

**Pampa Economic
Development Corporation**

Annual Financial Report

For the Year Ended September 30, 2018

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PAMPA ECONOMIC DEVELOPMENT CORPORATION

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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PART I

INTRODUCTORY SECTION

PAMPA ECONOMIC DEVELOPMENT CORPORATION

SEPTEMBER 30, 2018

BOARD OF DIRECTORS

Gary SutherlandPresident
Kenneth May..... Vice President
Robert WilliamsSecond Vice President
Cay WarnerSecretary
Bill Roy Assistant Secretary
Glennette Goode Treasurer
Bill Bridges Assistant Treasurer

MANAGEMENT AND STAFF

Clay Rice..... Executive Director
Debbie Winegeart Administrative Assistant
Tresa Heuston..... Receptionist

PART II
FINANCIAL SECTION



Board of Directors
Pampa Economic Development Corporation
Pampa, Texas

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the business-type activities of the Pampa Economic Development Corporation (Corporation) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Pampa Economic Development Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Pampa Economic Development Corporation, as of September 30, 2018, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Corporation has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented by the Governmental 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. The independent auditors' opinion is not affected by the omission of the MD&A.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pampa Economic Development Corporation's basic financial statements. The Budget Comparison Schedule, the Combining Statements, and the Notes to Other Supplementary Information listed under other supplementary information in the accompanying table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The Budget Comparison Schedule, the Combining Statements, and the Notes to Other Supplementary Information listed under other supplementary information in the accompanying table of contents are the responsibility of management and were derived from and relate directly to underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2019, on our consideration of Pampa Economic Development Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 the Pampa Economic Development Corporation'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 the Pampa Economic Development Corporation's internal control over financial reporting and compliance.

DOSHIER, PICKENS & FRANCIS, L.L.C.

DOSHIER, PICKENS & FRANCIS, LLC
February 8, 2019

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BASIC FINANCIAL STATEMENTS

PAMPA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 4,736,543
Receivables	13,980
Due from primary government (sales taxes)	197,567
Prepaid expenses	40,461
Notes receivable - current	<u>309,640</u>
Total current assets	<u>5,298,191</u>
Noncurrent Assets:	
Notes receivable, net of allowance of \$76,743	1,305,082
Capital assets:	
Land and improvements not being depreciated	543,926
Water rights not being depreciated	600,000
Buildings and improvements, net of depreciation	5,474,682
Vehicles and equipment, net of depreciation	67,962
Construction in Process	<u>620,080</u>
Total noncurrent assets	<u>8,611,732</u>
Total assets	<u>13,909,923</u>

LIABILITIES

Current Liabilities:	
Accounts payable	18,970
Accrued expenses	89,937
Unearned revenues	48,539
Notes payable - current	3,173,753
Compensated absences - current	<u>5,200</u>
Total current liabilities	<u>3,336,399</u>
Noncurrent Liabilities:	
Compensated absences	20,802
Unearned revenues	1,046,770
Tenant security deposits	<u>2,300</u>
Total noncurrent liabilities	<u>1,069,872</u>
Total liabilities	<u>4,406,271</u>

NET POSITION

Net investment in capital assets	4,132,897
Unrestricted	<u>5,370,755</u>
Total net position	<u><u>\$ 9,503,652</u></u>

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

PAMPA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2018

OPERATING REVENUES:	
Sales tax	\$ 1,112,693
Lease revenues	2,244,607
Other revenues	<u>21,464</u>
Total operating revenues	<u>3,378,764</u>
OPERATING EXPENSES:	
Salaries and employee benefits	320,583
Advertising	12,064
Professional services	148,950
Communication	7,706
Dues and subscriptions	7,090
Insurance	96,690
Rent	23,836
Supplies, postage and printing	34,278
Professional development	1,416
Projects and grants	440,000
Travel	9,433
Repairs	111,974
Facility management fees	590,733
Taxes	110,836
Utilities	93,908
Depreciation	<u>563,778</u>
Total operating expenses	<u>2,573,275</u>
Operating income	<u>805,489</u>
NON-OPERATING REVENUES AND (EXPENSES):	
Gain on disposal of assets	286,680
Investment earnings	44,979
Interest	(182,450)
Bad debt	<u>(76,743)</u>
Total non-operating revenues (expenses)	<u>72,466</u>
CHANGE IN NET POSITION	877,955
NET POSITION - BEGINNING	<u>8,625,697</u>
NET POSITION - ENDING	<u><u>\$ 9,503,652</u></u>

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

PAMPA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from sales taxes	\$ 1,100,649
Receipts from lease revenues	2,215,457
Receipts from other operating revenues	28,126
Payments for personnel services	(312,905)
Payments for suppliers	(1,252,284)
Payments for projects and grants	(440,000)
	<u>1,339,043</u>
Net cash provided by operating activities	<u>1,339,043</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sale of investments	1,005,145
Loans on notes receivable	(1,277,000)
Collections on notes receivable	55,368
Interest on investments and notes	56,150
	<u>(160,337)</u>
Net cash used by investing activities	<u>(160,337)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Purchase of capital assets	(576,105)
Payments on long-term debt	(407,895)
Proceeds from sale of equipment	292,330
Interest paid on debt	(182,450)
	<u>(874,120)</u>
Net cash used by financing activities	<u>(874,120)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 304,586

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 4,429,657

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 4,734,243

RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Operating income	\$ 805,489
Adjustment to reconcile operating income to net cash flows from operating activities:	
Depreciation	563,778
(Increase) decrease in operating assets:	
Receivables	(5,382)
Prepaid expenses	(6,713)
Increase (decrease) in operating liabilities:	
Accounts payable	1,518
Accrued expenses	9,503
Unearned revenues	(26,850)
	<u>1,341,343</u>
Net cash provided by operating activities	<u><u>\$ 1,341,343</u></u>

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

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pampa Economic Development Corporation's (EDC) financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant accounting and reporting policies of the EDC are described in the following notes to the financial statements.

A. Financial Reporting Entity

In November 2005, voters in the City of Pampa (City) established the Pampa Economic Development Corporation (EDC). The EDC was established for the promotion of business and economic development in and around the City, and is being funded by a ½-cent sales tax also approved by voters of the City. In December 2005, the City appointed a separate seven-member board of directors that have the responsibility of managing the activities of the EDC. The board of directors adopted a resolution approving the articles of incorporation, and adopted and approved the corporate bylaws of the EDC in February 2006. The EDC also began its operations during the year ended September 30, 2006, and began receiving the ½-cent sales tax, which will be used to fund future operations of the EDC. The City is responsible for approving the operating budget of the EDC as adopted by the seven-member board of directors.

B. Government-Wide Financial Statements

The government-wide financial statements include the statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows. The EDC accounts for all of its operations in one proprietary fund. Mainly sales tax revenues support the activities of the EDC.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The proprietary fund is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Revenues are classified as *operating revenues* and *non-operating revenues*. Operating revenues include: 1) sales tax revenues collected by the City and 2) revenues produced from the single member limited liability company investments described in Notes 13 & 14. Non-operating revenues include investment earnings.

D. Use of Restricted Assets

In circumstances when expenditure is made for a purpose for which amounts are available in multiple net position classifications, net position is depleted in the order of restricted and then unrestricted funds.

E. Assets, Liabilities, and Net Position

1. Deposits and Investments

The EDC's cash and cash equivalents are considered to be cash on hand, demand deposits and deposits within public fund investment pools. Statutes authorize the EDC to keep funds in demand deposits, time deposits, or securities of the United States. The EDC's custodial banks are required to pledge for the purpose of securing EDC funds, securities of the following kind, in an amount equal to the amount of such EDC funds: bonds and notes of the United States, securities of indebtedness of the United States, bonds of the State of Texas, or of any county, city, or independent school district, and various other bonds as described in Texas Statutes.

Continued

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Assets, Liabilities and Net Position- Continuation

1. Deposits and Investments –Continuation

Government Code Chapter 2256, The Public Funds Investment Act (“Act”), requires the EDC to adopt, and publicize an investment policy, requires the EDC. That policy must be written, primarily emphasize safety of principal and liquidity, address investment diversification, yield, and maturity and the quality and capability of investment management, and include a list of the types authorized investments in which the EDC’s funds may be invested, and the maximum allowable stated maturity of any individual investment owned by the EDC.

2. Receivables and Payables

Receivables consist of sales tax collections due from the Texas Comptroller, interest earned on investments and other revenues earned at year-end. There is no allowance for uncollectible amounts, as all receivables are deemed collectible.

Payables consist of vendor obligations for goods and services as well as funds payable to others when the criteria for their release have been met.

3. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as a prepaid item. Prepaid expenses are recorded as expenditures when requisitioned (the consumption method).

4. Capital Assets

Capital assets, including land, buildings and improvements, furniture and equipment, are reported in the statement of net position. According to the EDC’s capitalization policy, capital assets are defined as individual assets (or systems of assets) having a cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated lives:

Buildings and improvements	7-39 years
Equipment	7-15 years
Furniture	5-7 years

5. Compensated Absences

A liability for unused vacation and comp time for all full-time employees is calculated and reported in the proprietary fund financial statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

- leave or compensation is attributable to services already rendered
- leave or compensation is not contingent on a specific event (such as illness).

Continued

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

5. Compensated Absences - Continuation

All regular full-time employees of the EDC accrue vacation leave benefits of two to three weeks, depending on years of service. The EDC does not have a policy regarding the amount of vacation leave employees are allowed to carryover. Employees are paid outstanding vacation leave balances at termination or retirement. Accrued vacation leave benefits as of September 30, 2018 were \$26,002.

Employees are provided twelve days of sick leave per year.

6. Unearned Revenues

Such amounts represent an increase in net position that applies to a future period. The EDC will not recognize the related revenues until a future event occurs. The EDC recognizes revenues under the modified accrual basis of accounting and therefore, these revenues are not recognized until they are available. Accordingly, unearned revenues related to leases are reported on the statement of net position.

7. Net Position

In the proprietary fund financial statements, equity is classified as net position and displayed in three categories.

Net Investment in Capital Assets – This amount consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds.

Restricted Net Position – external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation, or constitutional provisions, restrict this amount. As of September 30, 2018, no funds have been reported as restricted net position.

Unrestricted Net Position – This amount includes all net positions that do not meet the definition of “net investment in capital assets” or “restricted net position.”

8. Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

9. Income Taxes

The Pampa EDC is exempt from federal income taxes under IRC section 501(c) (4), except for any net income derived from unrelated business activities, but remains subject to tax filings with the State of Texas.

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The EDC follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The proposed budget is prepared by the Executive Director and presented to the Board.
2. The Board will approve the budget and provide it to the City Commissioners prior to August 1.
3. The budget is adopted after approval of the City Commissioners.

NOTE 3 – DEPOSITS AND INVESTMENTS

Following is a reconciliation of the EDC's cash and deposit balances as of September 30, 2018:

Deposits and cash equivalents consist of:

	<u>Cost and Fair Value</u>
Bank demand deposits	\$ <u>4,736,543</u>

Custodial credit risk is the risk that in the event of a bank failure, the EDC's deposits and investments may not be returned to the EDC. As of September 30, 2018 the carrying amount of the EDC's deposits and investments with financial institutions were collateralized with a financial institution and with FDIC coverage.

Interest rate risk is the risk that adverse changes in interest rates will result in an adverse effect on the fair value of an investment. The EDC manages its exposure to interest rate risk by maintaining its cash in interest-bearing demand accounts, or in certificates of deposit with weighted average maturities of one year or less.

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The EDC limits its investments to U.S. Government obligations, certificate of deposits, savings and loan association deposits, state and local government obligations and investment pools, and money market mutual funds regulated by the Securities and Exchange Commission.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single insurer. As of September 30, 2018, 100% of the EDC's carrying value of cash and investments were deposited with the City's depository bank and were adequately secured as described above.

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 4 – RECEIVABLES

Receivables as of the year-end consist of the following:

	<u>Current</u>	<u>Noncurrent</u>
Sales tax (Texas Comptroller)	\$ 197,567	\$ -
Leases	1,650	-
Trade receivables	<u>12,330</u>	<u>-</u>
	<u>\$ 211,547</u>	<u>\$ -</u>

NOTE 5 – CAPITAL ASSETS

Capital assets are recorded at cost or, if donated, at fair market value at the date of receipt. In accordance with GASB Statement No. 34, depreciation policies were adopted to include useful lives and classifications by function.

Capital asset activity for the year ended September 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land and land improvements	\$ 549,576	\$ -	\$ (5,650)	\$ 543,926
Water rights	<u>600,000</u>	<u>-</u>	<u>-</u>	<u>600,000</u>
Total capital assets, not being depreciated	<u>1,149,576</u>	<u>-</u>	<u>(5,650)</u>	<u>1,143,926</u>
Capital assets, being depreciated:				
Buildings and improvements	8,734,779	576,105	-	9,310,884
Vehicles and equipment	<u>211,266</u>	<u>-</u>	<u>-</u>	<u>211,266</u>
Total capital assets, being depreciated	<u>8,946,045</u>	<u>576,105</u>	<u>-</u>	<u>9,522,150</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,675,343)	(540,779)	-	(3,216,122)
Vehicles and equipment	<u>(120,305)</u>	<u>(22,999)</u>	<u>-</u>	<u>(143,304)</u>
Total accumulated depreciation	<u>(2,795,648)</u>	<u>(563,778)</u>	<u>-</u>	<u>(3,359,426)</u>
Total capital assets, being depreciated, net	<u>6,150,397</u>	<u>12,327</u>	<u>-</u>	<u>6,162,724</u>
Total capital assets, net	<u>\$ 7,299,973</u>	<u>\$ 12,327</u>	<u>\$ (5,650)</u>	<u>\$ 7,306,650</u>

Depreciation expense for the year ended September 30, 2018 was \$563,778.

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 – DEFERRED COMPENSATION PLAN

Effective December 7, 2009, the Pampa Economic Development Corporation established a 457 Plan & Trust for Governmental Employers in accordance with the requirements of Code Section 457(b) of the Internal Revenue Code.

The Pampa Economic Development Corporation contributes to the Pampa Economic Development Corporation 457 Plan and Trust, which is a deferred compensation plan. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Since the assets are held in trust for the exclusive benefit of the participating employees and not the EDC or its general creditors, none of the assets are reported in the EDC’s financial statements, in accordance with GASB Statement No. 32.

During the fiscal year ended September 30, 2018, the EDC’s contributions were \$8,095, which was approximately 5% of its eligible current payroll. Employee contributions are made given the authorization of the employee.

No provision changes occurred during the year that affected the required contributions to be made by the EDC or its employees.

NOTE 7 – LEASE EXPENSE

The EDC is obligated under a lease with an individual for office space. Under the terms of the lease, the EDC has agreed to pay a monthly rate of \$1,750 for a period of 60 months ending February 28, 2023. Prepaid rent, paid for the remodel of the office space, was being amortized over the term of the lease at \$500 per month. Unamortized costs were expensed when a new lease was reached in March of 2018. Rental expense is reported on the Statement of Revenues, Expenses, and Changes in Net Position for the year in the amount of \$23,836, which includes the amortization of improvement costs.

The minimum future lease payments are:

Year Ended		
<u>September 30, 2018</u>		
2019	\$	21,000
2020		21,000
2021		21,000
2022		21,000
2023		<u>8,750</u>
	\$	<u><u>92,750</u></u>

NOTE 8 – LEASE INCOME

On July 1, 2018, the EDC board of directors approved a hay lease with an individual board member, which leased out agriculture acres owned by the Pampa Energy Center LLC for the purpose of growing grass/hay. The terms of the lease require the individual to pay the EDC \$50/ton of improved grass and \$20/ton on all plots, tracts corners, etc. in addition to an annual lease payment of \$5,760. For the year ended September 30, 2018 lease revenue amounted to \$5,852, and hay sales revenue totaled \$1,943.

Continued

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 8 – LEASE INCOME –Continuation

On September 1, 2018, the EDC board of directors approved a grazing lease with an individual, which leased out agriculture acres owned by the Pampa Energy Center LLC for grazing cattle. Under the terms of the lease, the lessee is required to pay the EDC annual rent of \$8,975 for the twelve months ended August 30 each year.

On June 13, 2012, the EDC board of directors approved the purchase of Las Pampas Square, LLC that operates a mall and collects lease revenue from its tenants. The lease terms and rent amounts vary among the lessees but ranges from \$300 to \$14,220 depending on the size of the space leased. For the year ended September 30, 2018 lease income totaled \$588,108. In including the tenants supplement utility costs amounting to \$59,648.

On December 15, 2011, the EDC entered into a lease agreement with a company to lease a portion of the Pampa Energy Center. The company paid the full lease of \$1,300,000 in advance. The term of the lease is 40 years and will be allocated over that time period. For the year ended September 30, 2018 unearned revenue totaled \$1,079,270 and the current year lease income recognized was \$32,500.

The EDC board of directors have entered into various lease agreements to lease facilities at the Pampa Energy Center. These leases range from annual renewal to ten year terms with options. The total revenue from these leases amounted to \$1,060,508 plus tenant water utility revenues of \$548,664.

NOTE 9 – ACCRUED EXPENSES

Accrued expenses as of the year-end consist of the following:

Ad valorem taxes	\$ 77,331
Accrued wages	11,106
Accrued other	<u>1,500</u>
	<u>\$ 89,937</u>

NOTE 10 – UNEARNED REVENUES

Unearned revenues as of the year-end consist of the following:

	<u>Current</u>	<u>Noncurrent</u>
Unearned revenue - Enbridge	\$ 32,500	\$ 1,046,770
Unearned revenue - leases	<u>16,039</u>	<u>-</u>
	<u>\$ 48,539</u>	<u>\$ 1,046,770</u>

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 11 – LONG TERM LIABILITIES

On April 29, 2014, the EDC entered into a note agreement with Aim Bank for \$4,050,000 for leasehold improvements on the Las Pampas Square, LLC. The note agreement has an interest rate of Wall Street Prime plus 0.5%, but no less than 4% (5.75% at year-end). The note is due on March 30, 2019, and is collateralized by the assets of the Pampa Energy Center and Las Pampas Square. For the year, ended September 30, 2018, interest expense related to the debt was \$160,207.

Long-term liability activity for the year ended September 30, 2018 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable, Aim Bank	\$ 3,581,648	\$ -	\$ 407,895	\$ 3,173,753	\$ 3,173,753
Accrued compensated absences	20,160	9,980	4,138	26,002	5,200
	<u>\$ 3,601,808</u>	<u>\$ 9,980</u>	<u>\$ 412,033</u>	<u>\$ 3,199,755</u>	<u>\$ 3,178,953</u>

NOTE 12 – GRANTS, COMMITMENTS, AND CONTINGENCIES

On May 13, 2011, the EDC entered into an operating and maintenance agreement with a company to handle the day-to-day operations of the Pampa Energy Center, LLC. For the year ended September 30, 2018 the total expenses related to these contracts totaled \$269,974.

On May 3, 2017, the EDC board of directors approved a loan agreement with a company. Under the terms of the agreement, the EDC loaned the company \$60,000 at an interest rate of 4.00%. Monthly collections of \$607.47 begin November 1, 2017, and are to be collected until all principal and accrued unpaid interest is exhausted. Upon payment in full on the loan, there will be no further obligations to the EDC under the agreement.

Subsequent to the year end, the Board and the City Council have approved a grant of \$550,000 for the purchase and renovation of the property to be leased. The term of the lease is for a minimum of ten years.

NOTE 13 – NOTES RECEIVABLE

On August 3, 2009, the EDC entered into a loan agreement with an individual. Under the terms of the note agreement, the EDC loaned the individual \$60,000 at an interest rate of 5.00%. Monthly collections of \$500 began on September 3, 2009, and are to be collected until all principal and accrued unpaid interest is exhausted. The note is secured by a security agreement and a lien on various pieces of equipment. As of September 30, 2018, the outstanding balance of the loan was \$3,281.

Continued

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 13 – NOTES RECEIVABLE – Continuation

On November 30, 2011, the EDC entered into a forgivable loan agreement with a company. Under the terms of the agreement, the EDC has loaned the company \$100,000 at an interest rate of 5.25% beginning January 30, 2015. The forgiveness of the loan will be contingent on the number of full time employees hired in a given year by the company. For each full time employee hired in the first year, \$5,000 of the loan will be forgiven. Additional loan forgiveness is as follows: \$3,000 per employee in the second year and \$2,000 per employee in the third year. Forgiveness shall not exceed \$100,000. The company's tax records will be provided to the EDC to validate current employees at the time of the agreement and additional full time employees hired and the related hours worked. If the company fails to hire the additional and anticipated employees per the agreement, payments on the loan will begin on January 30, 2015 in monthly installments until the entire principal and interest are paid in full on or before January 30, 2019. Upon meeting the employment or payment in full on the loan, there will be no further obligations to the EDC under the agreement. Since the company did not meet the employment requirements to have this loan forgiven, the loan is now due back to the EDC. On August 20, 2015, the EDC and the company agreed to combine this loan with their regular loan agreement and begin making payments on the loan effective January 1, 2016. At September 30, 2018, the outstanding balance of the loan was \$100,738.

On November 26, 2012, the EDC entered into a loan agreement with a company. Under the terms of the agreement, the EDC has loaned the company \$246,976 at an interest rate of 4.00% beginning March 1, 2013. Monthly collections of \$2,526 began on March 1, 2013, and are to be collected until all principal and accrued unpaid interest is exhausted. The note is secured by a security agreement. As of September 30, 2018, the outstanding balance of the loan was \$138,379.

On May 26, 2015, the EDC entered into a loan agreement with a company. Under the terms of the agreement, the EDC has loaned the company \$162,800 at an interest rate of 4.25% beginning August 1, 2015. Monthly collections of \$2,500 began on August 1, 2015, and are to be collected until all principal and accrued unpaid interest is exhausted. The note is secured by a security agreement. Up to \$80,000 of the loan is eligible to be forgiven if the company meets employment requirements as defined in the agreement. As of September 30, 2018, \$19,491 of the loan has been forgiven and the outstanding balance of the loan was \$76,743. An allowance has been reserved on the entire balance of this note.

On October 15, 2015, the EDC entered into a forgivable loan agreement with a company. Under the terms of the agreement, the EDC has loaned the company \$25,000 at an interest rate of 5.00% beginning January 1, 2020. The forgiveness of the loan will be contingent on the number of full time employees hired in a given year by the company. For each full time employee hired in the first year, \$5,000 of the loan will be forgiven. Additional loan forgiveness is as follows: \$4,000 per employee in the second year, \$3,000 per employee in the third year, and \$2,000 per employee in the fourth year. The company's tax records will be provided to the EDC to validate current employees at the time of the agreement and additional full time employees hired and the related hours worked. If the company fails to hire the additional and anticipated employees per the agreement, payments on the loan will begin on January 1, 2020, in monthly installments until the entire principal and interest are paid in full. Upon meeting the employment or payment in full on the loan, there will be no further obligations to the EDC under the agreement. At September 30, 2018, the outstanding balance of the loan was \$25,000.

On May 3, 2017, the EDC entered into a loan agreement with a company. Under the terms of the agreement, the EDC has loaned the company \$60,000 at an interest rate of 4.00% beginning November 1, 2017. Monthly collections of \$607.47 begin on that date and are to be collected until all principal and accrued, unpaid interest is exhausted. The note matures on October 1, 2027. As of September 30, 2018, the outstanding balance of the loan was \$60,000 plus accrued interest of \$2,124.

Continued

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 13 – NOTES RECEIVABLE – Continuation

On June 25, 2018, the EDC entered into a loan agreement with a company for operating capital. The EDC will loan (grant) the company \$77,000 at an interest rate of 5.00% per annum. The loan will be interest free until December 25, 2018. Monthly installments will begin on the outstanding balance on January 1, 2019, with the entire principal and interest due on December 1, 2025. The EDC will allow credits against the loan based on the number of full-time employees. The outstanding balance at September 30, 2018 was \$77,000.

On July 23, 2018, the EDC advanced an operating loan to a company. The loan was for \$10,000, in interest free, and is due in monthly installments of \$833 through June 1, 2019. The loan is collateralized by equipment. As of September 30, 2018, the outstanding loan balance was \$8,200.

On September 17, 2018, the EDC entered into a loan agreement with a company. The agreement is contingent on the company acquiring real estate and franchises from manufacturers. Upon meeting those conditions, the loan in the amount of \$1,200,000 will be advanced. The loan will have interest at 6.00%, and will be due in full on or before September 17, 2028. The EDC will allow credits against the loan based on the number of full-time employees.

Based upon the terms of the notes described above, the loan schedule expected to be repaid to the EDC is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes receivable	\$ 469,833	\$ 1,287,000	\$ (65,368)	\$ 1,691,465	\$ 233,828
	<u>Fiscal Year</u>		<u>Total</u>	<u>Notes Receivable</u>	
				<u>Interest</u>	<u>Principal</u>
	2019		\$ 323,469	\$ 13,529	\$ 309,940
	2020		234,742	75,586	159,156
	2021		236,242	67,503	168,739
	2022		236,241	58,532	177,709
	2023		224,964	49,167	175,797
	2024-2028		824,360	124,236	700,124
			<u>\$ 2,080,018</u>	<u>\$ 388,553</u>	<u>\$ 1,691,465</u>

NOTE 14 – INVESTMENT PAMPA ENERGY CENTER, LLC

On March 1, 2011, the EDC board of directors approved a project to develop an industrial park in Gray County, Texas. The board also authorized the EDC to enter into a membership interest purchase agreement to acquire 100% of the membership interest in Pampa Energy Center, LLC (PEC LLC).

The activities for the year ended September 30, 2018 for the Pampa Energy Center, LLC have been separately tracked and are combined with the EDC through the Combining Statement under other supplemental information.

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 15 – INVESTMENT LAS PAMPAS SQUARE, LLC

On April 27, 2012, the EDC board of directors approved a project to purchase the existing open air shopping center (Red Deer Creek Crossing) in the City of Pampa, Texas. The board also authorized the EDC to enter into a membership interest purchase agreement to acquire 100% of the membership interest in Las Pampas Square, LLC (LPS LLC).

The activities for the year ended September 30, 2018 for Las Pampas Square, LLC have been separately tracked and are combined with the EDC through the Combining Statement under other supplemental information.

On October 23, 2013, the EDC board of directors approved an operating note to Las Pampas Square, LLC in the amount of \$670,000 for the costs of remodeling the building (including replacing the roof, a new HVAC unit, fence enclosure, and a new sign). Such intercompany notes have been eliminated on the Statement of Net Position. As of September 30, 2018, the outstanding balance of the loan was \$670,000.

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OTHER SUPPLEMENTARY INFORMATION

**PAMPA ECONOMIC DEVELOPMENT CORPORATION
BUDGET COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Budget Variance</u>
REVENUES:				
Sales taxes	\$ 975,000	\$ 975,000	\$ 1,112,693	\$ 137,693
Interest on checking	500	500	11,968	11,468
Interest on savings and certificates	3,600	3,600	12,909	9,309
Interest on loans	16,800	16,800	12,964	(3,836)
Principal repayments on loans *	73,506	73,506	-	(73,506)
Total Revenues	<u>1,069,406</u>	<u>1,069,406</u>	<u>1,150,534</u>	<u>154,634</u>
 OPERATING EXPENSES:				
Personnel				
Salary and wages	176,803	176,803	181,027	(4,224)
Car Allowance	13,200	13,200	13,596	(396)
Retirement	8,840	8,840	8,266	574
Payroll taxes	17,680	17,680	15,451	2,229
Health insurance	15,000	15,000	12,883	2,117
QuickBook payroll services	600	600	13	587
Advertising	15,000	15,000	11,629	3,371
Audit fees	15,000	15,000	12,250	2,750
Communications (telephone & Internet)	6,000	6,000	7,706	(1,706)
Web video production	5,000	5,000	-	5,000
Information technology (website & other)	10,000	10,000	-	10,000
Consulting services	39,000	39,000	39,000	-
Contract accounting services	30,000	30,000	33,450	(3,450)
Contract legal services	10,000	10,000	19,645	(9,645)
Dues and subscriptions	10,000	10,000	7,090	2,910
Insurance	17,500	17,500	14,465	3,035
Office rent	20,750	20,750	23,836	(3,086)
Operating supplies	12,000	12,000	25,000	(13,000)
Postage and freight	500	500	156	344
Printing	2,000	2,000	7,940	(5,940)
Professional development	7,000	7,000	1,416	5,584
Projects and grants less than \$10,000	45,000	45,000	-	45,000
Projects and grants more than \$10,000	400,000	1,827,000	440,000	1,387,000
Business recruitment	50,000	50,000	-	50,000
Travel	-	-	9,433	(9,433)
Depreciation	-	-	1,072	(1,072)
Total Operating Expenses	<u>926,873</u>	<u>2,353,873</u>	<u>885,324</u>	<u>1,468,549</u>
 NET REVENUES OVER (UNDER) EXPENSES				
	<u>\$ 142,533</u>	<u>\$ (1,284,467)</u>	<u>\$ 265,210</u>	<u>\$ 1,623,183</u>

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SEPTEMBER 30, 2018

NOTE 1 TO SUPPLEMENTARY INFORMATION – REVENUES AND EXPENSES – BUDGET:

The Budget Comparison Schedule includes only the amounts for the EDC, which have been budgeted under the policies described in Note 2 of the Notes to the Financial Statements. None of the activities for the Pampa Energy Center LLC (PEC) or Las Pampas Square LLC (LPS) shown in the Combining Statement are included. As described in Notes 13 & 14 of the Notes to the Financial Statements above, PEC and LPS are kept separate from the EDC until being combined for financial statement presentation.

The EDC budgets for the collections on the notes receivable. These collections amounted to \$55,369. For financial reporting, they are not recognized as revenue.

PAMPA ECONOMIC DEVELOPMENT CORPORATION
COMBINING STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>PEDC</u>	<u>PEC, LLC</u>	<u>LPS, LLC</u>	<u>Eliminations</u>	<u>Combined Total</u>
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 2,272,936	\$ 2,360,039	\$ 103,568	\$ -	\$ 4,736,543
Investment in subsidiaries	4,766,105	638,171	-	(5,404,276)	-
Receivables, net	-	12,330	1,650	-	13,980
Due from primary government	197,567	-	-	-	197,567
Prepaid expenses	9,566	17,632	13,263	-	40,461
Notes receivable - current	309,640	-	-	-	309,640
Total current assets	<u>7,555,814</u>	<u>3,028,172</u>	<u>118,481</u>	<u>(5,404,276)</u>	<u>5,298,191</u>
Noncurrent Assets:					
Notes receivable	1,975,082	-	-	(670,000)	1,305,082
Capital assets, net of depreciation	10,119	2,865,257	4,431,274	-	7,306,650
Total noncurrent assets	<u>1,985,201</u>	<u>2,865,257</u>	<u>4,431,274</u>	<u>(670,000)</u>	<u>8,611,732</u>
Total assets	<u>9,541,015</u>	<u>5,893,429</u>	<u>4,549,755</u>	<u>(6,074,276)</u>	<u>13,909,923</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	255	11,272	7,443	-	18,970
Accrued expenses	11,106	24,093	54,738	-	89,937
Unearned revenues	-	45,189	3,350	-	48,539
Notes payable - current	-	-	3,173,753	-	3,173,753
Compensated absences - current	5,200	-	-	-	5,200
Total current liabilities	<u>16,561</u>	<u>80,554</u>	<u>3,239,284</u>	<u>-</u>	<u>3,336,399</u>
Noncurrent Liabilities:					
Notes payable	-	-	670,000	(670,000)	-
Compensated absences	20,802	-	-	-	20,802
Unearned revenues	-	1,046,770	-	-	1,046,770
Tenant security deposits	-	-	2,300	-	2,300
Total noncurrent liabilities	<u>20,802</u>	<u>1,046,770</u>	<u>672,300</u>	<u>(670,000)</u>	<u>1,069,872</u>
Total liabilities	<u>37,363</u>	<u>1,127,324</u>	<u>3,911,584</u>	<u>(670,000)</u>	<u>4,406,271</u>
NET POSITION					
Net investment in capital assets	10,119	2,865,257	1,257,521	-	4,132,897
Unrestricted (deficit)	9,493,533	1,900,848	(619,350)	(5,404,276)	5,370,755
Total net position	<u>\$ 9,503,652</u>	<u>\$ 4,766,105</u>	<u>\$ 638,171</u>	<u>\$ (5,404,276)</u>	<u>\$ 9,503,652</u>

PAMPA ECONOMIC DEVELOPMENT CORPORATION
COMBINING STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>PEDC</u>	<u>PEC, LLC</u>	<u>LPS, LLC</u>	<u>Eliminations</u>	<u>Combined Total</u>
OPERATING REVENUES:					
Sales tax	\$ 1,112,693	\$ -	\$ -	\$ -	\$ 1,112,693
Lease revenues	-	1,656,499	588,108	-	2,244,607
Other revenues	-	16,714	4,750	-	21,464
	<u>1,112,693</u>	<u>1,673,213</u>	<u>592,858</u>	<u>-</u>	<u>3,378,764</u>
OPERATING EXPENSES:					
Salaries and employee benefits	231,236	-	89,347	-	320,583
Advertising	11,629	-	435	-	12,064
Professional services	104,345	30,167	14,438	-	148,950
Communication	7,706	-	-	-	7,706
Dues and subscriptions	7,090	-	-	-	7,090
Insurance	14,465	19,751	62,474	-	96,690
Rent	23,836	-	-	-	23,836
Supplies, postage and printing	33,096	954	228	-	34,278
Professional development	1,416	-	-	-	1,416
Projects and grants	440,000	-	-	-	440,000
Travel	9,433	-	-	-	9,433
Repairs	-	-	111,974	-	111,974
Facility management fees	-	590,733	-	-	590,733
Taxes	-	38,367	72,469	-	110,836
Utilities	-	-	93,908	-	93,908
Depreciation	1,072	91,844	470,862	-	563,778
	<u>885,324</u>	<u>771,816</u>	<u>916,135</u>	<u>-</u>	<u>2,573,275</u>
Income (expense) from operations	<u>227,369</u>	<u>901,397</u>	<u>(323,277)</u>	<u>-</u>	<u>805,489</u>
NON-OPERATING REVENUES AND (EXPENSES):					
Gain on disposal of assets	-	-	286,680	-	286,680
Investment earnings	37,841	6,838	300	-	44,979
Interest	-	-	(182,450)	-	(182,450)
Bad debts	(76,743)	-	-	-	(76,743)
Income (Loss) from subsidiaries	689,488	(63,747)	-	(625,741)	-
Transfers	-	(155,000)	155,000	-	-
	<u>650,586</u>	<u>(211,909)</u>	<u>259,530</u>	<u>(625,741)</u>	<u>72,466</u>
Total net non-operating revenues (expenses)	<u>650,586</u>	<u>(211,909)</u>	<u>259,530</u>	<u>(625,741)</u>	<u>72,466</u>
CHANGE IN NET POSITION	877,955	689,488	(63,747)	(625,741)	877,955
NET POSITION - BEGINNING	<u>8,625,697</u>	<u>4,076,617</u>	<u>701,918</u>	<u>(4,778,535)</u>	<u>8,625,697</u>
NET POSITION - ENDING	<u>\$ 9,503,652</u>	<u>\$ 4,766,105</u>	<u>\$ 638,171</u>	<u>\$ (5,404,276)</u>	<u>\$ 9,503,652</u>

**PAMPA ECONOMIC DEVELOPMENT CORPORATION
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>PEDC</u>	<u>PEC, LLC</u>	<u>LPS, LLC</u>	<u>Eliminations</u>	<u>Combined Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from sales taxes	\$ 1,100,649	\$ -	\$ -	\$ -	\$ 1,100,649
Receipts from lessees	-	1,623,999	593,758	-	2,217,757
Receipts from other operating revenues	4,501	4,384	19,241	-	28,126
Payments for personnel services	(223,558)	-	(89,347)	-	(312,905)
Payments for suppliers	(207,436)	(676,125)	(368,723)	-	(1,252,284)
Payments for projects and grants	(440,000)	-	-	-	(440,000)
Net cash provided by operating activities	<u>234,156</u>	<u>952,258</u>	<u>154,929</u>	<u>-</u>	<u>1,341,343</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Transfers	<u>-</u>	<u>(155,000)</u>	<u>155,000</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>(155,000)</u>	<u>155,000</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sale of investments	1,005,145	-	-	-	1,005,145
Loans on notes receivable	(1,277,000)	-	-	-	(1,277,000)
Collections on notes receivable	55,368	-	-	-	55,368
Interest on investments and notes	49,011	6,838	301	-	56,150
Net cash provided (used) by investing activities	<u>(167,476)</u>	<u>6,838</u>	<u>301</u>	<u>-</u>	<u>(160,337)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:					
Purchase of capital assets	-	(40,467)	(535,638)	-	(576,105)
Payments on long-term debt	-	-	(407,895)	-	(407,895)
Proceeds from sale of equipment	-	-	292,330	-	292,330
Interest paid on debt	-	-	(182,450)	-	(182,450)
Net cash provided (used) by financing activities	<u>-</u>	<u>(40,467)</u>	<u>(833,653)</u>	<u>-</u>	<u>(874,120)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	66,680	763,629	(523,423)	-	306,886
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,206,256</u>	<u>1,596,410</u>	<u>626,991</u>	<u>-</u>	<u>4,429,657</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,272,936</u>	<u>\$ 2,360,039</u>	<u>\$ 103,568</u>	<u>\$ -</u>	<u>\$ 4,736,543</u>

Continued

PAMPA ECONOMIC DEVELOPMENT CORPORATION
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>PEDC</u>	<u>PEC, LLC</u>	<u>LPS, LLC</u>	<u>Eliminations</u>	<u>Combined Total</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income (loss)	\$ 227,369	\$ 901,397	\$ (323,277)	\$ -	\$ 805,489
Adjustment to reconcile operating income to net cash flows from operating activities:					
Depreciation	1,072	91,844	470,862	-	563,778
(Increase) decrease in operating assets:					
Receivables	(7,543)	(12,330)	14,491	-	(5,382)
Prepaid expenses	5,580	155	(12,448)	-	(6,713)
Increase (decrease) in operating liabilities:					
Accounts payable	46	3,365	(1,893)	-	1,518
Accrued expenses	7,632	327	1,544	-	9,503
Unearned revenues	-	(32,500)	5,650	-	(26,850)
Net cash provided by operating activities	<u>\$ 234,156</u>	<u>\$ 952,258</u>	<u>\$ 154,929</u>	<u>\$ -</u>	<u>\$ 1,341,343</u>

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PART III
COMPLIANCE

Board of Directors
Pampa Economic Development Corporation
Pampa, Texas

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*

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 the business-type activities of the Pampa Economic Development Corporation, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Pampa Economic Development Corporation's basic financial statements and have issued our report thereon dated February 8, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pampa Economic Development Corporation's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pampa Economic Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Pampa Economic Development Corporation'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 deficiencies, significant deficiencies, or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pampa Economic Development Corporation'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*.

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.

DOSHIER, PICKENS & FRANCIS, L.L.C.

DOSHIER, PICKENS & FRANCIS, LLC
February 8, 2019