

CITY OF CENTER
STREET IMPROVEMENTS FOR
ECONOMIC DEVELOPMENT CORPORATION
Center, Texas

FINANCIAL STATEMENTS

September 30, 2014

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Center
Center, Texas

We have audited the accompanying financial statements of the City of Center Street Improvements for Economic Development Corporation (a nonprofit organization) a component unit of the City of Center, Texas as of and for the year ended September 30, 2014, and the related notes to the 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.

Auditor's 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. 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 auditor's 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 entity'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 entity'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 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 City of Center Street Improvements for Economic Development Corporation as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-7 and 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
April 13, 2015



Management's Discussion and Analysis

As management of the City of Center, Texas, we offer readers of the City of Center Street Improvement for Economic Development Corporation's financial statements this narrative overview and analysis of the financial activities of the City of Center Street Improvement for Economic Development Corporation "Street EDC" for the fiscal year ended September 30, 2014. Please read it in conjunction with the financial statements and accompanying notes.

Overview of the Financial Statements

The annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The Street EDC is a self-supporting entity and uses a governmental fund to report operations.

The governmental fund statements tell how general services were financed in the short term as well as what remains for future spending.

The government-wide financial statements provide both long-term and short-term information about the Street EDC's overall financial status. The government-wide statements are presented in a manner similar to a private business, such as real estate development, investment banking, commercial lending, construction management and private consulting. The statement of net position includes all of the Street EDC's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Financial Highlights

- The assets of the Street EDC exceeded its liabilities at the close of the most recent fiscal year by \$867,619.
- As of the close of the current fiscal year, the Street EDC reported an ending fund balance of \$867,619, an increase of \$610,293 from the prior year. The increase is the result of current year revenues exceeding expenditures.
- The Street EDC expended \$130,626 in current revenues toward street improvements this fiscal year.

The following table provides a summary of the Street EDC's net position:

	<u>2014</u>	<u>2013</u>	<u>CHANGE</u>
Current and other assets	\$ 867 619	\$ 291 740	\$ 575 879
TOTAL ASSETS	<u>867 619</u>	<u>291 740</u>	<u>575 879</u>
Other liabilities	-	(34 414)	(34 414)
TOTAL LIABILITIES	<u>-</u>	<u>(34 414)</u>	<u>(34 414)</u>
Net Position:			
Unrestricted	867 619	257 326	610 293
TOTAL NET POSITION	<u>\$ 867 619</u>	<u>\$ 257 326</u>	<u>\$ 610 293</u>

The following table provides a summary of the Street EDC's changes in net position:

	2014	2013	CHANGE
Revenues:			
Sales tax	\$ 740 287	\$ 755 393	\$ (15 106)
Interest	622	1 540	(918)
Other	10	-	10
TOTAL REVENUES	<u>740 919</u>	<u>756 933</u>	<u>(16 014)</u>
Expenses:			
Contractual	3 800	3 800	-
Supplies	-	100	(100)
Administration fee	15 000	10 000	5 000
Sundry	50	71	(21)
Projects	111 776	1 030 566	(918 790)
TOTAL EXPENSES	<u>130 626</u>	<u>1 044 537</u>	<u>(913 911)</u>
CHANGE IN NET POSITION	<u>610 293</u>	<u>(287 604)</u>	<u>897 897</u>
Beginning net position	<u>257 326</u>	<u>544 930</u>	<u>(287 604)</u>
ENDING NET POSITION	<u>\$ 867 619</u>	<u>\$ 257 326</u>	<u>\$ 610 293</u>

Government-Wide Financial Analysis:

Net Position. The net position of the Street EDC is \$867,619. This is an increase of \$610,293 from the prior year. From its inception, the mission of the Street EDC has been the improvement of Center's streets, roadways, and transportation. Due to the public nature of these facilities, the Street EDC contributes all new constructed assets upon completion of construction to the City, and expenses repairs.

Fund Financial Analysis:

Fund Balance. The Street EDC's fund balance has historically been a more accurate factor in assessing the corporation's financial position. The fund balance increased by \$610,293. This resulted from reduced expense toward street renovation projects during this fiscal year. At the end of the current year, the fund balance is \$867,619. As a measure of the fund's liquidity, it may be useful to compare total fund balance to annual expenditures. Using this approach, fund balance represents 664% of operational expenditures for this period.

Operating Activities. This year's operating activities increased the net position of the Street EDC by \$610,293. Key elements of these changes include:

- Expenses of the Street EDC decreased \$913,911 from the prior year.
- Revenues from sales taxes decreased by \$15,106 from the prior year.
- Infrastructure projects this year totaled \$111,776 and included:
 - Renovation and reconstruction of 0.27 miles of Roughrider Drive - \$111,776

Long Term Debt. The Street EDC currently has \$-0- in outstanding debt.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate as of August 2014 for Shelby County, according to Texas Workforce Commission statistics is 5.2%. The corresponding unemployment rates for August 2014 according to the Texas Workforce Commission is 5.0% for the State of Texas and 5.9% for the Deep East Texas Region.

- The ½% sales tax receipts remitted to the 4(B) Economic Development Corporation for the current fiscal year, totaled \$740,287. This amount is a decrease of \$15,106 (2.04%) from the previous year. This reduction indicates a continued slowing of the growth of the prior two years primarily resulting from decreases in retail outlets and overall taxable sales but specifically those related to oil and gas industry activities.
- Economic trends in the area are contrary to state and national indices and trends due to reduced operations and activities of the local oil and gas industry and the continued impacts of that decline on local retail and hospitality businesses.

All of these factors were considered in preparing the Street EDC's budget for the 2015 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City of Center Economic Development Corporation for all those with an interest in the Street EDC's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Center Economic Development Corporation, P. O. Box 1744, 617 Tenaha Street, Center, Texas, 75935-1744.

CITY OF CENTER
STREET IMPROVEMENTS FOR
ECONOMIC DEVELOPMENT CORPORATION
GOVERNMENTAL FUND BALANCE SHEET /
STATEMENT OF NET POSITION
September 30, 2014

	<u>GENERAL FUND</u>	<u>ADJUSTMENTS</u>	<u>STATEMENT OF NET POSITION</u>
ASSETS			
Cash	\$ 786	\$ -	\$ 786
Investments	809 797	-	809 797
Due from State	<u>57 036</u>	<u>-</u>	<u>57 036</u>
TOTAL ASSETS	<u>\$ 867 619</u>	<u>-</u>	<u>867 619</u>
LIABILITIES			
Liabilities	<u>\$ -</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE/NET POSITION			
Fund Balance:			
Unreserved	<u>867 619</u>	<u>(867 619)</u>	<u>-</u>
TOTAL FUND BALANCE	<u>867 619</u>	<u>(867 619)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 867 619</u>		
NET POSITION			
Unrestricted		<u>867 619</u>	<u>867 619</u>
TOTAL NET POSITION		<u>\$ 867 619</u>	<u>\$ 867 619</u>

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF CENTER
STREET IMPROVEMENTS FOR
ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE / STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2014

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF ACTIVITIES
Revenues:			
Sales tax	\$ 740 287	\$ -	\$ 740 287
Interest income	622	-	622
Other income	10	-	10
TOTAL REVENUES	740 919	-	740 919
Expenditures:			
Contractual	3 800	-	3 800
Administration fee	15 000	-	15 000
Miscellaneous	50	-	50
Projects	111 776	-	111 776
TOTAL EXPENDITURES	130 626	-	130 626
NET INCOME	610 293	-	610 293
Fund Balance/Net Position:			
Beginning of year	257 326	-	257 326
END OF YEAR	\$ 867 619	\$ -	\$ 867 619

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF CENTER
STREET IMPROVEMENTS FOR
ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Center Street Improvements for Economic Development Corporation (the Corporation) conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

A. Reporting Entity

The Corporation was organized in 1997 and is a component unit of the City of Center “(City)”. The Corporation is a 4B nonprofit industrial development corporation specifically governed by the Development Corporation Act. The purpose of the Corporation is to promote, assist, and enhance economic development.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The Corporation uses only governmental funds to report their operations and are engaged in a single program. For this reason, the Corporation has combined their fund financial statements and their government-wide financial statements by providing a columnar (line-by-line) reconciliation on the face of the financial statements.

Government-wide financial statements are 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 related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The following governmental fund is reported:

The *general fund* is the primary operating fund. It accounts for all financial resources.

C. Subsequent Events

Management has evaluated subsequent events through April 13, 2015, the date the financial statements were available to be issued.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Corporation is authorized to invest in securities that are listed in Texas House Bill 2459, *Public Funds Investment Act of 1995*.

The Corporation's deposits were fully insured or collateralized as required at September 30. At year end, the carrying amount of deposits in the Corporation's operating account was \$786 and the respective bank balance totaled \$786.

CITY OF CENTER
STREET IMPROVEMENTS FOR
ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
September 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS - CONTINUED

All investments held at September 30, were insured or registered, or held by the Corporation or its agent in the Corporation's name (Category 1).

The Corporation's investments as of September 30, 2014 are:

	CARRYING AMOUNT	MARKET VALUE	WEIGHTED AVERAGE MATURITIES (DAYS)
Local Government Investment Cooperative	\$ 809 797	\$ 809 797	55
TOTAL INVESTMENTS	\$ 809 797	\$ 809 797	

Although Local Government Investment Cooperative had a weighted average maturity of 55 days, the Corporation considers the holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value. The Corporation concentrates its investments on short-term investments in order to limit market risk caused by changes in interest rates. The maximum allowed maturity of any investment by the Corporation is three years.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. The Corporation's depository fully collateralizes the Corporation's deposits as outlined above.

NOTE 3 - DUE FROM THE STATE

Due from the State is the amount due the Corporation for September sales tax remitted to the City by the State in October.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CENTER
STREET IMPROVEMENTS FOR
ECONOMIC DEVELOPMENT CORPORATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended September 30, 2014

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
Revenues:			
Economic development sales tax	\$ 760 000	\$ 740 287	\$ (19 713)
Interest income	1 500	622	(878)
Other income	-	10	10
TOTAL REVENUES	<u>761 500</u>	<u>740 919</u>	<u>(20 581)</u>
Expenditures:			
Contractual	1 050	3 800	(2 750)
Supplies	100	-	100
Administration fee	15 000	15 000	-
Miscellaneous	3 250	50	3 200
Miscellaneous	30 000	-	30 000
Construction projects	700 000	111 776	588 224
TOTAL EXPENDITURES	<u>749 400</u>	<u>130 626</u>	<u>618 774</u>
NET INCOME	12 100	610 293	598 193
Fund balance beginning of year	<u>257 326</u>	<u>257 326</u>	<u>-</u>
FUND BALANCE END OF YEAR	<u>\$ 269 426</u>	<u>\$ 867 619</u>	<u>\$ 598 193</u>

See independent auditors' report.