20,400 in years 6-10; \$24,000 in years 11-15, \$26,400 in years 16-20 and \$30,600 in years 21-25. RBSC is now operating as Consolidated Communications.

Optomi LLC (dba Provalus) - The Authority entered into a commercial lease on 8/1/2023 with Optomi, LLC for a term ending June 15, 2028, including an option to renew for 2 additional five-year terms. During the initial term of the lease, no per-square-foot rate will apply so long as the criteria outlined in the Job Creation Requirement of the lease are met. In the event these criteria are not met, base rent will be charged at \$3,467.50 per month until those criteria are once again met.

Note 5: Land Available for Sale

In addition to the Industrial Park, the Authority has purchased other parcels of real estate in Tahlequah that are prime locations to attract business growth in the Tahlequah community. As of June 30, 2024, the amount reported for land available for sales was \$1,805,217. This amount represented one parcel of land for sale.

Note 6: Concentration of Risk

During the course of this fiscal year, the Authority's main sources of revenues were rental income received from Consolidated Communications and Everise. In addition, funding was provided through a memorandum of understanding with the City of Tahlequah which supplements the operations of the Authority as it relates to the Economic Development Agreement with Optomi, LLC. These sources of income appear adequate to provide for current needs.

Note 7: Employee Benefits

The Authority does not have any formal employees. All staff are employed by the Tahlequah Area Chamber of Commerce and are paid by the Tahlequah Regional Development Authority through a shared services agreement between the Tahlequah Area Chamber of Commerce and Tahlequah Regional Development Authority.

Tahlequah Regional Development Authority
Notes to Financial Statements
June 30, 2024

Note 8: Commitments and Contingencies

The Authority has sufficient insurance coverage and/or tort immunity in effect to protect the Authority from any material loss or liability due to pending claims or litigation. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability. The amount, if any of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Authority expects such amounts if any, to be immaterial.

Note 9: Subsequent Events

Subsequent events have been evaluated through the date of the Auditor's report which is the date the financial statements were available to be issued.