

**Pampa Economic
Development Corporation**

Annual Financial Report

For the Year Ended September 30, 2019

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PAMPA ECONOMIC DEVELOPMENT CORPORATION

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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PART I

INTRODUCTORY SECTION

PAMPA ECONOMIC DEVELOPMENT CORPORATION

SEPTEMBER 30, 2019

BOARD OF DIRECTORS

Gary Sutherland President
Dru Chidester Vice President
Cay Warner Secretary
Bill Roy Assistant Secretary
Glennette Goode Treasurer
Bill Bridges Assistant Treasurer
Troy Newton Board Member

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, 2019, 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, 2019, 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 Notes to the Other Supplementary Information, and the Combining Statements 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 Notes to the Other Supplementary Information, and the Combining Statements 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 January 16, 2020, 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
January 16, 2020

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BASIC FINANCIAL STATEMENTS

PAMPA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 4,499,240
Receivables, net	19,345
Due from primary government	188,100
Prepaid expenses	29,250
Notes receivable - current	<u>319,634</u>
Total current assets	<u>5,055,569</u>
Noncurrent Assets:	
Notes receivable, net of allowance of \$76,743	1,297,339
Capital assets:	
Land	543,926
Water rights	600,000
Buildings and improvements	11,090,309
Vehicles and equipment	393,398
Accumulated depreciation	<u>(3,870,395)</u>
Total noncurrent assets	<u>10,054,577</u>
Total assets	<u>15,110,146</u>

LIABILITIES

Current Liabilities:	
Notes payable - current	191,359
Accounts payable	215
Accrued expenses	60,371
Unearned revenues	12,689
Compensated absences - current	<u>5,400</u>
Total current liabilities	<u>270,034</u>
Noncurrent Liabilities:	
Notes payable	4,263,168
Compensated absences	21,766
Tenant security deposits	<u>9,910</u>
Total noncurrent liabilities	<u>4,294,844</u>
Total liabilities	<u>4,564,878</u>

NET POSITION

Net investment in capital assets	5,698,260
Unrestricted	<u>4,847,008</u>
Total net position	<u>\$ 10,545,268</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, 2019

OPERATING REVENUES:

Sales tax	\$ 1,081,721
Lease revenues	2,256,876
Other revenues	<u>18,176</u>
 Total operating revenues	 <u>3,356,773</u>

OPERATING EXPENSES:

Salaries and employee benefits	363,622
Advertising	11,779
Professional services	152,553
Communication	8,327
Dues and subscriptions	5,457
Insurance	96,892
Rent	21,000
Supplies, postage and printing	22,660
Professional development	600
Projects and grants	159,900
Travel	6,504
Repairs	82,284
Facility management fees	620,137
Taxes	76,092
Utilities	77,909
Depreciation	<u>510,969</u>
 Total operating expenses	 <u>2,216,685</u>
 Operating income	 <u>1,140,088</u>

NON-OPERATING REVENUES AND (EXPENSES):

Investment earnings	100,972
Interest expense	<u>(199,444)</u>
 Total non-operating revenues (expenses)	 <u>(98,472)</u>

CHANGE IN NET POSITION

1,041,616

NET POSITION - BEGINNING

9,503,652

NET POSITION - ENDING

\$ 10,545,268

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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from sales taxes	\$ 1,091,188
Receipts from lease revenues	1,181,866
Receipts from other operating revenues	12,811
Payments for personnel services	(358,087)
Payments for suppliers	(1,223,675)
Payments for projects and grants	(159,900)
	<u>544,203</u>
Net cash provided by operating activities	<u>544,203</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Loans on notes receivable	(63,495)
Collections on notes receivable	61,244
Interest on investments and notes	100,972
	<u>98,721</u>
Net cash provided by investing activities	<u>98,721</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Purchase of capital assets	(1,961,557)
Proceeds from long-term debt	1,400,000
Payments on long-term debt	(119,226)
Interest paid on debt	(199,444)
	<u>(880,227)</u>
Net cash used by financing activities	<u>(880,227)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (237,303)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 4,736,543

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 4,499,240

RECONCILIATION OF OPERATING INCOME TO NET

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ 1,140,088
Adjustment to reconcile operating income to net cash flows from operating activities:	
Depreciation	510,969
(Increase) decrease in operating assets:	
Receivables	(5,365)
Due from primary government	9,467
Prepaid expenses	11,211
Increase (decrease) in operating liabilities:	
Accounts payable	(18,755)
Accrued expenses	(28,402)
Unearned revenues	(1,082,620)
Tenant security deposits	7,610
	<u>7,610</u>
Net cash provided by operating activities	<u>\$ 544,203</u>

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

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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. Basic Financial Statements

The basic 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 12 & 13. 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, 2019

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. 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
Vehicles and equipment	5-15 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, 2019

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, 2019 were \$27,166.

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 accrual basis of accounting and therefore, these revenues are not recognized until they are earned. 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 – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation, or constitutional provisions, restrict this amount. As of September 30, 2019, 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, 2019

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, 2019:

	<u>Cost and Fair Value</u>
Bank demand deposits	<u>\$ 4,499,240</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, 2019 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, 2019, 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, 2019

NOTE 4 – 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, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land and land improvements	\$ 543,926	\$ -	\$ -	\$ 543,926
Water rights	600,000	-	-	600,000
Total capital assets, not being depreciated	<u>1,143,926</u>	<u>-</u>	<u>-</u>	<u>1,143,926</u>
Capital assets, being depreciated:				
Buildings and improvements	9,310,884	1,779,425	-	11,090,309
Vehicles and equipment	211,266	182,132	-	393,398
Total capital assets, being depreciated	<u>9,522,150</u>	<u>1,961,557</u>	<u>-</u>	<u>11,483,707</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,216,122)	(489,638)	-	(3,705,760)
Vehicles and equipment	(143,304)	(21,331)	-	(164,635)
Total accumulated depreciation	<u>(3,359,426)</u>	<u>(510,969)</u>	<u>-</u>	<u>(3,870,395)</u>
Total capital assets, being depreciated, net	<u>6,162,724</u>	<u>1,450,588</u>	<u>-</u>	<u>7,613,312</u>
Total capital assets, net	<u>\$ 7,306,650</u>	<u>\$ 1,450,588</u>	<u>\$ -</u>	<u>\$ 8,757,238</u>

Depreciation expense for the year ended September 30, 2019 was \$510,969.

NOTE 5 – 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.

Continued

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 5 – DEFERRED COMPENSATION PLAN – Continuation

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, 2019, the EDC’s contributions were \$20,847, which was approximately 10% 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 6 – 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 signed 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 \$21,000, which includes the amortization of improvement costs.

The minimum future lease payments are:

Year Ended September 30, 2019		
2020	\$	21,000
2021		21,000
2022		21,000
2023		8,750
2024		-
		-
	\$	71,750

NOTE 7 – LEASE INCOME

On July 1, 2018, the Pampa Energy Center, LLC 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, 2019 lease revenue amounted to \$5,852, and hay sales revenue totaled \$4,288.

On September 1, 2018, the Pampa Energy Center, LLC 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.

Continued

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 7 – LEASE INCOME – Continuation

On June 13, 2012, the EDC board of directors approved the purchase of Las Pampas Square, LLC that operates a shopping center 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, 2019 lease income was \$597,165. In including the tenants supplement utility costs amounting to \$57,940.

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, 2019 lease income recognized was \$32,500, and there was no unearned revenue at September 30, 2019. During the year ended September 30, 2019 the EDC purchased the remaining lease term back from the Company.

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 \$1,070,300 plus tenant water utility revenues of \$541,876.

NOTE 8 – ACCRUED EXPENSES

Accrued expenses as of September 30, 2019 consist of the following:

Ad valorem taxes	\$ 43,348
Accrued wages	15,523
Accrued other	<u>1,500</u>
	<u><u>\$ 60,371</u></u>

NOTE 9 – 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 6.29%. The note is due on April 30, 2029, and is collateralized by the assets of the Pampa Energy Center and Las Pampas Square. For the year ended September 30, 2019, interest expense related to the debt was \$191,861.

On August 30, 2019, the EDC entered into a note agreement with Aim Bank for \$1,400,000 for the purpose of buying out the 40 year lease entered into with a company during 2011. The note agreement has an interest rate of 6.29%. The note is due on August 30, 2029, and is collateralized by the assets of the Pampa Energy Center. For the year ended September 30, 2019, interest expense related to the debt was \$7,583.

Continued

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 9 – LONG TERM LIABILITIES – Continuation

Long-term liability activity for the year ended September 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Note payable, Aim Bank (LPS)	\$ 3,173,753	\$ -	\$ 114,775	\$ 3,058,978	\$ 133,016
Note payable, Aim Bank (PEC)	-	1,400,000	4,451	1,395,549	58,343
Accrued compensated absences	26,002	11,498	10,334	27,166	5,400
	<u>\$ 3,199,755</u>	<u>\$ 1,411,498</u>	<u>\$ 129,560</u>	<u>\$ 4,481,693</u>	<u>\$ 196,759</u>

The annual debt service requirement on long-term liabilities outstanding as of September 30, 2019 is as follows:

	<u>Total</u>	<u>Aim Bank Las Pampas Square</u>		<u>Aim Bank Pampa Energy Center</u>	
		<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 465,917	\$ 133,016	\$ 188,487	\$ 58,343	\$ 86,071
2021	465,917	141,628	179,875	62,120	82,294
2022	465,917	150,798	170,705	66,142	78,272
2023	465,917	160,562	160,941	70,425	73,989
2024	465,917	170,957	150,546	74,985	69,429
2025 -2029	4,170,230	2,302,017	536,955	1,063,534	267,724
Total	<u>\$ 6,499,815</u>	<u>\$ 3,058,978</u>	<u>\$ 1,387,509</u>	<u>\$ 1,395,549</u>	<u>\$ 657,779</u>

NOTE 10 – 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, 2019 the total expenses related to these contracts totaled \$280,422.

NOTE 11 – 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 was secured by a security agreement and a lien on various pieces of equipment. As of September 30, 2019, the loan was paid in full.

Continued

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 11 – 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 \$188,900 at an interest rate of 4.25% 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, 2019, the outstanding balance of the loan was \$80,544.

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, 2019, the outstanding balance of the loan was \$113,149.

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, 2019 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, 2019, 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 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, 2019, the outstanding balance of the loan was \$60,000 plus accrued interest of \$4,248.

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, 2019 was \$70,815.

Continued

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 11 – NOTES RECEIVABLE – Continuation

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

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. As of September 30, 2019 the outstanding balance of the loan was \$1,200,000.

On May 1, 2019, the EDC entered into a loan agreement with a company. Under the terms of the agreement, the EDC has loaned the company \$53,500 at an interest rate of 6.00% beginning November 1, 2019. Monthly collections of \$1,029 begin on November 1, 2019, 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, 2019 the outstanding balance of the loan was \$53,500.

On October 27, 2018, the EDC entered into a loan agreement with a company. Under the terms of the agreement, the EDC has loaned the company \$9,995 at an interest rate of 5.00% beginning June 27, 2019. Monthly collections of \$200 began on June 27, 2019, 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, 2019 the outstanding balance of the loan was \$9,718.

Based upon the terms of the notes described above, the loan activity and the expected loan repayments are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes receivable	\$ 1,691,465	\$ 63,495	\$ (61,244)	\$ 1,693,716	\$ 319,634
Less: allowance for uncollectible	(76,743)	-	-	(76,743)	-
	<u>\$ 1,614,722</u>	<u>\$ 63,495</u>	<u>\$ (61,244)</u>	<u>\$ 1,616,973</u>	<u>\$ 319,634</u>
	<u>Fiscal Year</u>		<u>Total</u>	<u>Notes Receivable</u>	
				<u>Interest</u>	<u>Principal</u>
	2020		\$ 335,642	\$ 16,008	\$ 319,634
	2021		249,188	76,133	173,055
	2022		249,178	66,873	182,305
	2023		237,900	57,210	180,690
	2024		194,290	48,318	145,972
	2025-2029		816,085	124,025	692,060
			<u>\$ 2,082,283</u>	<u>\$ 388,567</u>	<u>\$ 1,693,716</u>

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 12 – 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, 2019 for the Pampa Energy Center, LLC have been separately tracked and are combined with the EDC through the Combining Statement under other supplemental information.

NOTE 13 – 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, 2019 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, 2019, 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, 2019**

	Original Budget	Final Budget	Actual Amounts	Budget Variance
REVENUES:				
Sales taxes	\$ 1,000,000	\$ 1,000,000	\$ 1,081,721	\$ 81,721
Interest on checking	1,200	1,200	42,169	40,969
Interest on savings and certificates	4,500	4,500	-	(4,500)
Interest on loans	14,000	14,000	13,668	(332)
Principal repayments on loans *	59,596	59,596	-	(59,596)
	<u>1,079,296</u>	<u>1,079,296</u>	<u>1,137,558</u>	<u>117,858</u>
OPERATING EXPENSES:				
Personnel				
Salary and wages	196,320	196,320	200,385	(4,065)
Car Allowance	13,200	13,200	12,273	927
Retirement	19,632	19,632	20,847	(1,215)
Payroll taxes	19,632	19,632	16,401	3,231
Health insurance	20,000	20,000	14,060	5,940
QuickBook payroll services	700	700	-	700
Advertising	15,000	15,000	11,619	3,381
Audit fees	15,000	15,000	12,500	2,500
Communications (telephone & Internet)	6,000	6,000	8,327	(2,327)
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	28,745	1,255
Contract legal services	10,000	10,000	17,209	(7,209)
Dues and subscriptions	10,000	10,000	5,457	4,543
Insurance	17,500	17,500	15,536	1,964
Office rent	21,000	21,000	21,000	-
Operating supplies	12,000	12,000	6,707	5,293
Postage and freight	500	500	411	89
Printing	2,000	2,000	922	1,078
Professional development	7,000	7,000	600	6,400
Projects and grants less than \$10,000	45,000	45,000	9,900	35,100
Projects and grants more than \$10,000	800,000	800,000	150,000	650,000
Business recruitment	50,000	50,000	18,863	31,137
Depreciation	-	-	1,072	(1,072)
	<u>1,364,484</u>	<u>1,364,484</u>	<u>611,834</u>	<u>752,650</u>
NET REVENUES OVER (UNDER) EXPENSES	<u>\$ (285,188)</u>	<u>\$ (285,188)</u>	<u>\$ 525,724</u>	<u>\$ 870,508</u>

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SEPTEMBER 30, 2019

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 12 & 13 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 \$61,244. For financial reporting, they are not recognized as revenue.

PAMPA ECONOMIC DEVELOPMENT CORPORATION
COMBINING STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<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	\$ 2,811,582	\$ 1,630,780	\$ 56,878	\$ -	\$ 4,499,240
Investment in subsidiaries	5,281,997	338,183	-	(5,620,180)	-
Receivables, net	-	12,330	7,015	-	19,345
Due from primary government	188,100	-	-	-	188,100
Prepaid expenses	10,467	18,166	617	-	29,250
Notes receivable - current	319,634	-	-	-	319,634
Total current assets	<u>8,611,780</u>	<u>1,999,459</u>	<u>64,510</u>	<u>(5,620,180)</u>	<u>5,055,569</u>
Noncurrent Assets:					
Notes receivable	1,967,339	-	-	(670,000)	1,297,339
Capital assets, net of depreciation	9,048	4,712,825	4,035,365	-	8,757,238
Total noncurrent assets	<u>1,976,387</u>	<u>4,712,825</u>	<u>4,035,365</u>	<u>(670,000)</u>	<u>10,054,577</u>
Total assets	<u>10,588,167</u>	<u>6,712,284</u>	<u>4,099,875</u>	<u>(6,290,180)</u>	<u>15,110,146</u>
LIABILITIES					
Current Liabilities:					
Notes payable - current	-	58,343	133,016	-	191,359
Accounts payable	210	5	-	-	215
Accrued expenses	15,523	22,044	22,804	-	60,371
Unearned revenues	-	12,689	-	-	12,689
Compensated absences - current	5,400	-	-	-	5,400
Total current liabilities	<u>21,133</u>	<u>93,081</u>	<u>155,820</u>	<u>-</u>	<u>270,034</u>
Noncurrent Liabilities:					
Notes payable	-	1,337,206	3,595,962	(670,000)	4,263,168
Compensated absences	21,766	-	-	-	21,766
Tenant security deposits	-	-	9,910	-	9,910
Total noncurrent liabilities	<u>21,766</u>	<u>1,337,206</u>	<u>3,605,872</u>	<u>(670,000)</u>	<u>4,294,844</u>
Total liabilities	<u>42,899</u>	<u>1,430,287</u>	<u>3,761,692</u>	<u>(670,000)</u>	<u>4,564,878</u>
NET POSITION					
Net investment in capital assets	9,048	4,712,825	976,387	-	5,698,260
Unrestricted (deficit)	10,536,220	569,172	(638,204)	(5,620,180)	4,847,008
Total net position	<u>\$ 10,545,268</u>	<u>\$ 5,281,997</u>	<u>\$ 338,183</u>	<u>\$ (5,620,180)</u>	<u>\$ 10,545,268</u>

PAMPA ECONOMIC DEVELOPMENT CORPORATION
COMBINING STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>PEDC</u>	<u>PEC, LLC</u>	<u>LPS, LLC</u>	<u>Eliminations</u>	<u>Combined Total</u>
OPERATING REVENUES:					
Sales tax	\$ 1,081,721	\$ -	\$ -	\$ -	\$ 1,081,721
Lease revenues	-	1,659,711	597,165	-	2,256,876
Other revenues	-	12,776	5,400	-	18,176
	<u>1,081,721</u>	<u>1,672,487</u>	<u>602,565</u>	<u>-</u>	<u>3,356,773</u>
OPERATING EXPENSES:					
Salaries and employee benefits	263,966	-	99,656	-	363,622
Advertising	11,619	-	160	-	11,779
Professional services	97,454	46,580	8,519	-	152,553
Communication	8,327	-	-	-	8,327
Dues and subscriptions	5,457	-	-	-	5,457
Insurance	15,536	19,928	61,428	-	96,892
Rent	21,000	-	-	-	21,000
Supplies, postage and printing	21,040	1,485	135	-	22,660
Professional development	600	-	-	-	600
Projects and grants	159,900	-	-	-	159,900
Travel	5,863	641	-	-	6,504
Repairs	-	-	82,284	-	82,284
Facility management fees	-	620,137	-	-	620,137
Taxes	-	37,173	38,919	-	76,092
Utilities	-	-	77,909	-	77,909
Depreciation	1,072	96,294	413,603	-	510,969
	<u>611,834</u>	<u>822,238</u>	<u>782,613</u>	<u>-</u>	<u>2,216,685</u>
Total operating expenses	<u>611,834</u>	<u>822,238</u>	<u>782,613</u>	<u>-</u>	<u>2,216,685</u>
Operating (loss) / income	<u>469,887</u>	<u>850,249</u>	<u>(180,048)</u>	<u>-</u>	<u>1,140,088</u>
NON-OPERATING REVENUES AND (EXPENSES):					
Investment earnings	55,837	43,214	1,921	-	100,972
Interest expense	-	(7,583)	(191,861)	-	(199,444)
Income (Loss) from subsidiaries	515,892	(299,988)	-	(215,904)	-
Transfers	-	(70,000)	70,000	-	-
	<u>571,729</u>	<u>(334,357)</u>	<u>(119,940)</u>	<u>(215,904)</u>	<u>(98,472)</u>
Total net non-operating revenues (expenses)	<u>571,729</u>	<u>(334,357)</u>	<u>(119,940)</u>	<u>(215,904)</u>	<u>(98,472)</u>
CHANGE IN NET POSITION	1,041,616	515,892	(299,988)	(215,904)	1,041,616
NET POSITION - BEGINNING	<u>9,503,652</u>	<u>4,766,105</u>	<u>638,171</u>	<u>(5,404,276)</u>	<u>9,503,652</u>
NET POSITION - ENDING	<u>\$ 10,545,268</u>	<u>\$ 5,281,997</u>	<u>\$ 338,183</u>	<u>\$ (5,620,180)</u>	<u>\$ 10,545,268</u>

**PAMPA ECONOMIC DEVELOPMENT CORPORATION
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<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	\$ 1,091,188	\$ -	\$ -	\$ -	\$ 1,091,188
Receipts from lessees	-	580,441	601,425	-	1,181,866
Receipts from other operating revenues	-	12,776	35	-	12,811
Payments for personnel services	(258,431)	-	(99,656)	-	(358,087)
Payments for suppliers	(187,797)	(739,795)	(296,083)	-	(1,223,675)
Payments for projects and grants	(159,900)	-	-	-	(159,900)
	<u>485,060</u>	<u>(146,578)</u>	<u>205,721</u>	<u>-</u>	<u>544,203</u>
Net cash provided (used) by operating activities					
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Transfers	-	(70,000)	70,000	-	-
	<u>-</u>	<u>(70,000)</u>	<u>70,000</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by non-capital financing activities					
CASH FLOWS FROM INVESTING ACTIVITIES:					
Loans on notes receivable	(63,495)	-	-	-	(63,495)
Collections on notes receivable	61,244	-	-	-	61,244
Interest on investments and notes	55,837	43,214	1,921	-	100,972
	<u>53,586</u>	<u>43,214</u>	<u>1,921</u>	<u>-</u>	<u>98,721</u>
Net cash provided by investing activities					
CASH FLOWS FROM FINANCING ACTIVITIES:					
Purchase of capital assets	-	(1,943,861)	(17,696)	-	(1,961,557)
Proceeds from long-term debt	-	1,400,000	-	-	1,400,000
Payments on long-term debt	-	(4,451)	(114,775)	-	(119,226)
Interest paid on debt	-	(7,583)	(191,861)	-	(199,444)
	<u>-</u>	<u>(555,895)</u>	<u>(324,332)</u>	<u>-</u>	<u>(880,227)</u>
Net cash used by financing activities					
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	538,646	(729,259)	(46,690)	-	(237,303)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,272,936</u>	<u>2,360,039</u>	<u>103,568</u>	<u>-</u>	<u>4,736,543</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,811,582</u>	<u>\$ 1,630,780</u>	<u>\$ 56,878</u>	<u>\$ -</u>	<u>\$ 4,499,240</u>

Continued

**PAMPA ECONOMIC DEVELOPMENT CORPORATION
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>PEDC</u>	<u>PEC, LLC</u>	<u>LPS, LLC</u>	<u>Eliminations</u>	<u>Combined Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income (loss)	\$ 469,887	\$ 850,249	\$ (180,048)	\$ -	\$ 1,140,088
Adjustment to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation	1,072	96,294	413,603	-	510,969
(Increase) decrease in operating assets:					
Receivables	-	-	(5,365)	-	(5,365)
Due from primary government	9,467	-	-	-	9,467
Prepaid expenses	(901)	(535)	12,647	-	11,211
Increase (decrease) in operating liabilities:					
Accounts payable	(46)	(11,267)	(7,442)	-	(18,755)
Accrued expenses	5,581	(2,049)	(31,934)	-	(28,402)
Unearned revenues	-	(1,079,270)	(3,350)	-	(1,082,620)
Tenant security deposits	-	-	7,610	-	7,610
Net cash provided (used) by operating activities	<u>\$ 485,060</u>	<u>\$ (146,578)</u>	<u>\$ 205,721</u>	<u>\$ -</u>	<u>\$ 544,203</u>

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PART III
COMPLIANCE



Board of Directors
Pampa Economic Development Corporation
Pampa, Texas

INDEPENDENT AUDITORS' 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, 2019, 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 January 16, 2020.

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

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