

CITY OF CENTER
ECONOMIC DEVELOPMENT CORPORATION
Center, Texas

FINANCIAL STATEMENTS

September 30, 2024

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Center
Center, Texas

Opinions

We have audited the accompanying consolidated financial statements of 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, 2024, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of the City of Center Economic Development Corporation as of September 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Center Economic Development Corporation's ability to continue as a going concern for the next year.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Center Economic Development Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Center Economic Development Corporation's ability to continue as a going concern for a reasonable period of time.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the City of Center Economic Development Corporation Fund and do not purport to, and do not present fairly the financial position of the City of Center, Texas as of September 30, 2024, the changes in its financial position, for the year ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Center Economic Development Corporation's basic financial statements. The project schedule is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The project schedule is the responsibility of management and was derived from and relate directly to the 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 the auditing standards generally accepted in the United States of America. In our opinion, the project schedule is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.


CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
April 14, 2025





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, 2024. 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 explain 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 position 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 net position of the EDC exceeded its liabilities at the close of the most recent fiscal year by \$1,077,997.
- As of the close of this fiscal year, the EDC reports an ending net position of \$1,077,997, this is a decrease of \$1,819,520 from the prior year. The decrease is the result of the incentives in development agreements with Portacool and ETEX increasing expenditures in excess of revenues.

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

	2024	2023	CHANGE
Cash	\$ 1 281	\$ 1 118	\$ 163
Investments	571 073	2 347 417	(1 776 344)
Due from State	43 847	43 095	752
Notes receivable	169 254	212 890	(43 636)
Accrued interest receivable	3 042	3 497	(455)
Capital assets	289 530	289 530	-
TOTAL ASSETS	1 077 997	2 897 547	(1 819 550)
Accounts payable	-	-	-
TOTAL LIABILITIES	-	-	-
Net Position:			
Net investment in capital assets	289 530	289 530	-
Unrestricted	788 467	2 608 017	(1 819 550)
TOTAL NET POSITION	\$ 1 077 997	\$ 2 897 547	\$ (1 819 550)

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

	2024	2023	CHANGE
Revenues:			
Sales tax	\$ 531 872	\$ 541 982	\$ (10 110)
Interest	81 625	105 271	(23 646)
TIF loan interest	4 588	5 274	(686)
TOTAL REVENUES	618 085	652 527	(34 442)
Expenses:			
Administration	30 000	30 000	-
Contractual	6 900	8 250	(1 350)
Sundry	1 855	294	1 561
Incentives	2 398 850	1 080 000	1 318 850
TOTAL EXPENSES	2 437 605	1 118 544	1 319 061
CHANGE IN NET POSITION	(1 819 520)	(466 017)	(1 353 503)
Beginning net position	2 897 547	3 363 564	(466 017)
ENDING NET POSITION	\$ 1 077 997	\$ 2 897 547	\$ (1 819 520)

Government-Wide Financial Analysis:

Net Position. The net position of the EDC is \$1,077,997 which is a decrease of \$1,819,520 from the prior year. In 2011, the EDC was the lending entity on a loan agreement for financing improvements within the City's Tax Increment Reinvestment Zone #1, reflected in note receivable with a current balance of \$129,254. In 2014, the note was refinanced to extend the terms and reduce the annual payment amount.

Fund Financial Analysis:

Fund Balance. The fund balance of the EDC at the close of the fiscal year is \$788,467. This is a \$1,819,520 decrease from last year's fund balance of \$2,608,017. The current fund balance includes \$129,254 as the balance due to the EDC on the Tax Increment Financing District loan and is not liquid. Cash and investments totaling \$572,354 comprise the majority of the fund balance and are completely liquid.

Operating Activities. This year's operating activities decreased the EDC's net position by \$1,819,520. Key elements of this increase are as follows:

- Revenues from sales taxes and interest decreased by \$34,442 (5.3%) from the prior.
- Expenses of the EDC increased \$1,319,061 from the prior year, due to higher incentive payments.

Debt and Capital Assets:

Capital Assets. The EDC currently had capital assets consisting of:

	2024	2023
Land	\$ 289 530	\$ 289 530
TOTAL CAPITAL ASSETS	\$ 289 530	\$ 289 530

Program Commitments. The EDC currently has business development, workforce development and broadband development program commitments to Portacool and ETEX.

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 August 2024 for Shelby County, according to Texas Workforce Commission statistics is 5.1%. The corresponding unemployment rates for August 2024 according to the Texas Workforce Commission is 4.4% for the State of Texas and 5.4% for the Deep East Texas Region.
- The ¼% sales tax receipts remitted to the 4(A) Economic Development Corporation for the current fiscal year totaled \$531,872. This amount is a decrease of \$10,110 (1.9%) from the previous year.
- Economic trends in the area lag behind state and nation trends due to transferred oil and gas industry activity. However, the City has met some success in retaining and recruiting major employers.

All of these factors were considered in preparing the EDC's budget for the 2025 fiscal year.

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 POSITION
September 30, 2024

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF NET POSITION
ASSETS			
Current Assets:			
Cash	\$ 1 281	\$ -	\$ 1 281
Investments	571 073	-	571 073
Due from State	43 847	-	43 847
Notes receivable	169 254	-	169 254
Accrued interest receivable	3 042	-	3 042
TOTAL CURRENT ASSETS	<u>788 467</u>	<u>-</u>	<u>788 467</u>
Capital Assets:			
Land	-	289 530	289 530
TOTAL CAPITAL ASSETS	<u>-</u>	<u>289 530</u>	<u>289 530</u>
TOTAL ASSETS	<u>\$ 788 467</u>	<u>289 530</u>	<u>1 077 997</u>
LIABILITIES			
Accounts payable	\$ -	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE/NET POSITION			
Fund Balance:			
Unassigned	788 467	(788 467)	-
TOTAL FUND BALANCE	<u>788 467</u>	<u>(788 467)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 788 467</u>		
NET POSITION			
Net investment in capital assets		289 530	289 530
Unrestricted		788 467	788 467
TOTAL NET POSITION		<u>\$ 1 077 997</u>	<u>\$ 1 077 997</u>

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, 2024

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF ACTIVITIES
Revenues:			
Sales tax	\$ 531 872	\$ -	\$ 531 872
TOTAL REVENUES	<u>531 872</u>	<u>-</u>	<u>531 872</u>
Expenditures:			
Administration	30 000	-	30 000
Contractual	6 900	-	6 900
Sundry	1 855	-	1 855
Incentives	2 398 850	-	2 398 850
TOTAL EXPENDITURES	<u>2 437 605</u>	<u>-</u>	<u>2 437 605</u>
NET OPERATING INCOME	<u>(1 905 733)</u>	<u>-</u>	<u>(1 905 733)</u>
Other Financing Sources (Uses):			
Interest income	81 625	-	81 625
TIF loan interest	4 588	-	4 588
TOTAL OTHER FINANCING SOURCES (USES)	<u>86 213</u>	<u>-</u>	<u>86 213</u>
CHANGE IN NET	<u>(1 819 520)</u>	<u>-</u>	<u>(1 819 520)</u>
Fund Balance/Net Position:			
Beginning of year	<u>2 608 017</u>	<u>289 530</u>	<u>2 897 547</u>
END OF YEAR	<u>\$ 788 467</u>	<u>\$ 289 530</u>	<u>\$ 1 077 997</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, 2024

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 "(City)". 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.

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 \$1,281 and the respective bank balance totaled \$1,281.

The Corporation's investments as of September 30 are:

	CARRYING AMOUNT	MARKET VALUE	WEIGHTED AVERAGE MATURITY	RATING
Local Government Investment Cooperative	\$ 571 073	\$ 571 073	46	AAAm

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 STATE

Due from State is the amount due the Corporation for September 2024 sales tax remitted by the State in October 2024.

NOTE 4 - NOTES RECEIVABLE

On February 1, 2015, the Corporation loaned the Tax Increment Reinvestment Zone #1 up to \$450,000 to be repaid over 15 years at 3% interest, with final payment due February 1, 2029. As of September 30, the City has \$129,254 outstanding.

On April 1, 2016, the Corporation loaned a local agricultural company \$200,000 to be repaid over 10 years as a forgivable grant if all compliance obligations are met annually at 5% interest, with final payment due April 1, 2026. As of September 30, the Corporation has \$40,000 outstanding.

CITY OF CENTER
ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
September 30, 2024

NOTE 4 - NOTES RECEIVABLE - CONTINUED

The Corporation expects the amounts to be repaid as follows:

2025	\$	24 356	\$	20 000
2026		25 076		20 000
2027		25 828		-
2028		26 603		-
2029		27 391		-
TOTAL RECEIVABLE	\$	<u>129 254</u>	\$	<u>40 000</u>

NOTE 5 - ADMINISTRATION

The Corporation made payments to City of Center in the amount of \$30,000 for administration.

NOTE 6 - SUBSEQUENT EVENTS

On January 8, 2024, the Corporation approved a modification of the incentive agreements with PORTACOOOL to assist with employee retention and repairs after a significant fire damaged the facility on June 17, 2023. The agreement modifies the terms of the 2021 agreement and provides an additional \$480,000 in \$60,000 quarterly payments to offset temporary rental cost.

Management has evaluated subsequent events through April 14, 2025, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CENTER
ECONOMIC DEVELOPMENT CORPORATION
BUDGETARY COMPARISON SCHEDULE (CASH BASIS)
GENERAL FUND
For the Year Ended September 30, 2024

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Economic development sales tax	\$ 558 500	\$ 531 872	\$ (26 628)
Interest income	29 100	86 668	57 568
Loan receipts	48 223	43 636	(4 587)
TOTAL RECEIPTS	<u>635 823</u>	<u>662 176</u>	<u>26 353</u>
Administration	30 000	30 000	-
Contractual	130 050	6 900	123 150
Sundry	14 000	1 855	12 145
Supplies	500	-	500
Incentives	240 000	298 850	(58 850)
Broadband project	1 050 000	2 100 000	(1 050 000)
Maintenance	3 000	-	3 000
TOTAL DISBURSEMENTS	<u>1 467 550</u>	<u>2 437 605</u>	<u>(970 055)</u>
CHANGE IN NET POSITION	\$ <u>(831 727)</u>	\$ <u>(1 775 429)</u>	\$ <u>(937 702)</u>

See independent auditor's report.

SUPPLEMENTARY INFORMATION

CITY OF CENTER
ECONOMIC DEVELOPMENT CORPORATION
PROJECT SCHEDULE
For the Ten Years Ended September 30, 2024

PROJECT	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	TOTAL
Business Assistance Projects	\$ 37 530	\$ 286 325	\$ 41 242	\$ 27 081	\$ -	\$ 75 000	\$ 35 069	\$ 52 011	\$ 30 000	\$ 298 850	\$ 883 108
Broadband Project	-	-	-	-	-	-	32 494	-	1 050 000	2 100 000	3 182 494
TOTAL	\$ <u>37 530</u>	\$ <u>286 325</u>	\$ <u>41 242</u>	\$ <u>27 081</u>	\$ <u>-</u>	\$ <u>75 000</u>	\$ <u>67 563</u>	\$ <u>52 011</u>	\$ <u>1 080 000</u>	\$ <u>2 398 850</u>	\$ <u>4 065 602</u>

See independent auditor's report.