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PECOS
PROGRESSION

PECOS ECONOMIC DEVELOPMENT

ANNUAL REPORT



FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pecos Economic Development Corporation
Pecos, Texas

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Corporation as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Boucher, Morgan & Young

Granbury, Texas
March 14, 2024



MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

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, 2023. Please read it in conjunction with, the independent auditors' report on pages 1-3, and the Corporation's Basic Financial Statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

The Corporation's net position increased by \$1,503,410 as a result of this year's operations, and as a result the net position of our governmental activities increased by 17.91%.

During the year, the Corporation had expenses of \$685,847 that were \$1,503,410 less than the \$999,986 generated by the sales tax apportioned by the Town of Pecos City plus \$119,683 in lease revenues, \$403,411 on the sale of assets (net), \$247,174 in investment income and \$419,003 in other income.

The Corporation realized a gain of \$403,411 on the assets held for sale that were sold during the fiscal year. Depreciation expense for the year was \$11,061.

The General Fund ended the year with a fund balance of \$8,320,496 as compared to last year when the fund balance was \$6,814,718.

The budget for the Corporation revealed \$374,986 more operating revenues were received during the year than was budgeted while \$136,047 less expenses were incurred than were budgeted for the year. Other income and expenses revealed \$993,371 more revenue than was budgeted for. The net effect of the budget variance was a favorable budget variance of \$1,504,404.

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 10 and 11 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 Fund Balance Sheet and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance, on pages 12 and 14 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 16, 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 10. 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 nonfinancial 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 fund reported by the Corporation here is 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 - The only governmental fund reported by the Corporation is the general fund. 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 12 and the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balance located on page 14.

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	
	2023	2022	\$	%
Current and Other Assets	\$ 8,687,975	\$7,065,012	\$1,622,963	22.97%
Lease Receivable	850,367	823,248	27,119	3.29%
Capital Assets	1,581,209	1,588,385	(7,176)	-0.45%
Total Assets	11,119,551	9,476,645	1,642,906	17.34%
Current Liabilities	263,103	102,274	160,829	157.25%
Long-Term Liabilities	4,538	9,346	(4,808)	-51.44%
Total Liabilities	267,641	111,620	156,021	139.78%
Deferred Inflows	954,743	971,268	(16,525)	100.00%
Net Position				
Net Invested in Capital Assets	1,581,209	1,588,385	(7,176)	-0.45%
Unrestricted	8,315,958	6,805,372	1,510,586	22.20%
Total Net Position	\$ 9,897,167	\$8,393,757	\$1,503,410	17.91%

Table II - Statement of Changes in Net Position

	Governmental Activities		Change	
	2023	2022	\$	%
Revenues				
General Revenues:				
Sales Tax	\$999,986	\$723,633	\$276,353	38.19%
Investment Income	247,174	30,996	216,178	697.44%
Other Income	408,933	345,045	63,888	18.52%
Interest Income - lease receivable	32,376	30,706	1,670	100.00%
Lease Income	97,377	93,493	3,884	4.15%
Loss on Disposal of Capital Assets	-	(313)	313	100.00%
Sale of Assets Held for Sale (net of cost of \$645,697 in 2023 and \$391,417 in 2022)	403,411	2,171,049	(1,767,638)	-81.42%
Total Revenues	2,189,257	3,394,609	(1,205,352)	-35.51%
Expenses				
General Government	685,847	308,358	377,489	122.42%
Total Expenses	685,847	308,358	377,489	122.42%
Change in Net Position	1,503,410	3,086,251	(1,582,841)	-51.29%
Net Position - Beginning	8,393,757	5,307,506	3,086,251	58.15%
Net Position - Ending	\$9,897,167	8,393,757	1,503,410	17.91%

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 \$6,547,270, which is more than last year's total of \$4,432,186.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2023, the Corporation had around \$1.6 million invested in land, leasehold improvements and furniture and equipment.

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

	Governmental Activities		Change	
	2023	2022	\$	%
Land	\$ 1,340,191	\$ 1,340,191	\$ -	0.00%
Leasehold Improvements	228,785	237,322	(8,537)	-3.60%
Furniture and Equipment	<u>12,233</u>	<u>10,872</u>	<u>1,361</u>	<u>12.52%</u>
Total Capital Assets, Net	<u>\$ 1,581,209</u>	<u>\$ 1,588,385</u>	<u>\$ (7,176)</u>	<u>8.92%</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 investments 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
Lots 16-21, Blk 2 Meadowbrook	\$ 100,000
Lot 20, Blk 2, Central Pecos	100,000
.75 Acre Hwy 285	99,089
Lots 1 & 2, Blk 123, Orig Town	323,075
N25 Lot 1 Blk 4 College	25,444
1.45 out of 5.05 ac tract; S-16, Blk 5	1,500
Miscellaneous	<u>400,000</u>
Total Sales (gross)	<u>\$ 1,049,108</u>

ASSETS HELD FOR SALE AT FISCAL YEAR-END

Description	Amount
67.25 ac NW/4 Sec 14 Blk 5	\$ 129,019
145.23 Acres	416,038
108.87 Acres, Hwy 285 - East Acreage	144,968
68.09 Acres, Hwy 285 - West Acreage	106,767
Buildings and Park - Old Bank, Corner of 3rd and Cypress	4,068
E 30' Lots 22 23 24, Block 32, Corner of 3rd and Cypress	1,898
Lots in Block 21, North Pecos	2,731
Renz Property .52 Acres, triangle CR 116 & CR 118	23,843
3.6 Acre Track, S-16 Block 5, land west of Tractor Supply	3,838
7.47 Acre Track, Block 5, remaining acreage of Troy Vines area	148,216
Corners in Meadowbrook Addition	14,981
N 70', Lot 2, Blk 25 Orig Pecos	1,540
West Airport Addn: Lot 1, Block 4	4,324
West Airport Addn: Lot 5, Block 4	2,453
West Airport Addn: Lot 6, Block 4	12,667
West Airport Addn: Lot 7, Block 4	3,166
West Airport Addn: Lot 3, Block 6	1,082
Lots 1-6, Blk 34 Orig Pecos	151,567
Lots 7-12, Blk 34 Orig Pecos	201,612
12 Lots Jackson Subdivision	255,086
Lots 1 & 2, Blk 123, Orig Town	<u>143,362</u>
Total Assets Held For Sale	<u>\$ 1,773,226</u>

OTHER SOURCES OF REVENUE

Other sources of revenue were derived from leases and royalties.

Description	Amount
Permian Resources	\$ 54,145
Colgate	6,299
Patriot	306,596
Chevron	18,102
Other	<u>23,791</u>
Total Other Sources of Revenue	<u>\$ 408,933</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.

BASIC FINANCIAL STATEMENTS



STATEMENT OF NET POSITION

September 30, 2023

PROPEL

ASSETS

Current Assets:

Cash and Equivalents	\$ 6,763,692
Sales Tax Receivable	151,057
Assets Held for Sale	1,773,226

Noncurrent Assets:

Lease Receivable	850,367
Capital Assets:	
Land	1,340,191
Leasehold Improvements	294,949
Furniture and Equipment	68,841
Accumulated Depreciation	<u>(122,772)</u>
Total Assets	<u>11,119,551</u>

LIABILITIES

Current Liabilities:

Accounts Payable	178,438
Payroll Liabilities	2,165
Refunds Payable	82,500

Noncurrent Liabilities:

Compensated Absences	<u>4,538</u>
Total Liabilities	<u>267,641</u>

DEFERRED INFLOWS

Deferred Inflow - unearned revenue	155,588
Deferred Inflows - leases	<u>799,155</u>
Total Deferred Inflows	<u>954,743</u>

NET POSITION

Net Investment in Capital Assets	1,581,209
Unrestricted	<u>8,315,958</u>
Total Net Position	<u>\$ 9,897,167</u>

The accompanying notes are an integral part of this statement.

**STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2023



Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Assets
PRIMARY GOVERNMENT	Governmental Activities	
Governmental Activities:		
General Government	\$ 685,847	\$ (685,847)
Total Governmental Activities	<u>\$ 685,847</u>	<u>\$ (685,847)</u>
General Revenues:		
Sales Tax		999,986
Investment Income		247,174
Other Income		408,933
Interest Income - lease receivable		32,376
Lease Income		97,377
Sale of Assets Held for Sale (Net of Cost of \$645,697)		<u>403,411</u>
Total General Revenues		<u>2,189,257</u>
Change In Net Position		<u>1,503,410</u>
Net Position - Beginning		<u>8,393,757</u>
Net Position - Ending		<u>\$ 9,897,167</u>



BALANCE SHEET - GOVERNMENTAL FUND

September 30, 2023



ASSETS

Cash and Equivalents	\$ 6,763,692
Sales Tax Receivable	151,057
Assets Held for Sale	1,773,226
Lease Receivable	850,367
Total Assets	<u>\$ 9,538,342</u>

LIABILITIES

Accounts Payable	\$ 178,438
Payroll Liabilities	2,165
Refunds Payable	82,500
Total Liabilities	<u>263,103</u>

DEFERRED INFLOWS

Deferred Inflow - unearned revenue	155,588
Deferred Inflows - leases	799,155
Total Deferred Inflows	<u>954,743</u>

FUND BALANCE

Nonspendable	
Assets Held for Sale	1,773,226
Unassigned	6,547,270
Total Fund Balance	<u>8,320,496</u>

Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 9,538,342</u>
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**RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION**
September 30, 2023



Total Fund Balances - Governmental Fund Balance Sheet	\$ 8,320,496
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 fund balance sheet.	1,581,209
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the governmental fund balance sheet.	<u>(4,538)</u>
Net Position of Governmental Activities	<u><u>\$ 9,897,167</u></u>



**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND**

For the Year Ended September 30, 2023



REVENUES

Sales Tax Revenues	\$ 999,986
Total Revenues	<u>999,986</u>

EXPENDITURES

Wages	136,178
Benefits	35,856
Office Space Expense	21,667
Advertising	19,083
Bank Service Charges	244
Business Development	96,092
Business Attraction	250,000
Auto Allowance	10,748
Dues and Subscriptions	1,000
Office Supplies	5,114
Postage	406
Telephone	5,702
Travel and Training	2,661
Professional Services	68,546
Board Meeting Expenses	1,569
Repairs and Maintenance	5,965
Miscellaneous	22,648
Total Expenditures	<u>683,479</u>

Excess of Revenues Over Expenditures 316,507

OTHER FINANCING SOURCES (USES)

Investment Income	247,174
Other Income	408,933
Lease Income	65,877
Lease Income - interest	32,376
Lease Income - test track fees	31,500
Sale of Assets Held for Sale (net of cost of \$645,697)	<u>403,411</u>
Total Other Financing Sources (Uses)	<u>1,189,271</u>

Net Change in Fund Balance 1,505,778

Fund Balance - Beginning 6,814,718

Fund Balance - Ending \$ 8,320,496

The accompanying notes are an integral part of this statement.



RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023

Net Change in Fund Balances - Total Governmental Fund \$ 1,505,778

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 fund. (11,061)

The governmental fund reports capital purchases as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives. 3,885

Current year changes in compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund. 4,808

Change in Net Position of Governmental Activities \$ 1,503,410



NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 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 non-major funds.

The Corporation reports the following major governmental fund:

The *General Fund* is the Corporation's only fund. 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 the 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

Assets 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. 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

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 principles 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.

NOTE 2. CASH AND EQUIVALENTS

Cash and investments as of September 30, 2023 consist of the following:

	<u>Cash Deposits</u>	<u>TexPool</u>
Governmental Activities: General Fund	\$ 535,377	\$ 6,228,315
Total	<u>\$ 535,377</u>	<u>\$ 6,228,315</u>

A. 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 shorter-term government investment pools 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, 2023, the Corporation had investments in TexPool totaling \$6,228,315 which had a weighted average maturity of 26 days.

As of September 30, 2023, the Corporation was not invested in any securities which are highly sensitive to interest rate fluctuation.

B. 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, 2023 for TexPool was AAAM.

C. 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, 2023, other than external investment pools, the Corporation did not have 5% or more of its investments with one issuer.

D. 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 transaction, 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, 2023, the carrying amount of the Corporation's cash on hand and deposits, including certificates of deposit, were \$535,377 and the bank balance for the same accounts was \$653,777. 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, 2023 the uninsured balance is \$403,777. The Corporation believes it is not exposed to any significant credit risk on its cash and equivalents.

E. 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.

NOTE 3. ASSETS HELD FOR SALE

Assets held for sale are carried at historical cost, and for the year ended September 30, 2023 were as follows:

Description	Amount
67.25 ac NW/4 Sec 14 Blk 5	\$ 129,019
145.23 Acres	416,038
108.87 Acres, Hwy 285 - East Acreage	144,968
68.09 Acres, Hwy 285 - West Acreage	106,767
Buildings and Park - Old Bank, Corner of 3rd and Cypress	4,068
E 30' Lots 22 23 24, Block 32, Corner of 3rd and Cypress	1,898
Lots in Block 21, North Pecos	2,731
Renz Property .52 Acres, triangle CR 116 & CR 118	23,843
3.6 Acre Track, S-16 Block 5, land west of Tractor Supply	3,838
7.47 Acre Track, Block 5, remaining acreage of Troy Vines area	148,216
Corners in Meadowbrook Addition	14,981
N 70', Lot 2, Blk 25 Orig Pecos	1,540
West Airport Addn: Lot 1, Block 4	4,324
West Airport Addn: Lot 5, Block 4	2,453
West Airport Addn: Lot 6, Block 4	12,667
West Airport Addn: Lot 7, Block 4	3,166
West Airport Addn: Lot 3, Block 6	1,082
Lots 1-6, Blk 34 Orig Pecos	151,567
Lots 7-12, Blk 34 Orig Pecos	201,612
12 Lots Jackson Subdivision	255,086
Lots 1 & 2, Blk 123, Orig Town	<u>143,362</u>
Total	\$ <u>1,773,226</u>

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2023, is as follows:

	<u>Beginning Balance</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,340,191	\$ -	\$ -	\$ 1,340,191
Total Assets Not Being Depreciated	<u>1,340,191</u>	<u>-</u>	<u>-</u>	<u>1,340,191</u>
Capital Assets, Being Depreciated:				
Leasehold Improvements	294,949	-	-	294,949
Furniture and Equipment	<u>64,956</u>	<u>3,885</u>	<u>-</u>	<u>68,841</u>
Total Capital Assets Being Depreciated	<u>359,905</u>	<u>3,885</u>	<u>-</u>	<u>363,790</u>
Accumulated Depreciation:				
Leasehold Improvements	57,627	8,537	-	66,164
Furniture and Equipment	<u>54,084</u>	<u>2,524</u>	<u>-</u>	<u>56,608</u>
Total Accumulated Depreciation	<u>111,711</u>	<u>11,061</u>	<u>-</u>	<u>122,772</u>
Total Capital Assets Being Depreciated, Net	<u>248,194</u>	<u>(7,176)</u>	<u>-</u>	<u>241,018</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,588,385</u>	<u>\$ (7,176)</u>	<u>\$ -</u>	<u>\$ 1,581,209</u>

Depreciation expense for the year was \$11,061 and was charged to general government expense.

NOTE 5. LEASE INCOME

In December 2016, the Corporation entered into a non-cancelable lease agreement with a private company (PRTC lease) with one additional five-year renewal term. In December 2020, the lease was amended to include three additional five-year renewal terms. The Corporation is reasonably certain that the lessee will renew this lease for all of the additional terms. The leased land is owned by the Corporation and has a cost of \$1,340,191 as of September 30, 2023. In accordance with the provisions of GASB No. 87, the lease was measured as of the implementation date with an interest rate of 4.00%, the Corporation's incremental borrowing rate.

The PRTC lease provides for a base rent of \$5,000 per month from the term January 1, 2017 through December 31, 2021 and increases 3% per annum beginning January 1, 2022. Lease income in the amount of \$55,807 and interest revenue of \$32,376 were recognized for the year ending September 30, 2023.

In January 2023, the Corporation entered into a non-cancelable lease agreement with a private company (Office Lease) for a term of five years. The contract is contingent upon their annual budget however, the Corporation is reasonably certain that the lease will be approved annually. The leased office space is owned by the Corporation and has an estimated cost

of \$12,958 as of September 30, 2023. In accordance with the provisions of GASB No. 87, the lease was measured as of the implementation date with an interest rate of 4.00%, the Corporation's incremental borrowing rate.

The lease provides for a rent of \$14,500 per year from January 1, 2023 through December 31, 2027. Lease income in the amount of \$10,070 and no interest revenue was recognized for the year ending September 30, 2023.

Future payments due to the Corporation under the leases consisting of principal and interest are as follows:

<u>Year End September 30</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 51,704	\$ 33,191
2025	50,270	31,274
2026	54,350	29,198
2027	58,662	26,956
2028	48,714	24,537
2029-2032	311,921	88,687
2033-2037	<u>274,744</u>	<u>18,995</u>
Total	<u>\$ 850,367</u>	<u>\$ 252,836</u>

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

NOTE 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, 2023.

NOTE 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.

REQUIRED SUPPLEMENTARY INFORMATION



**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE**
For the Year Ended September 30, 2023



REVENUE	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Sales Tax Revenues	\$ 625,000	\$ 625,000	\$ 999,986	\$ 374,986
Total Revenue	625,000	625,000	999,986	374,986
EXPENDITURES				
Wages	105,226	105,226	136,178	(30,952)
Benefits	29,270	29,270	35,856	(6,586)
Office Space Expense	21,920	21,920	21,667	253
Advertising	11,150	11,150	19,083	(7,933)
Bank Service Charges	300	300	244	56
Business Development	201,200	201,200	96,092	105,108
Business Attraction	150,000	150,000	250,000	(100,000)
Conferences and Webinars	1,200	1,200	-	1,200
Auto Allowance	10,000	10,000	10,748	(748)
Dues and Subscriptions	1,275	1,275	1,000	275
Office Supplies	9,000	9,000	5,114	3,886
Postage	330	330	406	(76)
Telephone	6,000	6,000	5,702	298
Travel and Training	4,055	4,055	2,661	1,394
Professional Services	236,500	236,500	68,546	167,954
Board Meeting Expenses	2,700	2,700	1,569	1,131
Repairs and Maintenance	21,000	21,000	5,965	15,035
Miscellaneous	8,400	8,400	22,648	(14,248)
Total Expenditures	819,526	819,526	683,479	136,047
Excess (Deficiency) of Revenues Over (Under) Expenditures	(194,526)	(194,526)	316,507	511,033
OTHER FINANCING SOURCES (USES)				
Investment income	18,000	18,000	247,174	229,174
Other income	89,100	89,100	408,933	319,833
Lease income	61,800	61,800	65,877	4,077
Lease income - interest	-	-	32,376	32,376
Lease income - test track fees	27,000	27,000	31,500	4,500
Sale of assets held for sale (net of cost of \$645,697)	-	-	403,411	403,411
Total Other Financing Sources (Uses)	195,900	195,900	1,189,271	993,371
Net Change in Fund Balance	1,374	1,374	1,505,778	1,504,404
Fund Balance - Beginning	6,814,718	6,814,718	6,814,718	-
Fund Balance - Ending	\$ 6,816,092	\$ 6,816,092	\$ 8,320,496	\$ 1,504,404



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