

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

FINANCIAL STATEMENTS

September 30, 2017

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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, 2017, 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, 2017, 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.

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, 2017, the changes in its financial position, or where applicable, its cash flows 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 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.

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 on page 15 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
March 8, 2018



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, 2017. 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

- As of the close of the current fiscal year, the Street EDC reported an ending fund balance of \$769,817, a decrease of \$197,997 from the prior year. The decrease is the result of current year expenditures exceeding revenues.
- The Street EDC expended \$965,797 in current revenues toward street improvements this fiscal year, and transferred \$965,797 in 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:

	2017	2016	CHANGE
Current and other assets	\$ 769 817	\$ 967 814	\$ (197 997)
TOTAL ASSETS	<u>769 817</u>	<u>967 814</u>	<u>(197 997)</u>
Other liabilities	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
Net Position:			
Unrestricted	769 817	967 814	(197 997)
TOTAL NET POSITION	<u>\$ 769 817</u>	<u>\$ 967 814</u>	<u>\$ (197 997)</u>

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

	<u>2017</u>	<u>2016</u>	<u>CHANGE</u>
Revenues:			
Sales tax	\$ 766 200	\$ 769 194	\$ (2 994)
Interest	7 293	3 809	3 484
Grants and donations	<u>21 007</u>	<u>-</u>	<u>21 007</u>
TOTAL REVENUES	<u>794 500</u>	<u>773 003</u>	<u>21 497</u>
Expenses:			
Contractual	1 050	3 850	(2 800)
Supplies	376	-	376
Administration fee	25 000	25 000	-
Sundry	<u>274</u>	<u>9 489</u>	<u>(9 215)</u>
TOTAL EXPENSES	<u>26 700</u>	<u>38 339</u>	<u>(11 639)</u>
Transfer	<u>(965 797)</u>	<u>(827 422)</u>	<u>(138 375)</u>
CHANGE IN NET POSITION	<u>(197 997)</u>	<u>(92 758)</u>	<u>(105 239)</u>
Beginning net position	<u>967 814</u>	<u>1 060 572</u>	<u>(92 758)</u>
ENDING NET POSITION	<u>\$ 769 817</u>	<u>\$ 967 814</u>	<u>\$ (197 997)</u>

Government-Wide Financial Analysis:

Net Position. The net position of the Street EDC is \$769,817. This is a decrease of \$197,997 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 \$197,997. This resulted from increased expense toward street renovation projects during this fiscal year. At the end of the current year, the fund balance is \$769,817. 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 78% of operational expenditures for this period.

Operating Activities. This year's operating activities decreased the net position of the Street EDC by \$197,997. Key elements of these changes include:

- Expenses of the Street EDC decreased \$11,639 from the prior year.
- Revenues from sales taxes decreased by \$2,994 from the prior year.
- Infrastructure projects this year totaled \$965,797 and were transferred to the City.

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 2017 for Shelby County, according to Texas Workforce Commission statistics is 5.4%. The corresponding unemployment rates for August 2017 according to the Texas Workforce Commission is 4.5% 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 \$766,200. This amount is a decrease of \$2,994 (0.4%) 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 2018 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, 2017

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF NET POSITION
ASSETS			
Cash	\$ 1 600	\$ -	\$ 1 600
Investments	706 208	-	706 208
Due from State	62 009	-	62 009
TOTAL ASSETS	<u>\$ 769 817</u>	<u>-</u>	<u>769 817</u>
LIABILITIES			
Liabilities	\$ -	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE/NET POSITION			
Fund Balance:			
Unreserved	769 817	(769 817)	-
TOTAL FUND BALANCE	<u>769 817</u>	<u>(769 817)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 769 817</u>		
NET POSITION			
Unrestricted		<u>769 817</u>	<u>769 817</u>
TOTAL NET POSITION		<u>\$ 769 817</u>	<u>\$ 769 817</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, 2017

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF ACTIVITIES
Revenues:			
Sales tax	\$ 766 200	\$ -	\$ 766 200
TOTAL REVENUES	<u>766 200</u>	<u>-</u>	<u>766 200</u>
Expenditures:			
Supplies	376	-	376
Contractual	1 050	-	1 050
Administration fee	25 000	-	25 000
Sundry	274	-	274
Capital outlay	965 797	(965 797)	-
TOTAL EXPENDITURES	<u>992 497</u>	<u>(965 797)</u>	<u>26 700</u>
NET INCOME (LOSS)	(226 297)	965 797	739 500
Other Income/Expenditures			
Interest income	7 293	-	7 293
Grants and donations	21 007	-	21 007
Transfer to City	<u>-</u>	<u>(965 797)</u>	<u>(965 797)</u>
TOTAL OTHER INCOME/ EXPENDITURES	<u>28 300</u>	<u>(965 797)</u>	<u>(937 497)</u>
CHANGE IN FUND BALANCE/ NET POSITION	(197 997)	-	(197 997)
Fund Balance/Net Position:			
Beginning of year	<u>967 814</u>	<u>-</u>	<u>967 814</u>
END OF YEAR	\$ <u>769 817</u>	\$ <u>-</u>	\$ <u>769 817</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, 2017

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 March 8, 2018, 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 \$1,600 and the respective bank balance totaled \$1,600.

CITY OF CENTER
STREET IMPROVEMENTS FOR
ECONOMIC DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
September 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS - CONTINUED

The Corporation's investments as of September 30, 2017 are:

	CARRYING AMOUNT	MARKET VALUE	WEIGHTED AVERAGE MATURITIES (DAYS)
Local Government Investment Cooperative	\$ 706 208	\$ 706 208	54

Although Local Government Investment Cooperative had a weighted average maturity of 54 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, 2017

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Revenues:			
Economic development sales tax	\$ 779 000	\$ 766 200	\$ (12 800)
Interest income	2 700	7 293	4 593
Grants and donations	-	21 007	21 007
TOTAL REVENUES	<u>781 700</u>	<u>794 500</u>	<u>12 800</u>
Expenditures:			
Contractual	3 850	1 050	2 800
Supplies	-	376	(376)
Administration fee	25 000	25 000	-
Sundry	1 000	274	726
Capital outlay	895 000	965 797	(70 797)
TOTAL EXPENDITURES	<u>924 850</u>	<u>992 497</u>	<u>(67 647)</u>
CHANGE IN FUND BALANCE	(143 150)	(197 997)	(54 847)
Fund balance beginning of year	<u>967 814</u>	<u>967 814</u>	<u>-</u>
FUND BALANCE END OF YEAR	<u>\$ 824 664</u>	<u>\$ 769 817</u>	<u>\$ (54 847)</u>

See independent auditors' report.

SUPPLEMENTARY INFORMATION

CITY OF CENTER
STREET IMPROVEMENTS FOR
ECONOMIC DEVELOPMENT CORPORATION
PROJECT SCHEDULE
For the Year Ended September 30, 2017

PROJECT	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	TOTAL
Street Improvements	\$ 440 165	\$ 613 455	\$ 469 041	\$ 603 614	\$ 557 330	\$ 693 833	\$ -	\$ 527 830	\$ 827 422	\$ 965 797	\$ 5 698 457
Community Development Block Grant Project	-	-	-	-	115 063	-	-	-	-	-	115 063
Rough Rider Drive Reconstruction	-	-	-	-	-	336 733	111 776	-	-	-	448 509
TOTAL	\$ <u>440 165</u>	\$ <u>613 455</u>	\$ <u>469 041</u>	\$ <u>603 614</u>	\$ <u>672 393</u>	\$ <u>1 030 566</u>	\$ <u>111 776</u>	\$ <u>527 830</u>	\$ <u>827 422</u>	\$ <u>965 797</u>	\$ <u>6 262 029</u>

See independent auditors' report.