

# PECOS PROUD

ANNUAL REPORT  
SEPTEMBER 30, 2014



★ T E X A S ★

ECONOMIC DEVELOPMENT CORPORATION

P. O. BOX 1493 | PECOS, TEXAS 79772



**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**TABLE OF CONTENTS**  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

<b>Independent Auditor's Report</b>	1 - 2
<b>Management's Discussion and Analysis</b>	3 - 8
<b>Basic Financial Statements</b>	
Statement of Net Position & Governmental Funds Balance Sheet	9
Statement of Activities & Governmental Fund Revenues, Expenditures and Changes in Fund Balances	10
Statement of Cash Flows	11
Notes to the Basic Financial Statements	12 - 17
<b>Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards</b>	18 - 19
<b>Required Supplementary Information</b>	
Governmental Fund Revenues, Expenditures and Changes in Fund Balance Budgetary Comparison Schedule	20

Painter and Associates, P.C.

Certified Public Accountants

836 King George Lane

Savannah, Texas 76227-7854

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Pecos Economic Development Corporation  
Pecos, Texas

I have audited the accompanying financial statements of the governmental activities as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Corporation's basic 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**

My responsibility is to express opinions on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Pecos 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 3-8 and 20 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

*Painter and Associates, P.C.*

Painter and Associates, P.C.  
March 6, 2015





## MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Pecos Economic Development Corporation, discuss and analyze the Corporation's financial performance for the fiscal year ended September 30, 2014. Please read it in conjunction with, the independent auditors' report on pages 1 and 2, and the Corporation's Basic Financial Statements, which begin on page 9.

### FINANCIAL HIGHLIGHTS

The Corporation's net position increased by \$401,420 as a result of this year's operations, and as a result the net position of our governmental activities increased by 19%.

During the year, the Corporation had expenses of \$352,427 that were \$301,246 less than the \$653,673 generated by the sales tax apportioned by the Town of Pecos City in the General Fund plus miscellaneous revenues.

The Corporation showed a gain on the financial statements and as a result the cash flow was a positive amount. Depreciation expense for the year was \$12,174.

The General Fund ended the year with a fund balance of \$2,543,482 as compared to last year when the fund balance was \$2,142,063.

The budget for the Corporation revealed \$175,668 more revenues were received during the year that was budgeted while \$158,623 less expenses were incurred than were budgeted for the year. Other income and expenses revealed \$45,928 more revenue than was budgeted for. The net effect of the budget variance was a positive budget variance of \$380,219.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance (on page 9 & 10) provide information about the activities of the Corporation as a whole and present a longer-term view of the Corporation's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

For governmental activities, these statements tell how services were financed in the short



term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements (starting on page 12) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

## **Reporting the Corporation as a Whole**

### ***The Statement of Net Position and the Statement of Activities***

The analysis of the Corporation's overall financial condition and operations begins on page 9. Its primary purpose is to show whether the Corporation is better off or worse off as a result of the year's activities. The Statement of Net Position and Governmental Funds Balance Sheet includes all the Corporation's assets and liabilities at the end of the year while the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance includes all the revenues and expenses generated by the Corporation's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Corporation's net position and changes in it. The Corporation's net position (the difference between assets and liabilities) provide one measure of the Corporation's financial health. Over time, increases or decreases in the Corporation's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the Corporation, however, you should consider nonfinancial factors as well.

In the Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance we present the Corporation as one kind of activity:

Governmental activities – The only funds reported by the Corporation here are general operations of the entity.

## **Reporting the Corporation's Most Significant Funds**

### ***Fund Financial Statements***

Laws and contracts require the Corporation to establish some funds by State law and bond covenants. The Corporation's administration establishes many other funds to help it control and manage money for particular purposes such as grants.

Governmental Funds – Only the Corporation's general operating funds are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the Corporation's activities.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The Corporation implemented GASB Statement #34 in a prior year. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the Corporation's governmental and business-type activities.



**Table I - Summary of Net Position**

	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2014</b>
<b>Assets</b>		
Current and Other Assets	\$ 945,489	\$ 1,276,444
Capital Assets (Net)	1,511,463	1,584,039
<b>Total Assets</b>	<b>\$ 2,456,952</b>	<b>\$ 2,860,483</b>
<b>Liabilities</b>		
Short-Term Liabilities	\$ 73	\$ 28,680
Long-Term Liabilities	314,817	288,321
<b>Total Liabilities</b>	<b>314,890</b>	<b>317,002</b>
<b>Net Position</b>		
Invested in Capital Assets	1,576,317	1,635,115
Restricted	-	-
Unrestricted	565,745	908,367
<b>Total Net Position</b>	<b>2,142,062</b>	<b>2,543,482</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 2,456,952</b>	<b>\$ 2,860,483</b>

**Table II - Summary of Changes in Net Position**

	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2014</b>
<b>Revenues</b>		
Sales Tax Revenues	\$ 453,399	\$ 653,673
Other Revenues	40,000	40,000
<b>Total Revenues</b>	<b>493,399</b>	<b>693,673</b>
<b>Expenses</b>		
Personnel Expenses	140,504	137,730
Operating Expenses	238,450	285,065
<b>Total Expenses</b>	<b>378,954</b>	<b>422,795</b>
<b>Other Income (Expense)</b>		
Other Income	400	73,210
Gain on Sale of Assets	21,143	94,967
Cost of Assets Sold	(273,645)	(108,005)
<b>Total Other Income (Expense)</b>	<b>(252,102)</b>	<b>60,172</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(137,657)</b>	<b>331,051</b>
<b>Net Position - Beginning of the Year</b>	<b>2,279,719</b>	<b>2,142,062</b>
<b>Net Position - End of the Year</b>	<b>\$ 2,142,062</b>	<b>\$ 2,473,113</b>



## THE CORPORATION'S FUNDS

As the Corporation completed the year, its General Fund (as presented in the Statement of Net Position and Governmental Funds Balance Sheet on page 9) reported an unrestricted fund balance of \$908,367, which is more than last year's total of \$565,745.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As of September 30, 2014, the Corporation had over \$1.5 million invested in land and office furniture and fixtures.

	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2014</b>
<b>Property Plant &amp; Equipment</b>		
Land	\$ 1,468,840	\$ 1,546,590
Leasehold Improvements	4,700	4,700
Furniture and Fixtures	77,187	84,187
<b>Total Property Plant &amp; Equipment</b>	<b>1,550,727</b>	<b>1,635,477</b>
Accumulated Depreciation	(39,264)	(51,438)
<b>Property, Plant &amp; Equipment, net</b>	<b>\$ 1,511,463</b>	<b>\$ 1,584,039</b>

### DEBT

A note outstanding at year-end for the corporation had a balance of \$288,321. The original amount of the note was \$435,312 made in 2005.

More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In October 2007, the PEDC Board of Director's, along with the Pecos City Council, initiated an election to abolish the 4A PEDC and create a new Pecos 4B Economic Development Corporation. This transition would change the focus of the programs to a much broader mix of business creation, retention, expansion, and recruitment strategies. These strategies would include working to attract new commercial activities and investments to contribute to enhancing the quality of life of the City and region.

The transition has resulted in the identification of available land for industrial, commercial/retail and residential development. The PEDC and Town of Pecos City have partnered in the strategic investment in infrastructure projects to support new development by the private sector laying the foundation for increases in property values, sales tax revenues and Hotel Occupancy Tax (HOT) revenues.



## THE CORPORATION'S FUNDS

Over the past several years The Permian Basin has seen a revival of its oil and gas industry. The City of Pecos is strategically located on the western flank of the Permian Basin in what is known as the Delaware Basin. The PEDC will focus on industrial sites for oilfield support companies, housing for workers and their families, and facilitating companies to locate in the City of Pecos and Reeves County.

The PEDC will continue to focus on programs that market the City of Pecos and serve the existing business community, attract investment that expand and diversify the economic base and build upon the City of Pecos as the center of commerce, trade and tourism for the TransPecos region.

### **TransPecos Foods (TPF)**

In 2009, the PEDC pursued and secured a loan from the State of Texas Economic Development Bank to assist TransPecos Foods in maintaining and expanding their existing food processing operations. TPF had been a major employer in Pecos for over 6 years and had about 100 local employees.

On June 10, 2011, TransPecos Foods filed for Chapter 11 Bankruptcy in the U.S. Bankruptcy Court, Western District of Texas. On November 15, 2011 the equipment and assets of TransPecos Foods were auctioned. On January 12, 2012 the TransPecos Foods Chapter 11 Bankruptcy was converted to Chapter 7 Bankruptcy. On January 24, 2012 the PEDC received proceeds from the sale of assets in the amount of \$46,525.00. The balance of the Loan to TransPecos Foods was \$408,028.08 less the proceeds of the sale of assets of \$46,525.00 left a balance of \$361,503.08, this amount was taken as a loss.

### **Assets Held for Sale**

Building and Park (Building and land received as part of settlement with TransPecos Banks from debit card fraud)

Property 1. Lot 1 and West 40 feet of Lots 2 and 3, Block 14, Original Pecos, commonly known as 201 Oak Street Pecos; Property 2. Eight-Ninths (8/9) interest in the middle Twenty-Five (Mid/25') of lots 22, 23, and 24 in Block 32, Original Pecos, commonly known as 128 West 3rd Street).....**\$27,439**

PHA acreage (Land purchased from the Pecos Housing Authority, remaining tract 2.16 acres located in the northeast corner of Country Club Drive and Interstate 20) .....**\$107,724**

Sun Rise Addition - Biggs Estate ..... **\$2,097**

West Airport Addition Infrastructure Project (Installation of water and sewer lines to service area to be developed. PEDC will be reimbursed through the future sell of land) .....**\$169,347**

Loves Apartment Complex ..... **\$28,625**

Lots 2 and 3 of Block 14 ..... **\$4,166**

**Total Assets Held for Sale..... \$339,397**



**Land Sales / Purchases**

<b>Date</b>	<b>Description</b>	<b>Amount</b>
<b>Sale</b>		
9/10/14	Sale of 3.07 acres to Nerandra Mistry	\$ 49,106
9/19/14	Stripes	1,320
9/24/14	Lot 8 Block 6 Meadowbrook to Herlinda Bafides	500
9/24/14	2.55 acres to M&W Hot Oil	<u>8,203</u>
	<b>Total Sales</b>	<u>59,129</u>
<b>Purchase</b>		
01/24/14	6.22 Acrea Tract of Land from Town of Pecos City	<u>77,750</u>
	<b>Total Purchases / Payments</b>	<u>77,750</u>
	<b>Net Proceeds (Payments)</b>	<u><b>\$ (18,621)</b></u>

**CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Corporation's business office, at the Pecos Economic Development Corporation, P.O. Box 1493, Pecos, Texas 79772.



**STATEMENT OF NET POSITION &  
GOVERNMENTAL FUNDS BALANCE SHEET**  
SEPTEMBER 30, 2014

<b>Assets</b>	
Cash	\$ 588,671
Accounts Receivable	60,055
Assets Held for Sale	<u>339,397</u>
<b>Total Current Assets</b>	<b><u>988,123</u></b>
Notes Receivable	288,321
Land 1,546,590	
Leasehold Improvements	4,700
Furniture & Equipment	84,187
Accumulated Depreciation	<u>(51,438)</u>
<b>Total Long-term Assets</b>	<u>1,872,361</u>
<b>Total Assets</b>	<b><u>\$ 2,860,483</u></b>
<b>Liabilities</b>	
Accounts Payable	\$ 28,625
Payroll Liabilities	55
<b>Total Current Liabilities</b>	<u>28,680</u>
Notes Payable	<u>288,321</u>
<b>Total Long-term Liabilities</b>	<u>288,321</u>
<b>Total Liabilities</b>	<b><u>317,002</u></b>
<b>Net Position</b>	
Invested in Capital Assets, net of related debt	1,635,115
Restricted	-
Unrestricted	<u>908,367</u>
<b>Total Net Position</b>	<b><u>2,543,482</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 2,860,483</u></b>

See Accompanying Notes to the Basic Financial Statements



**STATEMENT OF ACTIVITIES & GOVERNMENTAL FUND REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE**  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

<b>Revenue</b>	
Sales Tax Revenues	\$ 653,673
PRTC Lease	40,000
Grant Revenue	-
<b>Total Revenue</b>	<u><b>693,673</b></u>
<b>Expenses</b>	
Salaries & Wages	110,625
Benefits	19,905
Auto Allowance	7,200
<b>Total Personnel Expenses</b>	<u>137,730</u>
Business Development	82,129
Business Attraction	18,081
Business Incentives	-
Repairs and Maintenance	20,534
Utilities for Properties	1,526
<b>Total Operating Expenses</b>	<u>122,270</u>
Professional Services	42,568
Lease	33,718
Office Supplies	4,671
Advertising & Promotions	1,551
Telephone	4,078
Board Meeting Expenses	2,834
Travel and Training	795
Other	2,213
<b>Total General and Administrative Expenses</b>	<u>92,428</u>
<b>Total Expenses</b>	<u><b>352,427</b></u>
<b>Other Income (Expenses)</b>	
Interest Income	86
Other Income	13,995
Income from Land Sales	59,129
Sale of Assets	94,967
Cost of Assets Sold	<u>(108,005)</u>
<b>Total Other Income (Expense)</b>	<u><b>60,172</b></u>
<b>Net Unrestricted Income (Expense)</b>	<u><b>401,419</b></u>
Restricted Income	-
Released from Restrictions	-
<b>Total Restricted Income (Expense)</b>	<u><b>401,419</b></u>
<b>Fund Balance - Beginning of the Year</b>	<u><b>2,142,063</b></u>
<b>Fund Balance - End of the Year</b>	<u><b>\$ 2,543,482</b></u>



## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

### Flows from Operating Activities

Sales Tax Proceeds	\$	653,673
Grants / Other Revenue		53,995
Interest Income		86
Payment to Suppliers		(232,355)
Payment for Salaries, Wages, Taxes & Benefits		(137,730)
<b>Net Cash Provided (Used) by Operating Activities</b>		<b>337,670</b>
<b>Cash &amp; Cash Equivalents at the Beginning of the Year</b>		<b>251,001</b>
<b>Cash &amp; Cash Equivalents at the End of the Year</b>	<b>\$</b>	<b>588,671</b>

### Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

Operating Income (Loss)	\$	401,419
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation		12,174
Gain on Sale of Assets		(13,038)
Accounts Receivable (Increase) Decrease		(47,034)
Notes Receivable (Increase) Decrease		26,496
Purchase of Property, Plant and Equipment		(84,750)
Assets Held for Sale (Increase) Decrease		40,274
Accounts Payable Increase (Decrease)		28,625
Notes Payable Increase (Decrease)		(26,496)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$</b>	<b>337,670</b>

See Accompanying Notes to the Basic Financial Statements





## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2014

### 1. Summary of Significant Accounting Policies

The Pecos Economic Development Corporation complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary type funds apply Financial Accounting Standards (FASB) pronouncements and Accounting Principles Board (APB) opinions based on or after November 30, 1989. For the fiscal year ended prior to September 30, 2008, the Corporation had implemented the new financial reporting requirements of GASB Statement Nos. 33 and 34. As a result, an entirely new financial presentation format was implemented.

#### A. Financial Reporting Entity

The Pecos Economic Development Corporation was created November 23, 1998 via provisions of the State of Texas. The Corporation was created under the Development Corporation Act of 1979, Tex. Rev. Ann. Art. 5190.6 Section 4A, with the approval of the governing body of the Town of Pecos City. The Corporation operated with five board members appointed by the City Council and had one person contracted to handle the operations of the Corporation. The Corporation was organized exclusively for the purpose of benefiting and accomplishing public purposes of the Town of Pecos City by promoting, assisting, and enhancing economic development activities for the Town of Pecos City as provided by the Development Corporation Act of 1979 as amended.

In October 2007, the PEDC Board of Director's, along with the Pecos City Council, initiated an election that abolished the 4A PEDC and create a new 4B PEDC. The election was successful and the board was restructured, that now includes 7 appointed members from the community and City officials.

#### B. Basis of Presentation

##### Government-Wide Financial Statements

The Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Activities display information for the reporting entity as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activ-



ities. Governmental activities are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

## **Fund Financial Statements**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Corporation or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total of all funds of that category or type; and
- b. Total assets, liabilities, revenues, expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total of all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

### **Governmental Funds**

The General Fund is reported in the governmental fund section and is the Corporation's only fund.

### **C. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

On the Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Activities transactions are presented using the economic resources measurement focus as defined below.

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheet. Their operating statements present sources and uses of available spendable financial resources during a given period. The funds use fund balance as their measure of available spendable financial resources at the end of the period.

### **Basis of Accounting**

In the Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Activities transactions are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are record-



ed when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

## **D. Assets, Liabilities, and Equity**

### **Cash and Investments**

For the purpose of the Statement of Net Position and Governmental Funds Balance Sheet, “cash, including time deposits” includes all demand, savings accounts, and certificates of deposits of the Corporation

### **Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include grant revenues and interest income. Business-type activities report utilities and interest earnings as their major receivables.

### **Fixed Assets**

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide of fund financial statements. Interest expenses are not capitalized with fixed assets.

### **Government-Wide Financial Statements**

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to September 30, 2007.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position and Governmental Funds Balance Sheet. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. The range of estimated useful lived by type of asset is as follows:

Furniture & Equipment | 3-7 years



## **Fund Financial Statements**

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the government fund upon acquisition.

## **Equity Classifications**

### **Government-Wide Financial Statements**

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

## **E. Revenues, Expenditures, and Expenses**

### **Operating Revenues and Expenses**

Operating revenues and expenses for the General Fund are those that from the allocation of sales tax proceeds from the Town of Pecos City. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

### **Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, governmental funds report expenditures of financial resources.

## **F. Cash and Investments**

The Corporation’s policies regarding deposits of cash are discussed in the Summary of Significant Accounting Policies. Custody credit risk is classified into three categories. The categories are as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the Corporation or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution’s trust department or agent in the Corporation’s name.



Category 3 - Uninsured and collateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Corporation's name; or collateralized with no written or approved collateral agreement.

At year-end the Corporation's cash and investments totaled \$588,671. The deposits were considered collateralized as Category 1 credit risks.

## G. Capital Assets

Capital assets for the year ended September 30, 2014, were as follows:

	Balance at 10/01/13	Additions	Disposals/ Reclass	Balance at 09/30/14
Land	\$1,468,840	\$77,750		\$1,546,590
Leasehold Improvements	4,700			4,700
Furniture and Equipment	77,187	7,000	-	84,187
<b>Totals at Historical Cost</b>	<b>1,550,727</b>	<b>84,750</b>	<b>-</b>	<b>1,635,477</b>
Accumulated Depreciation	(39,264)	(12,174)	-	(51,438)
<b>Total Accumulated Depreciation</b>	<b>(39,264)</b>	<b>(12,174)</b>	<b>-</b>	<b>(51,438)</b>
Capital Assets, Net	<b>\$1,511,463</b>	<b>\$72,576</b>	<b>-</b>	<b>\$1,584,039</b>

Depreciation expense for the year was \$12,174.

## H. Notes Payable

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Payable Amounts Outstanding			Outstanding 9/30/14
				10/01/13	Issued	Retired	
Texas Economic Development Bank	3.25%	\$462,000	\$9,869.86	\$314,817	\$0	\$26,496	\$288,321

On August 10, 2010 the Corporation entered into an agreement with the Texas Economic Development Bank to borrow \$462,000. Terms of the variable interest note vary from 3.25% to 3.299% with monthly payments of \$2,857.87 to be paid off August 1, 2024.

Year Ending	Principal	Interest	Payment
9/30/15	\$25,230	\$9,064	\$34,294
9/30/16	26,063	8,232	34,294
9/30/17	26,922	7,372	34,294
9/30/18	27,811	6,487	34,294
9/30/19	31,164	5,988	34,294
thereafter	153,203	12,554	165,756
	<b>\$290,393</b>	<b>\$49,697</b>	<b>\$337,229</b>



## **J. Tax Revenue**

The Corporation receives a portion of the sales tax collected by the Town of Pecos City to fund its operations. The Corporation receives one quarter of the City's one and half percent sales tax.

## **K. Lease Agreement**

The organization signed a contract on July 22, 2005 with the Texas Transportation Research Foundation, an entity of the Texas Transportation Institute which is part of the Texas A&M System. The contract is a 50 year lease of the 392,000 acre testing facility located in Eastern Reeves County. The lease has a Renewal Term to extend the lease an additional 50 year to December 31, 2105 if Tenant timely complies with requirements of the lease. The Lease has an option of subleasing the property and has a right of first refusal option to purchase in the event the organization decides to sell the property.

Effective February 01, 2011, the organization agreed to an Assignment and Assumption of the Lease Agreement from The Texas Transportation Research Foundation to Applied Research Associate, Inc. whose primary office is located at 4300 San Mateo Boulevard N.E. , Suite A-220, Albuquerque, New Mexico 87110-1295.



Painter and Associates, P.C.

Certified Public Accountants

836 King George Lane

Savannah, Texas 76227-7854

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Pecos Economic Development Corporation  
Pecos, Texas

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of the Pecos Economic Development Corporation, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued my report thereon dated March 6, 2015.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, I do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I

consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Painter and Associates, P.C.

Painter and Associates, P.C.  
March 6, 2015



**REQUIRED SUPPLEMENTARY INFORMATION**

GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Revenue	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Sales Tax Revenues	\$ 492,000	\$ 492,000	\$ 653,673	\$ 161,673
PRTC Lease	40,000	40,000	40,000	-
Grant/Other Revenue	-	-	13,995	13,995
<b>Total Revenue</b>	<b>532,000</b>	<b>532,000</b>	<b>707,668</b>	<b>175,668</b>
<b>Expenses</b>				
Business Development	227,000	227,000	82,129	(144,871)
Business Attraction	29,500	29,500	18,081	(11,419)
Business Retention/ Expansion	1,000	1,000	-	(1,000)
Salaries & Wages	111,500	111,500	110,625	(875)
Benefits	24,000	24,000	19,905	(4,095)
Auto Allowance	7,200	7,200	7,200	(0)
Professional Services	43,755	43,755	42,568	(1,187)
Lease	29,000	29,000	33,718	4,718
Office Supplies	6,000	6,000	4,671	(1,329)
Advertising & Promotions	7,000	7,000	1,551	(5,449)
Telephone	4,800	4,800	4,078	(722)
Repairs & Maintenance	-	-	20,534	20,534
Board Meeting Expenses	8,500	8,500	2,834	(5,666)
Travel & Training	6,000	6,000	795	(5,205)
Utilities for Properties	3,000	3,000	1,526	(1,474)
Other	2,795	2,795	2,213	(582)
<b>Total Expenses</b>	<b>511,050</b>	<b>511,050</b>	<b>352,427</b>	<b>(158,623)</b>
<b>Excess (Deficiency)</b>	<b>20,950</b>	<b>20,950</b>	<b>355,241</b>	<b>334,291</b>
<b>Other Income (Expenses)</b>				
Interest Income	250	250	86	(164)
Income from Land Sales	-	-	59,129	59,129
Gain on Sale of Assets	-	-	94,967	94,967
Cost of Assets Sold	-	-	(108,005)	(108,005)
<b>Total Other Income (Expenses)</b>	<b>250</b>	<b>250</b>	<b>46,178</b>	<b>45,928</b>
<b>Net Income</b>	<b>\$ 21,200</b>	<b>\$ 21,200</b>	<b>\$ 401,419</b>	<b>\$ 380,219</b>
<b>Fund Balance - Beginning of the Year</b>			<b>2,142,063</b>	
<b>Fund Balance - End of the Year</b>			<b>\$ 2,543,482</b>	

See Independent Auditor's Report

