

**Pampa Economic
Development Corporation**

Annual Financial Report

For the Year Ended September 30, 2017

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PAMPA ECONOMIC DEVELOPMENT CORPORATION

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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PART I

INTRODUCTORY SECTION

PAMPA ECONOMIC DEVELOPMENT CORPORATION

SEPTEMBER 30, 2017

BOARD OF DIRECTORS

Gary Sutherland.....President
Ken May.....Vice President
Cay WarnerSecretary
Bill RoyAssistant Secretary
Glennette Goode.....Treasurer
Bill Bridges Assistant Treasurer
Bob WilliamsSecond Vice President

MANAGEMENT AND STAFF

Clay Rice.....Executive Director
Debbie Winegeart.....Administrative Assistant
Tresa Heuston.....Receptionist

PART II
FINANCIAL SECTION



Board of Directors
Pampa Economic Development Corporation
Pampa, Texas

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the business-type activities of the Pampa Economic Development Corporation (Corporation) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Pampa Economic Development 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 Corporation'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 Corporation'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 reasonable 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 business-type activities of the Pampa Economic Development Corporation, as of September 30, 2017, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Corporation has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented 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. The independent auditors' opinion is not affected by the omission of the MD&A.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pampa Economic Development Corporation's financial statements as a whole. The Budget Comparison Schedule, the Combining Statements, and the Notes to Other Supplementary Information listed under other supplementary information in the accompanying table of contents are presented for the purposes of additional analysis and are not a required part of the financial statements. The Budget Comparison Schedule, the Combining Statements, and the Notes to Other Supplementary Information listed under other supplementary information in the accompanying table of contents are the responsibility of management and were derived from and relate directly to underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2018, on our consideration of Pampa Economic Development Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

DOSHIER, PICKENS & FRANCIS, L.L.C.

DOSHIER, PICKENS & FRANCIS, LLC
February 12, 2018

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BASIC FINANCIAL STATEMENTS

PAMPA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 4,429,657
Investments	1,005,145
Receivables	31,813
Due from primary government (sales taxes)	185,523
Prepaid expenses	33,748
Notes receivable - current	<u>94,558</u>
Total current assets	<u>5,780,444</u>
Noncurrent Assets:	
Notes receivable	375,275
Capital assets:	
Land and improvements not being depreciated	549,576
Water rights not being depreciated	600,000
Buildings and improvements, net of depreciation	6,059,436
Vehicles and equipment, net of depreciation	<u>90,961</u>
Total noncurrent assets	<u>7,675,248</u>
Total assets	<u>13,455,692</u>

LIABILITIES

Current Liabilities:	
Accounts payable	17,452
Accrued expenses	86,276
Unearned revenues	45,189
Notes payable - current	128,665
Compensated absences - current	<u>2,016</u>
Total current liabilities	<u>279,598</u>
Noncurrent Liabilities:	
Notes payable	3,452,983
Compensated absences	18,144
Unearned revenues	<u>1,079,270</u>
Total noncurrent liabilities	<u>4,550,397</u>
Total liabilities	<u>4,829,995</u>

NET POSITION

Net investment in capital assets	3,718,325
Unrestricted	<u>4,907,372</u>
Total net position	<u>\$ 8,625,697</u>

The accompanying notes are an integral part of these financial statements.

PAMPA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2017

OPERATING REVENUES:

Sales tax	\$ 1,047,119
Lease revenues	2,217,681
Other revenues	<u>24,131</u>
 Total operating revenues	 <u>3,288,931</u>

OPERATING EXPENSES:

Salaries and employee benefits	311,317
Supplies, postage and printing	20,074
Repairs	71,794
Rent	20,400
Insurance	92,460
Advertising	11,510
Professional services	126,341
Facility management fees	603,842
Ad valorem and severance taxes	108,561
Communication	8,936
Travel	17,308
Dues and subscriptions	5,311
Projects and grants	765,339
Utilities	85,647
Depreciation	<u>599,706</u>
 Total operating expenses	 <u>2,848,546</u>
 Operating income	 <u>440,385</u>

NON-OPERATING REVENUES AND (EXPENSES):

Investment earnings	29,634
Interest	(161,931)
Insurance recoveries	<u>21,831</u>
 Total non-operating revenues (expenses)	 <u>(110,466)</u>

CHANGE IN NET POSITION

329,919

NET POSITION - BEGINNING

8,295,778

NET POSITION - ENDING

\$ 8,625,697

The accompanying notes are an integral part of these financial statements.

PAMPA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from sales taxes	\$ 1,046,380
Receipts from lease revenues	2,283,452
Receipts from other operating revenues	8,666
Payments for personnel services	(309,994)
Payments for suppliers	(1,196,273)
Payments for projects and grants	<u>(630,000)</u>
Net cash provided by operating activities	<u>1,202,231</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sale of investments	755,146
Purchase of investments	(1,010,291)
Cash loaned on notes receivable	(60,000)
Collection on notes receivable	65,209
Investment earnings received	22,981
Proceeds from insurance recoveries	<u>21,831</u>
Net cash used by investing activities	<u>(205,124)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on long-term debt	(134,085)
Interest paid on debt	<u>(161,931)</u>
Net cash used by financing activities	<u>(296,016)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

701,091

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

3,728,566

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 4,429,657

RECONCILIATION OF OPERATING INCOME TO NET

CASH FLOWS FROM OPERATING ACTIVITIES

Operating income	\$ 440,385
Adjustment to reconcile operating income to net cash flows from operating activities:	
Depreciation	599,706
Credit given on notes receivable	135,339
(Increase) decrease in operating assets:	
Receivables	81,943
Prepaid expenses	48,871
Increase (decrease) in operating liabilities:	
Accounts payable	(73,580)
Accrued expenses	1,943
Unearned revenues	<u>(32,376)</u>
Net cash provided by operating activities	<u><u>\$ 1,202,231</u></u>

The accompanying notes are an integral part of these financial statements.

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pampa Economic Development Corporation's (EDC) financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant accounting and reporting policies of the EDC are described in the following notes to the financial statements.

A. Financial Reporting Entity

In November 2005, voters in the City of Pampa (City) established the Pampa Economic Development Corporation (EDC). The EDC was established for the promotion of business and economic development in and around the City, and is being funded by a ½-cent sales tax also approved by voters of the City. In December 2005, the City appointed a separate seven-member board of directors that have the responsibility of managing the activities of the EDC. The board of directors adopted a resolution approving the articles of incorporation, and adopted and approved the corporate bylaws of the EDC in February 2006. The EDC also began its operations during the year ended September 30, 2006, and began receiving the ½-cent sales tax, which will be used to fund future operations of the EDC. The City is responsible for approving the operating budget of the EDC as adopted by the seven-member board of directors.

B. Government-Wide Financial Statements

The government-wide financial statements include the statement of net position, statement of activities, and statement of cash flows. The EDC accounts for all of its operations in one proprietary fund. Mainly sales tax revenues support the activities of the EDC.

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

The proprietary fund is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Revenues are classified as *operating revenues* and *non-operating revenues*. Operating revenues include: 1) sales tax revenues collected by the City and 2) revenues produced from the single member limited liability company investments described in Notes 13 & 14. Non-operating revenues include investment earnings.

D. Use of Restricted Assets

In circumstances when expenditure is made for a purpose for which amounts are available in multiple net position classifications, net position is depleted in the order of restricted and then unrestricted funds.

E. Assets, Liabilities, and Net Position

1. Deposits and Investments

The EDC's cash and cash equivalents are considered to be cash on hand, demand deposits and deposits within public fund investment pools. Statutes authorize the EDC to keep funds in demand deposits, time deposits, or securities of the United States. The EDC's custodial banks are required to pledge for the purpose of securing EDC funds, securities of the following kind, in an amount equal to the amount of such EDC funds: bonds and notes of the United States, securities of indebtedness of the United States, bonds of the State of Texas, or of any county, city, or independent school district, and various other bonds as described in Texas Statutes.

Continued

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Assets, Liabilities and Net Position- Continuation

1. Deposits and Investments –Continuation

Government Code Chapter 2256, The Public Funds Investment Act (“Act”), requires the EDC to adopt, and publicize an investment policy, requires the EDC. That policy must be written, primarily emphasize safety of principal and liquidity, address investment diversification, yield, and maturity and the quality and capability of investment management, and include a list of the types authorized investments in which the EDC’s funds may be invested, and the maximum allowable stated maturity of any individual investment owned by the EDC.

2. Receivables and Payables

Receivables consist of sales tax collections due from the Texas Comptroller, interest earned on investments and other revenues earned at year-end. There is no allowance for uncollectible amounts, as all receivables are deemed collectible.

Payables consist of vendor obligations for goods and services as well as funds payable to others when the criteria for their release have been met.

3. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as a prepaid item. Prepaid expenses are recorded as expenditures when requisitioned (the consumption method).

4. Capital Assets

Capital assets, including land, buildings and improvements, furniture and equipment, are reported in the statement of net position. According to the EDC’s capitalization policy, capital assets are defined as individual assets (or systems of assets) having a cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of 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. Capital assets are depreciated using the straight-line method over the following estimated lives:

Buildings and improvements	7-39 years
Equipment	7-15 years
Furniture	5-7 years

5. Compensated Absences

A liability for unused vacation and comp time for all full-time employees is calculated and reported in the proprietary fund financial statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

- leave or compensation is attributable to services already rendered
- leave or compensation is not contingent on a specific event (such as illness).

Continued

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

5. Compensated Absences - Continuation

All regular full-time employees of the EDC accrue vacation leave benefits of two to five weeks, depending on years of service. The EDC does not have a policy regarding the amount of vacation leave employees are allowed to carryover. Employees are paid outstanding vacation leave balances at termination or retirement. Accrued vacation leave benefits as of September 30, 2017 were \$20,160.

Employees are provided twelve days of sick leave per year.

6. Unearned Revenues

Such amounts represent an increase in net position that applies to a future period. The EDC will not recognize the related revenues until a future event occurs. The EDC recognizes revenues under the modified accrual basis of accounting and therefore, these revenues are not recognized until they are available. Accordingly, unearned revenues related to leases are reported on the statement of net position.

7. Net Position

In the proprietary fund financial statements, equity is classified as net position and displayed in three categories.

Net Investment in Capital Assets – This amount 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.

Restricted Net Position – external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation, or constitutional provisions, restrict this amount. As of September 30, 2017, no funds have been reported as restricted net position.

Unrestricted Net Position – This amount includes all net positions that do not meet the definition of “net investment in capital assets” or “restricted net position.”

8. Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

9. Income Taxes

The Pampa EDC is exempt from federal income taxes under IRC section 501(c) (4), except for any net income derived from unrelated business activities but remains subject to tax filings with the State of Texas.

**PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The EDC follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The proposed budget is prepared by the Executive Director and presented to the Board.
2. The Board will approve the budget and provide it to the City Commissioners prior to August 1.
3. The budget is adopted after approval of the City Commissioners.

NOTE 3 – DEPOSITS AND INVESTMENTS

Following is a reconciliation of the EDC’s cash and deposit balances as of September 30, 2017:

Deposits and cash equivalents consist of:

	Cost and Fair Value
Bank demand deposits	\$ 4,429,657

Investments consist of:

	Cost and Fair Value	Weighted Average Maturity (Days)
Certificates of deposit (interest rates at 0.55% to 1.36%)	\$ 1,005,145	365

Custodial credit risk is the risk that in the event of a bank failure, the EDC’s deposits and investments may not be returned to the EDC. As of September 30, 2017 the carrying amount of the EDC’s deposits and investments with financial institutions were collateralized through the City of Pampa’s depository contract with the financial institution and with FDIC coverage.

Interest rate risk is the risk that adverse changes in interest rates will result in an adverse effect on the fair value of an investment. The EDC manages its exposure to interest rate risk by maintaining its cash in interest-bearing demand accounts, or in certificates of deposit with weighted average maturities of one year or less.

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The EDC limits its investments to U.S. Government obligations, certificate of deposits, savings and loan association deposits, state and local government obligations and investment pools, and money market mutual funds regulated by the Securities and Exchange Commission.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single insurer. As of September 30, 2017, 100% of the EDC’s carrying value of cash and investments were deposited with the City’s depository bank and were adequately secured as described above.

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 4 – RECEIVABLES

Receivables as of the year-end consist of the following:

	<u>Current</u>	<u>Noncurrent</u>
Sales tax (Texas Comptroller)	\$ 185,523	\$ -
Interest	11,171	-
Leases	16,142	-
Trade receivables	<u>4,500</u>	<u>-</u>
	<u>\$ 217,336</u>	<u>\$ -</u>

NOTE 5 – CAPITAL ASSETS

Capital assets are recorded at cost or, if donated, at fair market value at the date of receipt. In accordance with GASB Statement No. 34, depreciation policies were adopted to include useful lives and classifications by function.

Capital asset activity for the year ended September 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land and land improvements	\$ 549,576	\$ -	\$ -	\$ 549,576
Water rights	<u>600,000</u>	<u>-</u>	<u>-</u>	<u>600,000</u>
Total capital assets, not being depreciated	<u>1,149,576</u>	<u>-</u>	<u>-</u>	<u>1,149,576</u>
Capital assets, being depreciated:				
Buildings and improvements	8,734,779	-	-	8,734,779
Vehicles and equipment	<u>211,266</u>	<u>-</u>	<u>-</u>	<u>211,266</u>
Total capital assets, being depreciated	<u>8,946,045</u>	<u>-</u>	<u>-</u>	<u>8,946,045</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,099,267)	(576,076)	-	(2,675,343)
Vehicles and equipment	<u>(96,675)</u>	<u>(23,630)</u>	<u>-</u>	<u>(120,305)</u>
Total accumulated depreciation	<u>(2,195,942)</u>	<u>(599,706)</u>	<u>-</u>	<u>(2,795,648)</u>
Total capital assets, being depreciated, net	<u>6,750,103</u>	<u>(599,706)</u>	<u>-</u>	<u>6,150,397</u>
Total capital assets, net	<u>\$ 7,899,679</u>	<u>\$ (599,706)</u>	<u>\$ -</u>	<u>\$ 7,299,973</u>

Depreciation expense for the year ended September 30, 2017 was \$599,706.

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6 – DEFERRED COMPENSATION PLAN

Effective December 7, 2009, the Pampa Economic Development Corporation established a 457 Plan & Trust for Governmental Employees in accordance with the requirements of Code Section 457(b) of the Internal Revenue Code.

The Pampa Economic Development Corporation contributes to the Pampa Economic Development Corporation 457 Plan and Trust, which is a deferred compensation plan. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Since the assets are held in trust for the exclusive benefit of the participating employees and not the EDC or its general creditors, none of the assets are reported in the EDC's financial statements, in accordance with GASB Statement No. 32.

During the fiscal year ended September 30, 2017, the EDC's contributions were \$9,704, which was approximately 5% of its eligible current payroll. Employee contributions are made given the authorization of the employee.

No provision changes occurred during the year that affected the required contributions to be made by the EDC or its employees.

NOTE 7 – LEASES

The EDC is obligated under a lease with an individual for office space. Under the terms of the lease, the EDC has agreed to pay a monthly rate of \$1,200 for a period of 60 months ending February 28, 2018. Prepaid rent, paid for the remodel of the office space, is being amortized over the term of the lease at \$500 per month. Rental expense is reported on the Statement of Revenues, Expenses, and Changes in Net Position for the year in the amount of \$20,400, which includes the amortization of improvement costs.

The minimum future lease payments are:

<u>Year Ended</u> <u>September 30, 2017</u>	
2018	<u>\$ 6,000</u>

On June 23, 2011, the EDC board of directors approved a hay lease with an individual, which leased out agriculture acres owned by the Pampa Energy Center LLC for the purpose of growing grass/hay. The terms of the lease require the individual to pay the EDC \$50/ton of improved grass and \$20/ton on all plots, tracts corners, etc. in addition to an annual lease payment of \$5,760. For the year, ended September 30, 2017 hay sales received totaled \$6,326.

On September 1, 2015, the EDC board of directors approved a grazing lease with an individual, which leased out agriculture acres owned by the Pampa Energy Center LLC for grazing cattle. Under the terms of the lease, the lessee is required to pay the EDC annual rent of \$8,075 for the twelve months ended August 30 each year.

Continued

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 7 – LEASES -Continuation

On June 13, 2012, the EDC board of directors approved the purchase of Las Pampas Square, LLC that operates a mall and collects lease revenue from its tenants. The lease terms and rent amounts vary among the lessees but ranges from \$300 to \$14,220 depending on the size of the space leased. For the year, ended September 30, 2017 lease income totaled \$574,049.

On December 15, 2011, the EDC entered into a lease agreement with a company to lease a portion of the Pampa Energy Center. The company paid the full lease of \$1,300,000 in advance. The term of the lease is 40 years and will be allocated over that time period. For the year, ended September 30, 2017 unearned revenue totaled \$1,111,770 and the current year lease income recognized was \$32,500.

NOTE 8 – ACCRUED EXPENSES

Accrued expenses as of the year-end consist of the following:

Ad valorem taxes	\$ 75,460
Accrued wages	9,316
Accrued other	<u>1,500</u>
	<u>\$ 86,276</u>

NOTE 9 – UNEARNED REVENUES

Unearned revenues as of the year-end consist of the following:

	<u>Current</u>	<u>Noncurrent</u>
Unearned revenue - Enbridge	\$ 32,500	\$ 1,079,270
Unearned revenue - leases	<u>12,689</u>	<u>-</u>
	<u>\$ 45,189</u>	<u>\$ 1,079,270</u>

NOTE 10 – LONG TERM LIABILITIES

On April 29, 2014, the EDC entered into a note agreement with AimBank for \$4,050,000 for leasehold improvements on the Las Pampas Square, LLC. The note agreement has an interest rate of Wall Street Prime plus 0.5%, but no less than 4%. The note is due on March 30, 2019, and is collateralized by the assets of the Pampa Energy Center and Las Pampas Square. For the year, ended September 30, 2017, interest expense related to the debt was \$160,207.

Continued

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 10 – LONG TERM LIABILITIES - Continuation

Long-term liability activity for the year ended September 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes payable:					
Aimbank	\$ 3,715,733	\$ -	\$ 134,085	\$ 3,581,648	\$ 128,665
Accrued compensated absences	<u>15,980</u>	<u>9,066</u>	<u>4,886</u>	<u>20,160</u>	<u>2,016</u>
	<u>\$ 3,731,713</u>	<u>\$ 9,066</u>	<u>\$ 138,971</u>	<u>\$ 3,601,808</u>	<u>\$ 130,681</u>

The annual requirements to amortize all debt outstanding as of September 30, 2017, are as follows:

	<u>Aimbank</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 128,665	\$ 167,351	\$ 296,016
2019	<u>3,452,983</u>	<u>94,756</u>	<u>3,547,739</u>
Total	<u>\$ 3,581,648</u>	<u>\$ 262,107</u>	<u>\$ 3,843,755</u>

NOTE 11 – GRANTS, COMMITMENTS, AND CONTINGENCIES

On May 13, 2011, the EDC entered into an operating and maintenance agreement with a company to handle the day-to-day operations of the Pampa Energy Center, LLC. For the year, ended September 30, 2017 the total expenses related to these contracts totaled \$260,953.

On May 3, 2017, the EDC board of directors approved a loan agreement with a company. Under the terms of the agreement, the EDC loaned the company \$60,000 at an interest rate of 4.00%. Monthly collections of \$607.47 begin November 1, 2017, and are to be collected until all principal and accrued unpaid interest is exhausted. Upon payment in full on the loan, there will be no further obligations to the EDC under the agreement.

Subsequent to the year end, the Board and the City Council have approved a grant of \$550,000 for the purchase and renovation of the property to be leased. The term of the lease is for a minimum of ten years.

NOTE 12 – NOTES RECEIVABLE

On August 3, 2009, the EDC entered into a loan agreement with an individual. Under the terms of the note agreement, the EDC loaned the individual \$60,000 at an interest rate of 5.00%. Monthly collections of \$500 began on September 3, 2009, and are to be collected until all principal and accrued unpaid interest is exhausted. The note is secured by a security agreement and a lien on various pieces of equipment. As of September 30, 2017, the outstanding balance of the loan was \$12,823.

Continued

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 12 – NOTES RECEIVABLE – Continuation

On November 30, 2011, the EDC entered into a forgivable loan agreement with a company. Under the terms of the agreement, the EDC has loaned the company \$100,000 at an interest rate of 5.25% beginning January 30, 2015. The forgiveness of the loan will be contingent on the number of full time employees hired in a given year by the company. For each full time employee hired in the first year, \$5,000 of the loan will be forgiven. Additional loan forgiveness is as follows: \$3,000 per employee in the second year and \$2,000 per employee in the third year. Forgiveness shall not exceed \$100,000. The company's tax records will be provided to the EDC to validate current employees at the time of the agreement and additional full time employees hired and the related hours worked. If the company fails to hire the additional and anticipated employees per the agreement, payments on the loan will begin on January 30, 2015 in monthly installments until the entire principal and interest are paid in full on or before January 30, 2019. Upon meeting the employment or payment in full on the loan, there will be no further obligations to the EDC under the agreement. Since the company did not meet the employment requirements to have this loan forgiven, the loan is now due back to the EDC. On August 20, 2015, the EDC and the company agreed to combine this loan with their regular loan agreement and begin making payments on the loan effective January 1, 2016. At September 30, 2017, the outstanding balance of the loan was \$118,093.

On May 1, 2013, the EDC entered into a loan agreement with a company. Under the terms of the agreement, the EDC has loaned the company \$350,000 at an interest rate of 4.25% beginning February 1, 2014. Monthly collections of \$2,215 began on February 1, 2014, and are to be collected until all principal and accrued unpaid interest is exhausted. The note is secured by a security agreement. During the year ended September 30, 2017, the EDC forgave \$125,565 of the loan. The loan has been fully collected as of September 30, 2017.

On November 26, 2012, the EDC entered into a loan agreement with a company. Under the terms of the agreement, the EDC has loaned the company \$247,057 at an interest rate of 4.00% beginning March 1, 2013. Monthly collections of \$2,526 began on March 1, 2013, and are to be collected until all principal and accrued unpaid interest is exhausted. The note is secured by a security agreement. As of September 30, 2017, the outstanding balance of the loan was \$162,622.

On October 23, 2013, the EDC board of directors approved an operating note to Las Pampas Square, LLC in the amount of \$670,000 for the costs of remodeling the building (including replacing the roof, a new HVAC unit, fence enclosure, and a new sign). Such intercompany notes have been eliminated on the Statement of Net Position. As of September 30, 2017, the outstanding balance of the loan was \$670,000.

On May 26, 2015, the EDC entered into a loan agreement with a company. Under the terms of the agreement, the EDC has loaned the company \$162,800 at an interest rate of 4.25% beginning August 1, 2015. Monthly collections of \$2,500 began on August 1, 2015, and are to be collected until all principal and accrued unpaid interest is exhausted. The note is secured by a security agreement. Up to \$80,000 of the loan is eligible to be forgiven if the company meets employment requirements as defined in the agreement. As of September 30, 2017, \$19,491 of the loan has been forgiven and the outstanding balance of the loan was \$91,296.

On October 15, 2015, the EDC entered into a forgivable loan agreement with a company. Under the terms of the agreement, the EDC has loaned the company \$25,000 at an interest rate of 5.00% beginning January 1, 2020. The forgiveness of the loan will be contingent on the number of full time employees hired in a given year by the company. For each full time employee hired in the first year, \$5,000 of the loan will be forgiven. Additional loan forgiveness is as follows: \$4,000 per employee in the second year, \$3,000 per employee in the third year, and \$2,000 per employee in the fourth year. The company's tax records will be provided to the EDC to validate current employees at the time of the agreement and additional full time employees hired and the related hours worked. If the company fails to hire the additional and anticipated employees per the agreement, payments on the

Continued

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 12 – NOTES RECEIVABLE – Continuation

loan will begin on January 1, 2020 in monthly installments until the entire principal and interest are paid in full. Upon meeting the employment or payment in full on the loan, there will be no further obligations to the EDC under the agreement. At September 30, 2017, the outstanding balance of the loan was \$25,000.

On May 3, 2017, the EDC entered into a loan agreement with a company. Under the terms of the agreement, the EDC has loaned the company \$60,000 at an interest rate of 4.00% beginning November 1, 2017. Monthly collections of \$607.47 begin on that date and are to be collected until all principal and accrued, unpaid interest is exhausted. The note matures on October 1, 2027. As of September 30, 2017, the outstanding balance of the loan was \$60,000.

Based upon the terms of the notes described above, the loan schedule expected to be repaid to the EDC is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes receivable	\$ 610,381	\$ 60,000	\$ (200,548)	\$ 469,833	\$ 94,558
	<u>Fiscal Year</u>				<u>Notes Receivable</u>
		<u>Total</u>	<u>Interest</u>	<u>Principal</u>	
	2018	\$ 110,803	\$ 16,245	\$ 94,558	
	2019	97,596	12,950	84,646	
	2020	99,554	10,104	89,450	
	2021	75,533	7,026	68,507	
	2022	67,596	4,371	63,224	
	2023-2027	73,867	4,419	69,448	
		<u>\$ 524,949</u>	<u>\$ 55,115</u>	<u>\$ 469,833</u>	

NOTE 13 – INVESTMENT PAMPA ENERGY CENTER, LLC

On March 1, 2011, the EDC board of directors approved a project to develop an industrial park in Gray County, Texas. The board also authorized the EDC to enter into a membership interest purchase agreement to acquire 100% of the membership interest in Pampa Energy Center, LLC (PEC LLC).

The activities for the year ended September 30, 2017 for the Pampa Energy Center, LLC have been separately tracked and are combined with the EDC through the Combining Statement under other supplemental information.

PAMPA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 14 – INVESTMENT LAS PAMPAS SQUARE, LLC

On April 27, 2012, the EDC board of directors approved a project to purchase the existing mall (Red Deer Creek Crossing) in the City of Pampa, Texas. The board also authorized the EDC to enter into a membership interest purchase agreement to acquire 100% of the membership interest in Las Pampas Square, LLC (LPS LLC).

The activities for the year ended September 30, 2017 for Las Pampas Square, LLC have been separately tracked and are combined with the EDC through the Combining Statement under other supplemental information.

NOTE 15 – RELATED PARTY TRANSACTIONS

During the year, the EDC made grants to the City of Pampa for the purchase of a new firetruck for \$600,000, and for improvements to the Hidden Hills Golf Course of \$30,000.

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OTHER SUPPLEMENTARY INFORMATION

**PAMPA ECONOMIC DEVELOPMENT CORPORATION
BUDGET COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Original Budget	Final Budget	Actual Amounts	Budget Variance
REVENUES:				
Sales taxes	\$ 1,000,000	\$ 1,000,000	\$ 1,047,119	\$ 47,119
Interest income	38,291	38,291	29,618	(8,673)
 Total Revenues	 <u>1,038,291</u>	 <u>1,038,291</u>	 <u>1,076,737</u>	 <u>38,446</u>
OPERATING EXPENSES:				
Salaries and employee benefits	251,089	251,089	231,844	19,245
Office supplies, postage and printing	28,600	28,600	13,361	15,239
Rent	20,400	20,400	20,400	-
Insurance	17,500	17,500	13,789	3,711
Advertising	15,000	15,000	11,350	3,650
Professional services	129,000	129,000	88,169	40,831
Communications (telephone & Internet)	5,000	5,000	8,936	(3,936)
Travel	50,000	50,000	17,309	32,691
Dues and subscriptions	10,000	10,000	5,311	4,689
Professional development	7,000	7,000	-	7,000
Projects and grants	445,000	445,000	765,339	(320,339)
Depreciation	-	-	1,878	(1,878)
 Total Operating Expenses	 <u>978,589</u>	 <u>978,589</u>	 <u>1,177,686</u>	 <u>(199,097)</u>
 NET REVENUES OVER EXPENSES	 <u><u>\$ 59,702</u></u>	 <u><u>\$ 59,702</u></u>	 <u><u>\$ (100,949)</u></u>	 <u><u>\$ (160,651)</u></u>

NOTE 1 TO SUPPLEMENTARY INFORMATION – REVENUES AND EXPENSES – BUDGET:

The Budget Comparison Schedule includes only the amounts for the EDC, which have been budgeted under the policies described in Note 2 of the Notes to the Financial Statements. None of the activities for the Pampa Energy Center LLC (PEC) or Las Pampas Square LLC (LPS) shown in the Combining Statement are included. As described in Notes 13 & 14 of the Notes to the Financial Statements above, PEC and LPS are kept separate from the EDC until being combined for financial statement presentation.

PAMPA ECONOMIC DEVELOPMENT CORPORATION
COMBINING STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>PEDC</u>	<u>PEC, LLC</u>	<u>LPS, LLC</u>	<u>Eliminations</u>	<u>Combined Total</u>
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 2,206,256	\$ 1,596,410	\$ 626,991	\$ -	\$ 4,429,657
Investments	1,005,145	-	-	-	1,005,145
Investment in subsidiaries	4,076,617	701,918	-	(4,778,535)	-
Receivables	15,672	-	16,141	-	31,813
Due from primary government	185,523	-	-	-	185,523
Prepaid expenses	15,145	17,787	816	-	33,748
Notes receivable - current	94,558	-	-	-	94,558
Total current assets	<u>7,598,916</u>	<u>2,316,115</u>	<u>643,948</u>	<u>(4,778,535)</u>	<u>5,780,444</u>
Noncurrent Assets:					
Notes receivable	1,045,275	-	-	(670,000)	375,275
Capital assets, net of depreciation	11,191	2,916,634	4,372,148	-	7,299,973
Total noncurrent assets	<u>1,056,466</u>	<u>2,916,634</u>	<u>4,372,148</u>	<u>(670,000)</u>	<u>7,675,248</u>
Total assets	<u>8,655,382</u>	<u>5,232,749</u>	<u>5,016,096</u>	<u>(5,448,535)</u>	<u>13,455,692</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	209	7,907	9,336	-	17,452
Accrued expenses	9,316	23,766	53,194	-	86,276
Unearned revenues	-	45,189	-	-	45,189
Notes payable - current	-	-	128,665	-	128,665
Compensated absences - current	2,016	-	-	-	2,016
Total current liabilities	<u>11,541</u>	<u>76,862</u>	<u>191,195</u>	<u>-</u>	<u>279,598</u>
Noncurrent Liabilities:					
Notes payable	-	-	4,122,983	(670,000)	3,452,983
Compensated absences	18,144	-	-	-	18,144
Unearned revenues	-	1,079,270	-	-	1,079,270
Total noncurrent liabilities	<u>18,144</u>	<u>1,079,270</u>	<u>4,122,983</u>	<u>(670,000)</u>	<u>4,550,397</u>
Total liabilities	<u>29,685</u>	<u>1,156,132</u>	<u>4,314,178</u>	<u>(670,000)</u>	<u>4,829,995</u>
NET POSITION					
Net investment in capital assets	11,191	2,916,634	790,500	-	3,718,325
Unrestricted (deficit)	8,614,506	1,159,983	(88,582)	(4,778,535)	4,907,372
Total net position	<u>\$ 8,625,697</u>	<u>\$ 4,076,617</u>	<u>\$ 701,918</u>	<u>\$ (4,778,535)</u>	<u>\$ 8,625,697</u>

PAMPA ECONOMIC DEVELOPMENT CORPORATION
COMBINING STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>PEDC</u>	<u>PEC, LLC</u>	<u>LPS, LLC</u>	<u>Eliminations</u>	<u>Combined Total</u>
OPERATING REVENUES:					
Sales tax	\$ 1,047,119	\$ -	\$ -	\$ -	\$ 1,047,119
Lease revenues	-	1,643,632	574,049	-	2,217,681
Other revenues	-	19,180	4,951	-	24,131
	<u>1,047,119</u>	<u>1,662,812</u>	<u>579,000</u>	<u>-</u>	<u>3,288,931</u>
OPERATING EXPENSES:					
Salaries and employee benefits	231,844	-	79,473	-	311,317
Supplies, postage and printing	13,362	5,028	1,684	-	20,074
Repairs	-	-	71,794	-	71,794
Rent	20,400	-	-	-	20,400
Insurance	13,789	17,226	61,445	-	92,460
Advertising	11,350	-	160	-	11,510
Professional services	88,169	33,701	4,471	-	126,341
Facility management fees	-	603,842	-	-	603,842
Ad valorem and severance taxes	-	37,714	70,847	-	108,561
Communication	8,936	-	-	-	8,936
Travel	17,308	-	-	-	17,308
Dues and subscriptions	5,311	-	-	-	5,311
Projects and grants	765,339	-	-	-	765,339
Utilities	-	-	85,647	-	85,647
Depreciation	1,878	91,392	506,436	-	599,706
	<u>1,177,686</u>	<u>788,903</u>	<u>881,957</u>	<u>-</u>	<u>2,848,546</u>
Income (expense) from operations	<u>(130,567)</u>	<u>873,909</u>	<u>(302,957)</u>	<u>-</u>	<u>440,385</u>
NON-OPERATING REVENUES AND (EXPENSES):					
Investment earnings	29,618	16	-	-	29,634
Interest	-	-	(161,931)	-	(161,931)
Insurance recoveries	-	-	21,831	-	21,831
Income (Loss) from subsidiaries	430,868	127,556	-	(558,424)	-
Transfers	-	(570,613)	570,613	-	-
	<u>460,486</u>	<u>(443,041)</u>	<u>430,513</u>	<u>(558,424)</u>	<u>(110,466)</u>
Total net non-operating revenues (expenses)	<u>460,486</u>	<u>(443,041)</u>	<u>430,513</u>	<u>(558,424)</u>	<u>(110,466)</u>
CHANGE IN NET POSITION	329,919	430,868	127,556	(558,424)	329,919
NET POSITION - BEGINNING	<u>8,295,778</u>	<u>3,645,749</u>	<u>574,362</u>	<u>(4,220,111)</u>	<u>8,295,778</u>
NET POSITION - ENDING	<u>\$ 8,625,697</u>	<u>\$ 4,076,617</u>	<u>\$ 701,918</u>	<u>\$ (4,778,535)</u>	<u>\$ 8,625,697</u>

**PAMPA ECONOMIC DEVELOPMENT CORPORATION
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>PEDC</u>	<u>PEC, LLC</u>	<u>LPS, LLC</u>	<u>Eliminations</u>	<u>Combined Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from sales taxes	\$ 1,046,380	\$ -	\$ -	\$ -	\$ 1,046,380
Receipts from lease revenues	-	1,709,403	574,049	-	2,283,452
Receipts from other operating revenues	-	19,180	(10,514)	-	8,666
Payments for personnel services	(230,521)	-	(79,473)	-	(309,994)
Payments for suppliers	(201,029)	(697,906)	(297,338)	-	(1,196,273)
Payments for projects and grants	(630,000)	-	-	-	(630,000)
Net cash provided (used) by operating activities	<u>(15,170)</u>	<u>1,030,677</u>	<u>186,724</u>	<u>-</u>	<u>1,202,231</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sale of investments	755,146	-	-	-	755,146
Purchase of investments	(1,010,291)	-	-	-	(1,010,291)
Cash loaned on notes receivable	(60,000)	-	-	-	(60,000)
Collection on notes receivable	65,209	-	-	-	65,209
Investment earnings received	22,965	16	-	-	22,981
Proceeds from insurance recoveries	-	-	21,831	-	21,831
Net cash provided (used) by investing activities	<u>(226,971)</u>	<u>16</u>	<u>21,831</u>	<u>-</u>	<u>(205,124)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:					
Payments on long-term debt	-	-	(134,085)	-	(134,085)
Interest paid on debt	-	-	(161,931)	-	(161,931)
Transfers	-	(570,613)	570,613	-	-
Net cash provided (used) by financing activities	<u>-</u>	<u>(570,613)</u>	<u>274,597</u>	<u>-</u>	<u>(296,016)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(242,141)	460,080	483,152	-	701,091
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,448,397	1,136,330	143,839	-	3,728,566
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,206,256</u>	<u>\$ 1,596,410</u>	<u>\$ 626,991</u>	<u>\$ -</u>	<u>\$ 4,429,657</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income (loss)	\$ (130,567)	\$ 873,909	\$ (302,957)	\$ -	\$ 440,385
Adjustment to reconcile operating income to net cash flows from operating activities:					
Depreciation	1,878	91,392	506,436	-	599,706
Credit given on notes receivable	135,339	-	-	-	135,339
(Increase) decrease in operating assets:					
Receivables	(739)	98,147	(15,465)	-	81,943
Prepaid expenses	5,100	(2,427)	46,198	-	48,871
Increase (decrease) in operating liabilities:					
Accounts payable	(27,512)	1,654	(47,722)	-	(73,580)
Accrued expenses	1,331	378	234	-	1,943
Unearned revenues	-	(32,376)	-	-	(32,376)
Net cash provided (used) by operating activities	<u>\$ (15,170)</u>	<u>\$ 1,030,677</u>	<u>\$ 186,724</u>	<u>\$ -</u>	<u>\$ 1,202,231</u>

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PART III
COMPLIANCE



Board of Directors
Pampa Economic Development Corporation
Pampa, Texas

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*

We have audited, in accordance with 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 business-type activities of the Pampa Economic Development Corporation, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Pampa Economic Development Corporation's basic financial statements and have issued our report thereon dated February 12, 2018.

Internal Control Over Financial Reporting

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

Our 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 deficiencies, significant deficiencies, or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pampa Economic Development Corporation's financial statements are free of material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our 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 our 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.

DOSHIER, PICKENS & FRANCIS, L.L.C.

DOSHIER, PICKENS & FRANCIS, LLC
February 12, 2018