

CITY OF CENTER
STREET IMPROVEMENTS FOR 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 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, 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 Street Improvements for 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 for 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 City of Center Street Improvements for Economic Development 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 Street Improvements for 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 consolidated 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 and *Government Auditing Standards* 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 judgment made by a reasonable user based on the consolidated 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 consolidated 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 consolidated 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 Street Improvements for 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 consolidated 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 Street Improvements for Economic Development Corporation Fund's ability to continue as a going concern for a reasonable period of time.

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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the City of Center Street Improvements for 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 Street Improvements for 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.


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 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, 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. The Street 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 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

- As of the close of the current fiscal year, the Street EDC reported an ending net position of \$1,689,957, a decrease of \$173,679 from the prior year. The decrease is the result of current year expenditures exceeding revenues.
- The Street EDC expended \$1,296,647 in current revenues toward street improvements and debt service this fiscal year, and transferred this value to the city government fixed assets for the annual street construction program.

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

	2024	2023	CHANGE
Current and other assets	\$ 1 689 957	\$ 1 863 636	\$ (173 679)
TOTAL ASSETS	1 689 957	1 863 636	(173 679)
Liabilities	-	-	-
TOTAL LIABILITIES	-	-	-
Net Position:			
Unrestricted	1 689 957	1 863 636	(173 679)
TOTAL NET POSITION	\$ 1 689 957	\$ 1 863 636	\$ (173 679)

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

	2024	2023	CHANGE
Revenues:			
Sales tax	\$ 1 063 741	\$ 1 083 580	\$ (19 839)
Interest	93 724	72 238	21 486
TOTAL REVENUES	1 157 465	1 155 818	1 647
Expenses:			
Contractual	4 425	4 200	225
Administration fee	30 000	30 000	-
Sundry	72	154	(82)
TOTAL EXPENSES	34 497	34 354	143
Transfer (net)	(1 296 647)	(798 366)	(498 281)
CHANGE IN NET POSITION	(173 679)	323 098	(496 777)
Beginning net position	1 863 636	1 540 538	323 098
ENDING NET POSITION	\$ 1 689 957	\$ 1 863 636	\$ (173 679)

Government-Wide Financial Analysis:

Net Position. The net position of the Street EDC is \$1,689,957. This is a decrease of \$173,679 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 decreased by \$173,679. This resulted from increased street renovation projects during this fiscal year. At the end of the current year, the fund balance is \$1,689,957. As a measure of the fund's liquidity, it may be useful to compare total fund balance to annual revenues. Using this approach, fund balance represents 127% of operational revenues for this period.

Operating Activities. This year's operating activities decreased the net position of the Street EDC by \$173,679. Key elements of these changes include:

- Expenses of the Street EDC increased \$498,281 from the prior year.
- Revenues from sales taxes and interest increased by \$1,647 from the prior year.
- Infrastructure projects this year totaled \$1,296,647 and were transferred to the City.

Long Term Debt. The Street EDC currently has no outstanding debt, but the Street EDC funding is contributed toward the repayment of the 2019 bond series for the downtown project street renovation.

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 ½% sales tax receipts remitted to the 4(B) Economic Development Corporation for the current fiscal year, totaled \$1,063,741. This amount is a decrease of \$19,839 (1.9%) from the previous year. This increase reflects the moderate economic growth the City has experienced with industrial development and commercial expansions.
- 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 Street 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 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, 2024

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF NET POSITION
ASSETS			
Cash	\$ 1 100	\$ -	\$ 1 100
Investments	1 601 167	-	1 601 167
Due from State	87 690	-	87 690
TOTAL ASSETS	<u>\$ 1 689 957</u>	<u>-</u>	<u>1 689 957</u>
LIABILITIES			
Accounts payable	\$ -	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE/NET POSITION			
Fund Balance:			
Unassigned	1 689 957	(1 689 957)	-
TOTAL FUND BALANCE	<u>1 689 957</u>	<u>(1 689 957)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1 689 957</u>		
NET POSITION			
Unrestricted		1 689 957	1 689 957
TOTAL NET POSITION		<u>\$ 1 689 957</u>	<u>\$ 1 689 957</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, 2024

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF ACTIVITIES
Revenues:			
Sales tax	\$ 1 063 741	\$ -	\$ 1 063 741
Interest income	93 724	-	93 724
TOTAL REVENUES	<u>1 157 465</u>	<u>-</u>	<u>1 157 465</u>
Expenditures:			
Contractual	4 425	-	4 425
Sundry	72	-	72
Administration fee	30 000	-	30 000
TOTAL EXPENDITURES	<u>34 497</u>	<u>-</u>	<u>34 497</u>
NET INCOME (LOSS)	<u>1 122 968</u>	<u>-</u>	<u>1 122 968</u>
Other Financial Sources (Uses):			
Transfer to City	(1 296 647)	-	(1 296 647)
TOTAL OTHER FINANCIAL SOURCES (USES)	<u>(1 296 647)</u>	<u>-</u>	<u>(1 296 647)</u>
CHANGE IN FUND BALANCE/NET POSITION	(173 679)	-	(173 679)
Fund Balance/Net Position:			
Beginning of year	<u>1 863 636</u>	<u>-</u>	<u>1 863 636</u>
END OF YEAR	\$ <u>1 689 957</u>	\$ <u>-</u>	\$ <u>1 689 957</u>

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, 2024

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 14, 2025, 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 \$1,100 and the respective bank balance totaled \$1,100.

The Corporation's investments as of September 30 are:

	CARRYING AMOUNT	MARKET VALUE	WEIGHTED AVERAGE MATURITY	RATING
Local Government Investment Cooperative	\$ 1 601 167	\$ 1 601 167	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 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, 2024

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Revenues:			
Economic development sales tax	\$ 1 117 000	\$ 1 063 741	\$ (53 259)
Interest income	55 800	93 724	37 924
TOTAL REVENUES	<u>1 172 800</u>	<u>1 157 465</u>	<u>(15 335)</u>
Expenditures:			
Contractual	4 200	4 425	(225)
Administration fee	30 000	30 000	-
Sundry	1 050	72	978
TOTAL EXPENDITURES	<u>35 250</u>	<u>34 497</u>	<u>753</u>
NET INCOME	<u>1 137 550</u>	<u>1 122 968</u>	<u>(14 582)</u>
Other Financial Sources (Uses):			
Transfer to City	(1 445 000)	(1 296 647)	148 353
TOTAL OTHER FINANCING SOURCES:	<u>(1 445 000)</u>	<u>(1 296 647)</u>	<u>148 353</u>
CHANGE IN FUND BALANCE	(307 450)	(173 679)	133 771
Fund balance beginning of year	<u>1 863 636</u>	<u>1 863 636</u>	<u>-</u>
FUND BALANCE END OF YEAR	<u>\$ 1 556 186</u>	<u>\$ 1 689 957</u>	<u>\$ 133 771</u>

See independent auditor's report.

SUPPLEMENTARY INFORMATION

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

PROJECT	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	TOTAL
Street Improvements	\$ 527 830	\$ 827 422	\$ 965 797	\$ 641 765	\$ 507 785	\$ 191 483	\$ 1 486 418	\$ 432 928	\$ 698 366	\$ 1 296 647	\$ 7 576 441
Debt Service	-	-	-	-	-	159 600	150 400	150 000	100 000	-	560 000
TOTAL	<u>\$ 527 830</u>	<u>\$ 827 422</u>	<u>\$ 965 797</u>	<u>\$ 641 765</u>	<u>\$ 507 785</u>	<u>\$ 351 083</u>	<u>\$ 1 636 818</u>	<u>\$ 582 928</u>	<u>\$ 798 366</u>	<u>\$ 1 296 647</u>	<u>\$ 8 136 441</u>

See independent auditor's report.