



PECOS

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ANNUAL REPORT | SEPTEMBER 30, 2020





FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pecos Economic Development Corporation
Pecos, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Pecos Economic Development Corporation (the Corporation) as of and for the year ended September 30, 2020, 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

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 governmental activities and each major fund of the Corporation as of September 30, 2020, and the respective changes in financial position for the year then ended in conformity 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 through 8 and 24 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.

A handwritten signature in cursive script that reads "Boucher, Morgan & Young". The ampersand is stylized with a vertical line through it.

Granbury, Texas
March 10, 2021



MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial Report, we, the managers of the Pecos Economic Development Corporation, discuss and analyze the Corporation's financial performance for the fiscal year ended September 30, 2020. 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 decreased by \$1,550,544 as a result of this year's operations, and as a result the net position of our governmental activities decreased by 24%.

During the year, the Corporation had expenses of \$2,483,936 that were \$1,550,544 more than the \$706,387 generated by the sales tax apportioned by the Town of Pecos City plus \$91,500 in lease revenues, \$25,646 in the sale of assets (net), \$27,517 in interest income and \$82,342 in other income.

The Corporation realized a gain of \$25,646 on the assets held for sale that were sold during the fiscal year. Cash flow was a negative amount which was driven by the purchase and construction of capital assets along with business development opportunities and the receipt of other sources of revenue. Depreciation expense for the year was \$15,891.

The General Fund ended the year with a fund balance of \$3,127,391 as compared to last year when the fund balance was \$4,675,583.

The budget for the Corporation revealed \$148,636 less operating revenues were received during the year than was budgeted while \$493,337 less expenses were incurred than were budgeted for the year. Other income and expenses revealed \$86,905 more revenue than was budgeted for. The net effect of the budget variance was a favorable budget variance of \$431,606.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities, on pages 9 and 10 respectively, provide information about the activities of the Corporation as a whole and present a longer-term view of the Corporation's property 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, the Governmental Funds Balance Sheet and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, on pages 11 and 13 respectively, 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 the appropriations budget.

The notes to the financial statements, beginning on page 15, provide narrative explanations or additional data needed for full disclosure in the government-wide statements and 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 includes all the Corporation's assets and liabilities at the end of the year while the Statement of Activities 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 the changes in net position. The Corporation's net position, the difference between assets and liabilities, provides 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, one should consider non-financial factors as well.

In the Statement of Net Position and the Statement of Activities we present the Corporation as one kind of activity:

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

Reporting the Corporation's Major Fund

Fund Financial Statements

The fund financial statements provide detailed information about the most significant fund, not the Corporation as a whole. Some funds are required to be established by State law and by bond covenants. However, the Board of Directors may establish other funds to help it control and manage money for particular purposes.

Governmental Fund – Only the Corporation's general operating fund is reported in governmental funds. This uses modified accrual accounting which is 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 statement provides a detailed short-term view of the Corporation's activities and include the Governmental Fund Balance Sheet located on page 11 and the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balance located on page 13.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Corporation implemented GASB Statement No. 34 in previous years. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the Corporation's governmental activities.



Table I - Statement of Net Position

	Governmental Activities		Change	
	2020	2019	\$	%
Assets				
Current and Other Assets	\$ 3,138,705	\$ 4,692,162	\$(1,553,457)	-33.11%
Capital and Non-Current Assets	1,902,130	1,901,724	406	0.02%
Total Assets	5,040,835	6,593,886	(1,553,051)	-23.55%
Liabilities				
Current Liabilities	11,314	16,579	(5,265)	-31.76%
Long-Term Liabilities	8,472	5,714	2,758	48.27%
Total Liabilities	19,786	22,293	(2,507)	-11.25%
Net Position				
Net Invested in Capital Assets	1,902,130	1,901,724	406	0.02%
Unrestricted	3,118,919	4,669,869	(1,550,950)	-33.21%
Total Net Position	\$ 5,021,049	\$ 6,571,593	\$(1,550,544)	-23.59%

Table II - Statement of Changes in Net Position

	Governmental Activities		Change	
	2020	2019	\$	%
Revenues				
General Revenues:				
Sales Tax	706,387	1,106,836	(400,449)	-36.18%
Interest Income	27,517	60,514	(32,997)	-54.53%
Other Income	82,342	67,575	14,767	21.85%
Lease Income	91,500	118,620	(27,120)	-22.86%
Sale of Assets Held for Sale (net of cost of \$348,512 in 2019 and \$134,062 in 2018)	25,646	450,343	(424,697)	-94.31%
Total Revenues	933,392	1,803,888	(870,496)	-48.26%
Expenses				
General Government	2,483,936	1,296,153	1,187,783	91.64%
Total Expenses	2,483,936	1,296,153	1,187,783	91.64%
Change in Net Position	(1,550,544)	507,735	(2,058,279)	-405.38%
Net Position - Beginning	6,571,593	6,063,858	507,735	0
Net Position - Ending	\$ 5,021,049	\$ 6,571,593	(1,550,544)	-23.59%



THE CORPORATION'S FUNDS

As the Corporation completed the year, its General Fund, as presented in the Governmental Funds Balance Sheet reported an unassigned fund balance of \$1,528,225, which is less than last year's total of \$3,776,659.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2020, the Corporation had around \$2 million invested in land, leasehold improvements, furniture and equipment and infrastructure.

**Table III - Capital Assets at Year End
Net of Accumulated Depreciation**

	Governmental Activities		Change	
	2020	2019	\$	%
Land	\$ 1,468,840	\$ 1,468,840	\$ -	0.00%
Leasehold Improvements	255,627	251,334	4,293	1.71%
Furniture and Equipment	4,368	4,217	151	3.58%
Infrastructure	<u>173,295</u>	<u>177,333</u>	<u>(4,038)</u>	<u>-2.28%</u>
Total Capital Assets, Net	<u>\$ 1,902,130</u>	<u>\$ 1,901,724</u>	<u>\$ 406</u>	<u>3.01%</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In October 2007, the Corporation's Board of Directors, along with the Town of Pecos City (the 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 the region.

The transition has resulted in the identification of available land for industrial, commercial/retail and residential development. The Corporation and the 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.

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

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



SALE OF ASSETS HELD FOR SALE DURING THE FISCAL YEAR

Description	Amount
Lot 4, Blk 11 Palo Verde	\$ 50,000
Miscellaneous	7,000
Total Sales (gross)	\$ 57,000

ASSETS HELD FOR SALE AT FISCAL YEAR-END

Description	Amount
70.9 ac NW/4 Sec 14 Block 5	\$ 135,776
145.23 Acres	415,805
187.04 Acres, Hwy 285 South	191,299
Buildings and Park - Old Bank, Corner of 3rd and Cypress	3,836
E 30' Lots, 22 23 24, Block 32, Corner of 3rd and Cypress	1,666
Lots in Block 21, North Pecos	2,499
Renz Property .52 Acres, triangle CR 116 & CR 118	23,611
5.05 Acre Track, S-16 Block 5, land west of Tractor Supply	3,884
8.19 Acre Track, Block 5, remaining acreage of Troy Vines area	145,983
All Block 59 (1.705 acres)	37,237
All Block 87 (1.951 acres)	37,237
Corners in Meadowbrook Addition	2,051
Hubbs & Roberson, Lots 1-2-3-4, Block 5, Belmont Ad	18,580
N 70', Lot 2, Block 25 Orig Pecos	1,308
West Airport Addn: Lot 1, Block 4	4,092
West Airport Addn: Lot 5, Block 4	2,221
West Airport Addn: Lot 6, Block 4	12,435
West Airport Addn: Lot 7, Block 4	2,934
West Airport Addn: Lot 3, Block 6	850
Lot 2, Block 3, Broadway Addition	1,074
Lots 1-6, Block 34 Orig Pecos	151,284
Lots 13-20, Block 2 Meadowbrook	20,000
Lots 7-12, Block 34 Orig Pecos	201,329
Port Daggett 1.61 acres (Block 5)	182,175
Total Assets Held For Sale	\$ 1,599,166



OTHER SOURCES OF REVENUE

Other sources of revenue were derived from leases and royalties.

<u>Description</u>	<u>Amount</u>
Noble Energy	\$ 49,905
Colgate	18,337
Reeves County Groundwater Conservation District	<u>14,100</u>
Total Other Sources of Revenue	<u>\$ 82,342</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 any additional information, contact the Corporation's business office at the Pecos Economic Development Corporation, PO Box 1493, Pecos, Texas 79772.



STATEMENT OF NET POSITION
September 30, 2020

Assets

Cash and Equivalents	\$ 1,458,621
Taxes Receivable	80,918
Assets Held for Sale	1,599,166
Capital Assets:	
Land	1,468,840
Leasehold Improvements	294,949
Furniture and Equipment	54,567
Infrastructure	201,897
Accumulated Depreciation	<u>(118,123)</u>
Total Assets	<u>5,040,835</u>

Liabilities

Current Liabilities:	
Accounts Payable	9,677
Payroll Liabilities	1,637
Noncurrent Liabilities:	
Compensated Absences	<u>8,472</u>
Total Liabilities	<u>19,786</u>

Net Position

Net Invested in Capital Assets	1,902,130
Unrestricted	<u>3,118,919</u>
Total Net Position	<u>\$ 5,021,049</u>

The accompanying notes are an integral part of this statement.



STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020



<u>Functions/Programs</u>	<u>Expenses</u>	<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
Primary Government		
Governmental Activities:		
General Government	\$2,483,936	\$ (2,483,936)
Total Governmental Activities	\$2,483,936	\$ (2,483,936)
General Revenues:		
Sales Tax		706,387
Interest Income		27,517
Other Income		82,342
Lease Income		91,500
Sale of Assets Held for Sale (net of cost of \$31,354)		25,646
Total General Revenues		933,392
Change in Net Position		<u>(1,550,544)</u>
Net Position - Beginning		<u>6,571,593</u>
Net Position - Ending		<u>5,021,049</u>



BALANCE SHEET - GOVERNMENTAL FUND
September 30, 2020



Assets

Cash and Equivalents	\$ 1,458,621
Taxes Receivable	80,918
Assets Held for Sale	<u>1,599,166</u>
Total Assets	<u>\$ 3,138,705</u>

Liabilities

Accounts Payable	\$ 9,677
Payroll Liabilities	<u>1,637</u>
Total Liabilities	<u>11,314</u>

Fund Balance

Non-spendable	
Assets Held for Sale	1,599,166
Unassigned	<u>1,528,225</u>
Total Fund Balance	<u>3,127,391</u>

Total Liabilities and Fund Balance	<u>\$ 3,138,705</u>
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RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
For the Year Ended September 30, 2020



Total Fund Balances - Governmental Funds Balance Sheet \$ 3,127,391

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. 1,902,130

Long-term liabilities, including compensated absences are not due and payable in the current period and therefore are not reported in the fund financial statements: (8,472)

Net Position of Governmental Activities **\$ 5,021,049**



STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020



Revenues

Sales Tax Revenues	\$ 706,387
Total Revenues	<u>706,387</u>

Expenditures

Wages	113,233
Benefits	26,465
Office Space Expense	18,547
Advertising	24,779
Bank Service Charges	164
Business Development	1,781,908
Business Attraction	369,000
Conferences and Webinars	375
Auto Allowance	10,136
Dues and Subscriptions	1,200
Office Supplies	12,803
Postage	638
Telephone	4,383
Travel and Training	1,449
Professional Services	81,158
Board Meeting Expenses	1,651
Repairs and Maintenance	34,272
Miscellaneous	<u>(577)</u>
Total Expenditures	<u>2,481,584</u>

Deficiency of Revenues Under Expenditures **(1,775,197)**

Other Financing Sources (Uses)

Interest Income	27,517
Other Income	82,342
Lease Income	91,500
Sale of Assets Held for Sale (net of cost of \$31,354)	<u>25,646</u>
Total Other Financing Sources (Uses)	<u>227,005</u>

Net Change in Fund Balance **(1,548,192)**

Fund Balance - Beginning **4,675,583**

Fund Balance - Ending **\$ 3,127,391**



RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the Year Ended September 30, 2020



Net Change in Fund Balances - Total Governmental Funds \$ (1,548,192)

Amounts reported for governmental activities in the Statement of Activities are different because:

Depreciation expense on capital assets is reported in the statement of activities and does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds. (15,891)

Governmental funds report capital purchases as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives. 16,297

Current year changes in compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (2,758)

Change in Net Position of Governmental Activities \$ (1,550,544)





NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

1. Summary of Significant Accounting Policies

The Pecos Economic Development Corporation (the Corporation) complies with accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. General accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units. The more significant accounting policies of the Corporation are described below:

A. The Reporting Entity

The 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. 5910.6 Section 4A, with the approval of the governing body of the Town of Pecos City (the City). The Corporation operated with five board members appointed by the City Council and one person was contracted to handle the operations of the Corporation. The Corporation was organized exclusively for the purpose of benefiting and accomplishing public purposes of the City by promoting, assisting, and enhancing economic development activities for the City by the Development Corporation Act of 1979 as amended.

In October 2007, the Corporation's Board of Directors, along with the City Council, initiated an election that abolished the 4A Corporation and create a new 4B Corporation. 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 the statement of activities include the financial activities of the overall government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.



The statement of activities presents a comparison between direct expenses and program revenues for each function of the Corporation's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Corporation's fund. The emphasis of fund financial statements is on the major governmental fund. There were no other funds to be aggregated and reported as nonmajor funds.

The Corporation reports the following major Governmental fund:

The *General Fund* is the Corporation's only fund. This fund is used to account for all financial resources not reported in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using 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. Non-exchange transactions, in which the Corporation gives (or receives) value without directly receiving (or giving) equal value in exchange. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Corporation considers revenues 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, expenditures related to compensated absences are recorded only when payment is due.

D. Budgetary Control

In accordance with state law, during August, the Executive Director must submit to the Board of Directors a budget to cover all proposed expenditures of the Corporation for the succeeding year. The Budget includes proposed expenditures and the means of financing them for the upcoming year, along with the original and revised estimates for the current year and the actual data for the preceding year.

On final approval of the budget by the Board of Directors, the Corporation shall file the budget with the City Secretary. The budget differs from generally accepted accounting principles in that appropriations lapse at year-end. No encumbrances are recorded. Budgeted amounts are as originally adopted or as amended by the Board of Directors.



The Budgetary Comparison Schedule – General Fund – presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary and actual results.

E. Cash and Equivalents

For purposes of the Statement of Net Position and Governmental Fund Balance Sheet, highly liquid investments are considered to be cash equivalents if they have an original maturity of three months or less when purchased.

F. Taxes Receivable

The Corporation receives a portion of the sales tax collected by the City to fund its operations. The Corporation receives one eighth of the City’s one half percent sales tax due to a proposition passed by an election held in March of 2016. Taxes receivable consist of sales tax revenues earned at year-end and not yet received.

G. Assets Held for Sale

Asset held for sale consists of parcels of land held at year-end by the Corporation which are available for sale to prospective individuals and companies.

H. Capital Assets

Capital assets purchased or constructed are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized. Public domain (“infrastructure”) general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are capitalized along with other capital assets. Estimated historical cost was used to value the majority of the assets acquired prior to September 30, 2007.

Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Leasehold improvements	10 – 39 years
Furniture and equipment	5 – 7 years
Infrastructure	50 years

I. Accrued Compensated Absences

The Corporation follows a policy whereby employees are paid lump sum payments for unused vacation if they leave Corporation employment. Upon termination, up to 320 hours of accumulated vacation at full pay will be paid if the employee meets the prescribed conditions. Employees are not compensated for unused sick leave.



J. Fund Balance and Net Position

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Corporation is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Non-spendable:** This classification includes amounts that cannot be spent because they are either (a) not in the spendable form or (b) are legally or contractually required to be maintained intact. Non spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution of the Board of Directors, the Corporation's highest level of decision making authority. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the Corporation's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors.
- **Unassigned:** This classification includes the residual fund balance for the General Fund.

In circumstances where expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly unassigned fund balance. Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the Corporation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. In circumstances where an expense is to be made for a purpose for which amounts are available in multiple net position classifications, restricted position will be fully utilized first followed by unrestricted as necessary.

K. Use of Estimates

The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



2. Cash and Equivalents

Cash and investments as of September 30, 2019 consist of the following:

	<u>Cash Deposits</u>	<u>TexPool</u>	<u>Certificate of Deposit</u>
Governmental Activities:			
General Fund	<u>134,326</u>	<u>1,295,381</u>	<u>28,914</u>
Total	<u>\$ 134,326</u>	<u>\$ 1,295,381</u>	<u>\$ 28,914</u>

Interest Rate Risk

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 to changes in market interest rates. One of the ways that the Corporation manages its exposure to interest rate risk is by investing in investment pools which purchase a combination of shorter term investments with an average maturity of less than 30 days thus reducing the interest rate risk. The Corporation monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The Corporation has no specific limitations with respect to this metric.

As of September 30, 2020, the Corporation had investments in TexPool totaling \$1,295,381 which had a weighted average maturity of 38 days and in certificates of deposit totaling \$28,914 which had a weighted average maturity 1 year.

As of September 30, 2020, the Corporation was not invested in any securities which are highly sensitive to interest rate fluctuation.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The minimum rating required by (where applicable) the Public Funds Investment Act, the Corporation's investment policy, or debt agreements, is AAA. The actual rating as of September 30, 2020 for TexPool was AAAM. The certificates of deposit are unrated.

Concentration of Credit Risk

The investment policy of the Corporation contains no limitations on the amount that can be invested in any one issuer. As of September 30, 2020, other than external investment pools and certificates of deposit, the Corporation did not have 5% or more of its investments with one issuer.



Custodial Credit Risk

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 or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transactions, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the Corporation's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times. At September 30, 2020, the carrying amount of the Corporation's cash on hand and deposits, including certificates of deposit, were \$163,239 and the bank balance for the same accounts was \$291,200. The Corporation's bank balance was covered by depository insurance under the Federal Depository Insurance Corporation (FDIC insured) of \$250,000 per financial institution. The Corporation has not experienced any loss in these accounts. As of September 30, 2020 the uninsured balance is \$41,200. The Corporation believes it is not exposed to any significant credit risk on its cash and equivalents.

Investment in State Investment Pools

The Corporation is a voluntary participant in the TexPool external investment pool. The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.



3. Assets Held for Sale

Assets held for sale are carried at historical cost, and for the year ended September 30, 2020 were as follows:

Description	Amount
70.9 ac NW/4 Sec 14 Block 5	\$ 135,776
145.23 Acres	415,805
187.04 Acres, Hwy 285 South	191,299
Buildings and Park - Old Bank, Corner of 3rd and Cypress	3,836
E 30' Lots, 22 23 24, Block 32, Corner of 3rd and Cypress	1,666
Lots in Block 21, North Pecos	2,499
Renz Property .52 Acres, triangle CR 116 & CR 118	23,611
5.05 Acre Track, S-16 Block 5, land west of Tractor Supply	3,884
8.19 Acre Track, Block 5, remaining acreage of Troy Vines area	145,983
All Block 59 (1.705 acres)	37,237
All Block 87 (1.951 acres)	37,237
Corners in Meadowbrook Addition	2,051
Hubbs & Roberson, Lots 1-2-3-4, Block 5, Belmont Ad	18,580
N 70', Lot 2, Block 25 Orig Pecos	1,308
West Airport Addn: Lot 1, Block 4	4,092
West Airport Addn: Lot 5, Block 4	2,221
West Airport Addn: Lot 6, Block 4	12,435
West Airport Addn: Lot 7, Block 4	2,934
West Airport Addn: Lot 3, Block 6	850
Lot 2, Block 3, Broadway Addition	1,074
Lots 1-6, Block 34 Orig Pecos	151,284
Lots 13-20, Block 2 Meadowbrook	20,000
Lots 7-12, Block 34 Orig Pecos	201,329
Port Daggett 1.61 acres (Block 5)	182,175
Total	\$ 1,599,166



4. Capital Assets

Capital assets activity for the year ended September 30, 2020, is as follows:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,468,840	-	-	\$ 1,468,840
Total assets not being depreciated	1,468,840	-	-	1,468,840
Capital assets, being depreciated:				
Leasehold Improvements	281,724	13,225	-	294,949
Furniture and Equipment	51,495	3,072	-	54,567
Infrastructure	201,897	-	-	201,897
Total capital assets being depreciated	535,116	16,297	-	551,413
Accumulated Depreciation:				
Leasehold Improvements	30,390	8,932	-	39,322
Furniture and Equipment	47,278	2,921	-	50,199
Infrastructure	24,564	4,038	-	28,602
Total accumulated depreciation	102,232	15,891	-	118,123
Total capital assets being depreciated, net	432,884	406	-	433,290
Governmental activities capital assets, net	<u>\$ 1,901,724</u>	<u>\$ 406</u>	<u>-</u>	<u>\$ 1,902,130</u>

Depreciation expense for the year was \$15,891 and was charged to general government expense.

5. Lease Income

In December 2016, the Corporation entered into a non-cancelable lease agreement with a private company. The leased land is owned by the Corporation and has a cost of \$1,340,191 as of September 30, 2020. The lease provides for a base rent of \$5,000 per month from the term January 1, 2017 through December 31, 2021 with an option to extend the term of the lease for an additional period of five years. Rental income from base rent was \$60,000 for the year ending September 30, 2020. Minimum future rentals on this lease at September 30, 2020 are \$5,000 per month until the lease expires in December 2021.

In addition, the lease provides for certain additional payments for revenue generated, rental fees for use of the track, and reimbursement for utilities. Additional payments for revenue were \$0, net rental fees for use of the track were \$31,500, and amounts received for utilities offset the related cost.



6. Commitments and Contingencies

In the normal course of providing services to the public, the Corporation from time to time is subjected to litigation claims. The Corporation defends itself against such claims based on internal assessment of liability and risk. Litigation expenses and damages are recorded as expense in the period when services are rendered. No liabilities have been accrued in the financial statements relative to litigation in process for the year ended September 30, 2020.

7. Risk Management

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Corporation maintains insurance policies acquired from independent insurance carriers covering structural property, dishonesty, errors, and omissions, personal property and general liability. There have been no significant changes in insurance coverage as compared to last year and settlements have not exceeded coverage in each of the past three years.

8. COVID-19

During the fiscal year, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having a significant impact on global markets, supply chains, businesses and communities. Specific to the Corporation, COVID-19 may impact various parts of its 2021 operations. Management believes the Corporation is taking appropriate actions to mitigate any potential negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.



REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For the Year Ended September 30, 2020

Revenue	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Sales Tax Revenues	\$ 1,074,030	\$ 855,023	\$ 706,387	\$ (148,636)
Total Revenue	1,074,030	855,023	706,387	(148,636)
Expenses				
Wages	119,088	119,088	113,233	5,855
Benefits	27,333	27,333	26,465	868
Office Space Expense	21,320	21,320	18,547	2,773
Advertising	11,850	11,850	24,779	(12,929)
Bank Service Charges	600	600	164	436
Business Development	2,291,800	2,228,800	1,781,908	446,892
Business Attraction	500,000	400,000	369,000	31,000
Conferences and Webinars	1,200	1,200	375	825
Auto Allowance	10,000	10,000	10,136	(136)
Dues and Subscription	1,358	1,358	1,200	158
Office Supplies	10,200	10,200	12,803	(2,603)
Postage	660	660	638	22
Telephone	6,000	6,000	4,383	1,617
Travel and Training	7,061	7,061	1,449	5,612
Professional Services	176,450	123,450	81,158	42,292
Board Meeting Expenses	3,000	3,000	1,651	1,349
Repairs and Maintenance	3,000	3,000	34,272	(31,272)
Miscellaneous	-	-	(577)	577
Total Expenditures	3,190,920	2,974,920	2,481,584	493,336
Deficiency of Revenues Under Expenditures	(2,116,890)	(2,119,897)	(1,775,197)	344,700
Other Financing Sources (Uses)				
Interest Income	30,000	30,000	27,517	(2,483)
Other Income	14,100	14,100	82,342	68,242
Lease Income	96,000	96,000	91,500	(4,500)
Sale of Assets Held for Sale (net of cost of \$31,354)	-	-	25,646	25,646
Total Other Financing Sources (Uses)	140,100	140,100	227,005	86,905
Net Change in Fund Balances	(1,976,790)	(1,979,797)	(1,548,192)	431,605
Fund Balance:				
Beginning	4,675,583	4,675,583	4,675,583	-
Ending	\$ 2,698,793	2,695,786	\$ 3,127,391	\$ 431,605





NOTES

CONTACT US

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ABOUT THE COVER

Representing the local flora & fauna that have decorated Cowboy Boots and Western Attire for decades in Far West Texas, our illustrators used a western flower embroidery design that is contemporary and simple to pay tribute to the western heritage of Pecos. The Pecos Rowel is incorporated into the design as a nod to one of the world's most famous spur makers who originated from the city of Pecos. With a region as rich in history as this, we are always delighted to say we are Pecos Proud!

