

CITY OF CENTER  
ECONOMIC DEVELOPMENT CORPORATION  
Center, Texas

FINANCIAL STATEMENTS

September 30, 2010

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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 Economic Development Corporation (a nonprofit organization), a component unit of the City of Center, Texas, as of and for the year ended September 30, 2010 as listed in the table of contents. These financial statements are the responsibility of City of Center Economic Development Corporation's management. Our responsibility is to express an opinion on these general purpose 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Center Economic Development Corporation, a component unit of the City of Center, Texas as of September 30, 2010, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 4 through 5 and 11 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

  
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas  
April 20, 2011



## Management's Discussion and Analysis

As management of the City of Center, Texas, we offer readers of the City of Center Economic Development Corporation's financial statements this narrative overview and analysis of the financial activities of the City of Center Economic Development Corporation "EDC" for the fiscal year ended September 30, 2010. 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. City of Center 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 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 assets includes all the 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 EDC exceed its liabilities at the close of the most recent fiscal year by \$1,957,859. Of this amount, all may be used to meet the EDC's ongoing obligations to its economic development mission.
- As of the close of the current fiscal year, the EDC reported an ending fund balance of \$1,957,859, an increase of \$262,812 from the prior year. The increase is the result of current year revenues exceeding expenditures and the entire fund balance is unreserved.

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

	2010	2009	CHANGE
Cash	\$ 2 585	\$ 1 406	\$ 1 179
Investments	1 923 021	1 667 857	255 164
Due from City of Center	32 253	25 784	6 469
TOTAL ASSETS	1 957 859	1 695 047	262 812
Liabilities	-	-	-
TOTAL LIABILITIES	-	-	-
Net Assets:			
Unrestricted	1 957 859	1 695 047	262 812
TOTAL NET ASSETS	\$ 1 957 859	\$ 1 695 047	\$ 262 812

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

	2010	2009	CHANGE
Revenues:			
Sales tax	\$ 372 932	\$ 370 277	\$ 2 655
Interest	24 414	46 232	(21 818)
Miscellaneous	62 257	-	62 257
TOTAL REVENUES	<u>459 603</u>	<u>416 509</u>	<u>43 094</u>
Expenses:			
Administration	12 500	5 000	7 500
Supplies	75	-	75
Contractual	2 270	3 050	(780)
Sundry	12 626	69 501	(56 875)
Capital projects	169 320	239 730	(70 410)
TOTAL EXPENSES	<u>196 791</u>	<u>317 281</u>	<u>(120 490)</u>
CHANGE IN NET ASSETS	262 812	99 228	163 584
Beginning net assets	<u>1 695 047</u>	<u>1 595 819</u>	<u>99 228</u>
ENDING NET ASSETS	<u>\$ 1 957 859</u>	<u>\$ 1 695 047</u>	<u>\$ 262 812</u>

### Government-Wide Financial Analysis

**Operating Activities.** Operating activities increased the EDC's net assets by \$262,812. Key elements of this increase are as follows:

Expenses of the EDC decreased \$120,490 (38%) from the prior year. These expense decreases are primarily the result of less intensive business assistance projects.

Maintaining a high availability of net assets is based on the prior dedication of expenses and future revenues for the local participation requirements of the Loop 500 extension project, which is estimated to require \$1,000,000 of funding within the upcoming years based upon the TxDOT project schedule.

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

### Economic Factors and Next Year's Budgets and Rates

- The unemployment rate as of September 2010 for Shelby County, according to Texas Workforce Commission statistics is 7.9%. The Texas unemployment rate for September 2010, according to the Texas Workforce Commission is 7.9% and 8.8% for the Deep East Texas Region.
- The state sales tax receipts, relating to the 1/4% for economic development purposes for the current fiscal year, totaled \$372,932, an increase of \$2,655 or (0.7%) from the previous year, indicating a stable retail economy despite national and state economic trends. The continued growth of retail outlets has produced increases in overall retail sales which is maintaining this healthy growth pattern.
- Economic trends in the region compare favorably with state and national indices.

All of these factors were considered in preparing the EDC's budget for the 2010 fiscal year.

During the current fiscal year, unreserved fund balance increased to \$1,957,859. The EDC has appropriated none of this amount for spending in the 2011 fiscal year budget. It is anticipated that the majority of this fund balance will be used toward the completion of one major capital project over the next few fiscal years.

### Requests for Information

This financial report is designed to provide a general overview of the City of Center EDC for all those with an interest in the 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  
 ECONOMIC DEVELOPMENT CORPORATION  
 GOVERNMENTAL FUND BALANCE SHEET/  
 STATEMENT OF NET ASSETS  
 September 30, 2010

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF NET ASSETS
<b>ASSETS</b>			
Cash	\$ 2 585	\$ -	\$ 2 585
Investments	1 923 021	-	1 923 021
Due from City of Center	32 253	-	32 253
<b>TOTAL ASSETS</b>	<b>\$ 1 957 859</b>	<b>-</b>	<b>1 957 859</b>
<b>LIABILITIES</b>			
Liabilities	\$ -	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE/NET ASSETS</b>			
Fund Balance:			
Unreserved	957 859	(957 859)	-
Unreserved, designated for Loop 500	1 000 000	(1 000 000)	-
<b>TOTAL FUND BALANCE</b>	<b>1 957 859</b>	<b>(1 957 859)</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1 957 859</b>		
<b>NET ASSETS</b>			
Unrestricted		1 957 859	1 957 859
<b>TOTAL NET ASSETS</b>		<b>\$ 1 957 859</b>	<b>\$ 1 957 859</b>

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

CITY OF CENTER  
 ECONOMIC DEVELOPMENT CORPORATION  
 STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE / STATEMENT OF ACTIVITIES  
 For the Year Ended September 30, 2010

	<u>GENERAL FUND</u>	<u>ADJUSTMENTS</u>	<u>STATEMENT OF ACTIVITIES</u>
Revenues:			
Sales tax	\$ 372 932	\$ -	\$ 372 932
Interest income	24 414	-	24 414
Miscellaneous	62 257	-	62 257
TOTAL REVENUES	<u>459 603</u>	<u>-</u>	<u>459 603</u>
Expenditures:			
Administration	12 500	-	12 500
Supplies	75	-	75
Contractual	2 270	-	2 270
Sundry	12 626	-	12 626
Capital projects	169 320	-	169 320
TOTAL EXPENDITURES	<u>196 791</u>	<u>-</u>	<u>196 791</u>
CHANGE IN NET ASSETS	262 812	-	262 812
Fund Balance/Net Assets:			
Beginning of year	<u>1 695 047</u>	<u>-</u>	<u>1 695 047</u>
END OF YEAR	<u>\$ 1 957 859</u>	<u>\$ -</u>	<u>\$ 1 957 859</u>

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

CITY OF CENTER  
ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Center 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 1995 and is a component unit of the City of Center. The Corporation is a 4A 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 Financial Statement 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 20, 2011, 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, 2010. At year end, the carrying amount of deposits in the Corporation's operating account was \$2,585 and the respective bank balance totaled \$2,585.



CITY OF CENTER  
 ECONOMIC DEVELOPMENT CORPORATION  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 September 30, 2010

NOTE 2 - DEPOSITS AND INVESTMENTS - CONTINUED

All investments held at September 30, 2010 are 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, 2010 are:

	CARRYING AMOUNT	MARKET VALUE	WEIGHTED AVERAGE MATURITIES (DAYS)
Local Government			
Investment Cooperative	\$ 430 200	\$ 430 200	57
Certificates of Deposit	1 492 821	1 492 821	310
TOTAL INVESTMENT	\$ 1 923 021	\$ 1 923 021	

Although Local Government Investment Cooperative had a weighted average maturity of 57 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 an 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 CITY OF CENTER

Due from City of Center is the amount due the Corporation for September 2010 sales tax remitted to the City by the State in October 2010.

NOTE 4 - ADMINISTRATION

The Corporation made payments to City of Center in the amount of \$12,500 for administration.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CENTER  
 ECONOMIC DEVELOPMENT CORPORATION  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 For the Year Ended September 30, 2010

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Revenues:			
Economic development sales tax	\$ 375 000	\$ 372 932	\$ (2 068)
Interest income	45 000	24 414	(20 586)
Miscellaneous	-	62 257	62 257
TOTAL REVENUES	<u>420 000</u>	<u>459 603</u>	<u>39 603</u>
Expenditures:			
Administration	5 000	12 500	(7 500)
Supplies	100	75	25
Contractual	3 050	2 270	780
Sundry	20 000	12 626	7 374
Capital projects	200 000	169 320	30 680
TOTAL EXPENDITURES	<u>228 150</u>	<u>196 791</u>	<u>31 359</u>
CHANGE IN NET ASSETS	191 850	262 812	70 962
Fund balance beginning of year	<u>1 695 047</u>	<u>1 695 047</u>	<u>-</u>
FUND BALANCE END OF YEAR	<u>\$ 1 886 897</u>	<u>\$ 1 957 859</u>	<u>\$ 70 962</u>

See independent auditors' report.